Annual Report 2016

FCC Citizen Services

Index

New times

2016 was a year of intense work, **a true turning point** for our Group as shown by the main data and milestones that mark this year, the details of which are provided in the pages of this annual report.

These milestones have allowed us to return to stability and equip us with the necessary strength to continue with the growth that we have proposed, strengthening our capacity and operational flexibility, characteristics that, along with our team spirit, truly make a difference in the competitive market in which we operate.

The collaboration between the Group's different business divisions has become an essential goal for the company's present and future. Working as one single company to achieve synergies, to become more efficient and reduce expenses has entailed, among many other things, a change in culture, which we have addressed with the courage and determination that has always part of our identity.

We continue to live in times marked by significant challenges and great opportunities; and, as our CEO Carlos Jarque highlights, we have an effective strategy to deal with them, and renewed enthusiasm to tackle the future successfully, recovering profitability, strengthening confidence in the Group and maintaining its leadership wherever it does business. Added to this is, the particular importance of caring for and responding to those that make it possible, beginning with our clients and employees. To this end, we must continue to strengthen teamwork, to promote effective communication and improved collaboration between the divisions and the different companies. We will achieve this by working towards common goals, based on mutual commitment and with the enthusiasm and the passion we share for a job well done.

FCC's management team is committed to ensuring the Group's sustainability by creating an exciting future for all of us who are building it day by day.

Consequently, FCC is now much stronger than ever, and we have an outstanding position from which to address the challenges brought to us by these new times, with the confidence of having known how to evolve as a Group, having been able to reinvent ourselves by adapting to the new management models required by society and the market.

Shareholders, we live in new times, times in which we must address significant new challenges that we undertake with the certainty of having an extraordinary team, the proven confidence of our clients and all your support.

I would like to thank you all for being part of this exciting challenge.

Esther Alcocer Koplowitz
Chairperson of FCC Group

The change of cycle

Ladies and Gentlemen Shareholders, the process of transformation that we began in order to restore the company's stability and profitability continued throughout 2016. It has been a year of realignment and intense work which contributed to improve the financial results and our competitive capabilities.

Financial dimension

In 2016, the FCC Group achieved an EBITDA of 833.7 million euros at year-end, which means an increase of over 2.3% compared to the previous year.

One of the most important milestones was the **capital increase amounting to 709 million euros**, which resulted in new partnerships that were sucessfully implemented. This is the second capital increase that has involved the entry of Carso Group as majority shareholder. This new injection of funds has enabled us to restore stability and resilience so that the Group's growth would continue.

After the capital increase, in July, FCC contributed 289.5 million euros as part of the **restructuring of Cementos Portland Valderrivas S.A. (CPV).**

A new, five-year maturity was established, which includes a substantial reduction in financing costs. This means that the funding structure of the division has been adapted to the cashflow generation process.

In addition, 30 December 2016 marked the beginning of the acceptance period of the **public tender offer** for 100% of the share capital of Cementos Portland Valderrivas S.A. (CPV) to delist it from the Madrid and Bilbao stock exchanges in February 2017, achieving 88% of total shares that could be purchased.

Another outstanding achievement in 2016 was the **reduction of the Group's debt by 1,883 million euros**, a 34% reduction, placing FCC Group's net financial debt to EBITDA ratio at 4.3, which improves the Group's financial leverage by more than two points over 2015 and achieving a reduction in financing costs.

The convertible bond was eliminated along with one tranch of the debt (with a 15% write-down). Last September, there was an early repayment of a great part of FCC's convertible bond which meant the year-end amortisation of 417,7 million euros of the issue, almost 93% of the total. This cancellation has allowed for a substantial reduction in annual financing costs of 6.5%. In addition, negotiations were held with the various financing institutions to lower the interest rates of our financing, as well as to extend their maturities, mainly in the Water and Environment business divisions.

The Group has made an effort to improve the generation of cashflow. Payments for investments amounted to a total of 448 million euros over the year, similar to those of the previous year, although one thing that differentiated them was the 87 million euros related to FCC's subscription in 2016 of the **two capital increases carried out by Realia.**

With these operations in 2016, FCC Group has achieved a major breakthrough in its process to achieve the consolidation and optimisation of its capital structure, which provides a sound platform for financing and strengthens capacity and operational flexibility.

Carlos M. Jarque
CEO and Top Executive of FCC Group

In addition, the restructuring of the remaining FCC debt has been finalised, longer maturities have been negotiated along with lower interest rates.

On the **income** side, a significant number of contracts were renewed, debts collected and new important projects were awarded.

Operational aspects: working as a single company

Enhancing cooperation between FCC Group's different business areas is an essential goal for the company's present and future. We have concentrated on working as a single company, with the aim of creating synergies, becoming more efficient, streamlining structures and reducing expenses. This has entailed a change in culture.

The lines of action include:

Synergies. Interbusiness work has progressed considerably and is a fundamental pillar in the Group's new organisation. In the industrial area a workforce adjustment plan of more than 450 people was avoided by working with synergies with the Water, Environment and Construction divisions.

In 2016, operating expenses recorded a reduction of -9% compared with the previous year. The decrease was -467 million euros during 2016. This result is explained mainly by: less work carried out be subcontractors, on a consolidated level, -12% and by the reduction in personnel costs in the constuction business -15% (in 2016, 649 people were removed from construction; 472 due to collective redundancies, and its full impact on the payroll will be reflected mostly from 2017 onwards).

The restructuring of the Marketing and Corporate Communications area was also significant. Its new structure brought a saving of over -25% and FCC Aqualia's **new structures** contributed a saving of -8.4% to the Group.

The administrative expenses recorded a reduction of -13% in 2016 compared with 2015 and was the second consecutive year to record a decline. Thus, for 2016, expenses were 287 million euros, which compares favourably to the 357 million euros in 2014 and the 328 million euros recorded in 2015. The reduction in local and expatriate personnel, the non-replacement of jobs, the rationalisation of trips, as well as renegotiated purchases explain this result. Constant surveillance and control of expenses in areas such as personnel in international areas, leases, information technologies, purchases and travel will continue to be reflected in savings in administrative costs.

Centralised procurement has also had a positive impact for FCC where we obtain better purchasing conditions due to volume. For example, the saving in electricity consumption totals -22% and almost -45% in work uniforms.

Other productivity measures were the optimisation of space, the use of time on the job, FCC Aqualia's electronic invoices, the reduction of the average collection period and the application for services via mobile devices.

These actions **achieved positive results** for the company: the proportion of administrative costs to income month to month in 2016 had a clear downwards trend; productivity measured by EBITDA generated per employee grew in 2016; recurrent net profit showed a positive trend and FCC generated profits from April. (See graphs at the end of this letter).

Spending constraints must remain an essential management pillar at FCC Group in order to fully restructure the company through initiatives aligned with budget adjustments and reductions.

The **attributable profit** or loss in 2016 recorded a net loss of -162 million euros. However, adjusted for the 300 million euros allocated to Cementos Portland's goodwill, as well as for the saving arising from the Workforce Adjustment Plan 3, amounting to 15 million euros, (obtained by comparing the actual expenditure of 40 million euros against the one provisioned for 55 million euros), the accumulated net profit of majority shareholders at year-end 2016 was +149.8 million euros, which compares favourably to the loss of -46 million euros recorded in 2015 and to the -724 million euros in 2014. As previously stated, **analysing by month, recurrent net profit was positive from April 2016 onwards**.

We can confirm, despite the challenges ahead, that we have progressed in the financial restructuring and that we have greater operational efficiency and, most importantly, that we have made further progress in 2017 in reorganising the financial structure and operational aspects.

Flagship projects

FCC Group would not be what it is today if its businesses did not continue moving forward in their activities. In 2016, FCC won and renewed flagship contracts which, although they are mentioned in the annual report, I would like to highlight them, because they have been of vital importance for the Group, strengthening our backlog for the future. Worthy of note is the renewal of 99% of contracts in the water division, waste contracts and the awarding of new projects in the construction division.

In Spain, **FCC Environment** won 129 contracts for urban services, which is a volume of over one billion euros of contracts. These contracts were added to the backlog in Spain, whose greatest increase took place in September last year, when the Madrid City Council awarded FCC one of the three packages tendered for the collection of municipal waste for the western area of the capital, which includes most of Madrid's city centre.

In addition, FCC Environment has increased its international portfolio, with a total global contracting volume of 2,000 million euros. In Scotland, it began the development work for the Energy from Waste plant for Edinburgh and Midlothian, which has an associated backlog of 511 million euros. In the United States, towards the end of last year the company was awarded the contract for the collection of municipal solid waste in Polk County, in the state of Florida, for a period of 10 years, amounting to approximately 102 million dollars, as well as the tender for the processing and marketing of all the recyclable material from the city of University Park (Texas), for a period of five years, which can be extended for another five years.

FCC Aqualia has signed new international contracts worth 318 million euros, including the construction and management of two treatment plants in Colombia which total 148 million euros and will serve more than three million citizens, and a desalination plant in El-Alamein (Egypt) for 114.6 million euros. In addition, contracts have been obtained for networks in Riyadh (Saudi Arabia) for 23 million euros. With all these contracts the backlog for this area remains at a historic high, with almost 15 billion euros at year-end.

FCC Construction exceeds 500 million euros of contracts in its industrial activity. The contracts awarded, such as the pipeline in Samalayuca-Sasabe, Mexico, the renovation of the fuelling facilities at Dublin Airport (Ireland) or the electro-mechanical facilities of Lines 5 and 6 of the Riyadh Metro (Saudi Arabia), have led to a significant growth of the backlog over the year of +14.4% compared to the previous year.

Also worthy of note is Mexico City's new airport, with works totalling 3.9 billion euros, awarded to FCC and CICSA in early 2017.

Year of stability

I would also like to highlight some aspects of our income statement by sector in 2016.

As mentioned, FCC Group's gross operating profit (EBITDA) amounted to 833.7 million euros in 2016, representing an increase of 2.3% over the previous year, due to the reduction in overheads and the administration structure across the Group. The operating margin rose to 14.0% compared to 12.6% in 2015, thanks to the successful creation of synergies and measures to increase productivity.

This result was obtained despite the -7% decrease in the company's operating income (just over 80% of this decrease corresponds to Construction), which was 5.675 million euros for the twelve months of the year; during 2016, Construction recorded a -17% drop in revenue, mainly due to the slowdown in the local sector throughout the year and by the contraction in investment in public works in Spain.

At year-end, the Environmental Services and Integrated Water Management divisions produced 80.4% of the Group's gross operating profit, whereas 19.6% comes from cyclical activities related to the demand for construction, infrastructure and building.

As of 31st December, investment amounted to 448.6 million euros, compared to 431.9 million euros the previous year, an increase of 3.9 per cent.

Orderbook at year-end rose to 30,589.9 million euros, with 85.4% of the total concentrated in water and waste management, which ensures a high degree of visibility and resilience for FCC Group's prospects as a whole.

Corporate Governance

Another significant milestone in 2016 was the appointment of three new Board Members: Alfonso Salem Slim, Antonio Gómez García, and Miguel Ángel Martínez Parra. The new members join Carlos Slim, Alejandro Aboumrad, Juan Rodríguez Torres and Gerardo Kuri Kaufmann, representing Carlos Slim's holding. They join the other members Esther Koplowitz, Esther Alcocer, Alicia Alcocer, Carmen Alcocer, and the independent members Álvaro Vázquez de Lapuerta, Henri Proglio and Manuel Gil Madrigal.

The current CSR policy was approved in June 2016. It defines the commitments acquired by all the businesses in relation to the framework of integrity and business ethics, respect for the environment and the creation of shared value for society at large.

In addition, the profile of the management team has been strengthened within the framework of austerity and downsizing structures.

Strategy

The strategic plan is committed to creating synergies among the different businesses that make up FCC Group by developing and using the most modern and useful technology, with innovative solutions that respond to a constantly changing context that is increasingly globalised and competitive.

FCC's strategy is based on the following fundamental pillars:

- **Values that define our performance:**
  - Over 115 years experience.
  - Connected with citizens.
  - Professionalism and quality: Committed to talent and diversity.
  - Employees' health and safety.
  - Financial strength and operational efficiency: Do things well.
  - Committed to CSR.
- **Strategic guidelines to achieve objectives:**
  - Act as an unique company.
  - Ongoing projects to be properly finished.
  - Profitable business, adjusted to risk control and positive cash flows.
  - Flagship projects.
  - Innovation and application of cutting-edge technology.
  - Leveraging the new era of good technological fortune (digital world): digital culture, digitalisation of processes and sensors, as well as M2M.
  - Targeting known markets.
  - Strategic alliances and synergies in FCC Américas.
  - Smart internationalisation.

The road map is specific for each of the businesses without dispension:

FCC Environment: In the Environment division, work will be done to consolidate our business in Spain and the United Kingdom, and development in Central Europe, Eastern European Countries and the United States.

FCC Aqualia: In the water division, will work on the extension or renewal of long-term contracts in Spain. In the international market, there are interesting urban cycle concessions, with us focusing on target markets such as the European, Middle East and Latin American ones.

FCC Construction: The strategy for construction will be to focus on large infrastructure with a selection of projects in which FCC Construction's "know-how" will provide added value. This is the case of rail and road transport, infrastructure related to processing and desalination (in synergy with FCC Aqualia), incinerators (in synergy with FCC Environment), in large unique buildings (airport- and hospital-related) as well as bridges and tunnels.

In the Americas, a new subsidiary company called "FCC Americas" was created, which is already implementing projects throughout the continent. FCC Group's internal synergies will be supported to enhance the company's value, ranging from investments in concession projects, to the design, construction, operation and maintenance of the projects as required. We will be focusing on projects that generate cash flow.

FCC Industrial: Will focus on work in the fields of industrial construction, oil and gas, electro-mechanical installations, construction and maintenance of distribution networks, civil and electrical infrastructure maintenance, the implementation of systems for traffic, and will continue expanding internationally.

Cement: We will work to recover the demand for cement in Spain with a greater focus on exports.

Conclusion

For FCC, 2016 was a turning point. Thanks to the outstanding efforts of the Board and the hard work carried out by all of us who make up FCC, the Group is starting to see positive effects in a change of cycle.

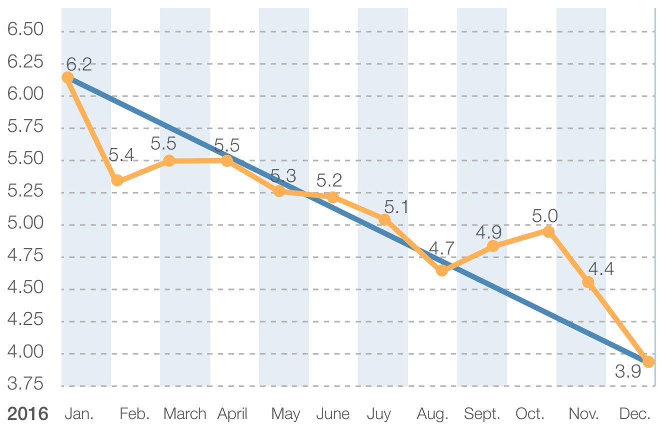
FCC's financial and operational transformation is fully underway and the company's goals are being met. We have challenges and great opportunities ahead and we have prepared an effective strategy to deal with them.

I am convinced that we will continue to move forward by working as a large Group. We have renewed enthusiasm to face the future successfully and profitably, restoring confidence in FCC and keeping our Group as leader in the fields where it does business.

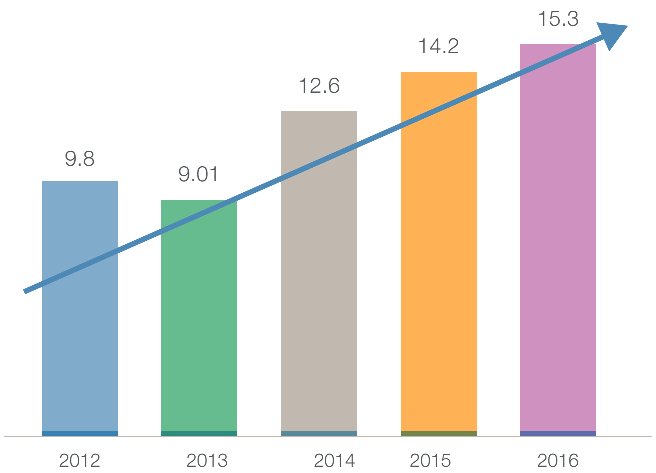
I would like to express my gratitude to shareholders for their confidence and support.

Carlos M. Jarque
CEO of FCC Group

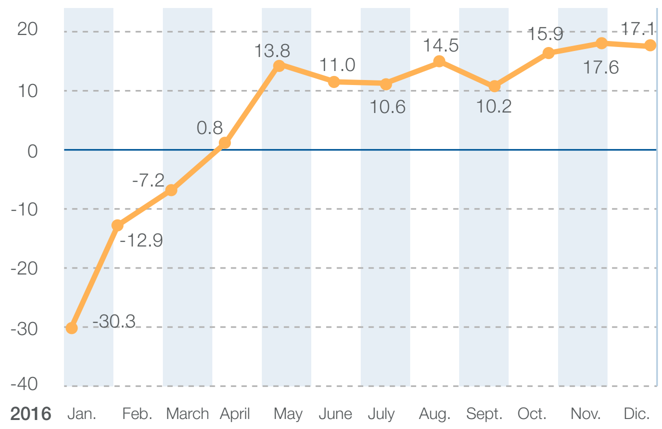
Administrative expense as a % of revenues 2016



Productivity = EBITDA per employee. Thousands of euros



Net Recurent Profit 2016



02

FCC Group. Business model

Diversified business model

The environment

- Waste collection
- Street cleaning
- Urban waste treatment and recycling
- Conservation of green areas
- Maintenance of sewage networks
- Industrial waste treatment and recycling
- Recovery of contaminated soils

Water

- Comprehensive management of public services
- Operation, maintenance and technical assistance services
- Design, construction and financing of water infrastructure

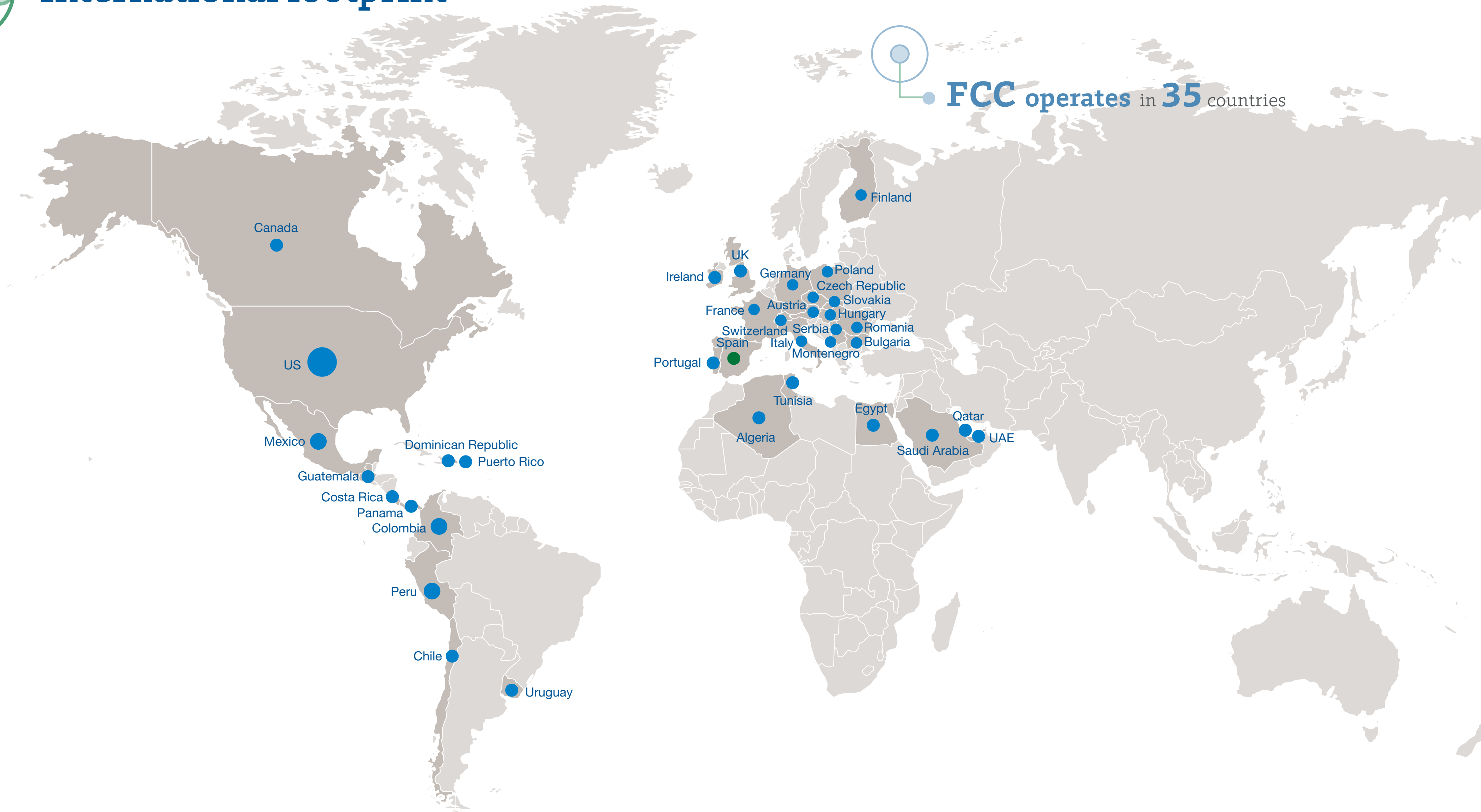
Construction

- Civil engineering works
- Building
- Industrial
- Concessions
- Infrastructure maintenance
- Prefabricated elements

Cement

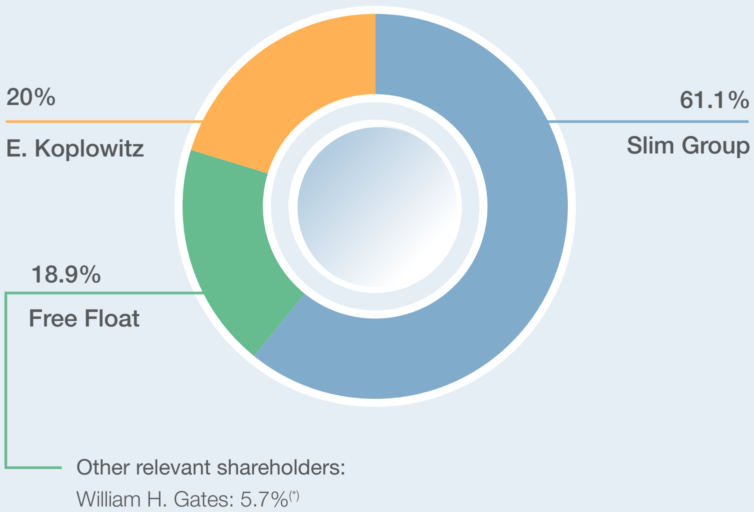
- Cement
- Trading
- Other businesses (concrete, aggregate, mortar and waste management in the US.)

International footprint



Capital structure of the company

Shareholder structure(*)



(*) According to the latest communication to the CNMV

Composition of the Board

15 members

- **8** representing the Slim Group
- **4** representing E. Koplowitz
- **3** independent directors

Audit and Remuneration Board Committees

- Chaired by **Independent Directors**
- A majority of **Independent Directors**

Corporate governance

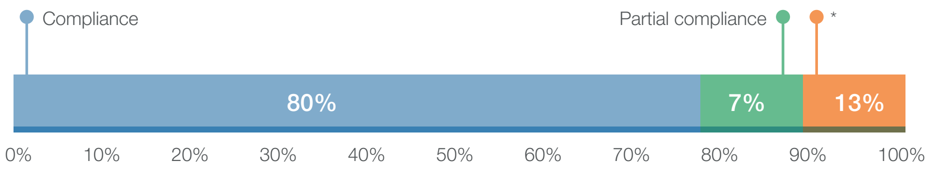
FCC's corporate governance model acts as guarantor of the responsible and effective management of the company, integrating and improving behaviour, aligned with the values of FCC set out in its Code of Ethics. Another pillar of the model is the transparency in relation to its shareholders, customers, employees and other FCC stakeholders.

The responsibilities of the Governing Body of the company are expressly laid down in FCC's Corporate By-laws and in the Rules of the Board of Directors. Best practices and market recommendations in this area are followed. Among their main functions are FCC's strategic guidance, the identification of risks of any nature that may affect the business, the monitoring of the proper operation, and decision-making which ensures that the interests of the company are protected over the long term.

As set out in the Annual Corporate Governance Report, formulated by the Board of Directors and communicated to the Spanish National Securities and Exchange Commission (CNMV), the Corporate Governance Guidelines of FCC Group are aligned with the principles and recommendations stemming from the CNMV's Code of Good Governance of Listed Companies, with the International Corporate Governance Network (ICGN) and other prescriber organizations in the field of Corporate Governance.

Compliance with the recommendations of the CNMV's Code of Good Governance

FCC Group complies with many of the voluntary recommendations provided by the Spanish National Securities and Exchange Commission (CNMV) in the Code of Good Governance of Listed Companies (approved in February 2015) and which constitute a line of improvement for the management and administration of Spanish companies.



* Explain: According to the nomenclature established by the Spanish National Securities and Exchange Commission (CNMV)

FCC complies with recommendations 53, 54 and 55 on Corporate Social Responsibility established by the CNMV in the Code of Good Governance having assigned to the Executive Committee of the Board of Directors the monitoring of the company's non-financial risks (R53), with the full Board approving a CSR policy (R54) and publishing an annual report on its behaviour and commitments to social responsibility (R55).

The composition of the Board of Directors and Board Committees

In 2016, the Board of Directors was restructured from 11 to 15 members. Four new members were appointed at the proposal of the controlling shareholder, under the provisions of the shareholders' agreement of 25 February of the same year and subsequent to the report of the Appointments Commission on the suitability of the directors.

The appointments of Mr Carlos M. Jarque Uribe (as CEO of FCC Group), Mr Antonio Gómez García, Mr Alfonso Salem Slim and Mr Miguel Angel Martínez Parra, were ratified by the General Meeting held in June 2016

The total number of independent directors represents 20% of the Board, a percentage which sufficiently oversees the Group's free float interest, which after the last capital increase is 13% of the shareholder structure.

	Executive committee	Audit and Control Committee	Appointments and Remuneration Committee
Esther Alcocer Koplowitz Chairperson (Proprietary) (Dominum Desga, S.A.)	◎		◎
Esther Koplowitz Romero de Juseu Deputy Chairperson (Proprietary) (Samede Inversiones 2010, S.L.U.)			
Carlos Manuel Jarque Uribe CEO - Executive	P		
Carlos Slim Helú Proprietary (Inmobiliaria AEG, S.A. de CV)			
Alicia Alcocer Koplowitz Proprietary (EAC Inversiones Corporativas, S.L.)	◎		
Carmen Alcocer Koplowitz Proprietary (Dominum Dirección y Gestión, S.A.)			
Gerardo Kuri Kaufmann Executive	◎		
Alejandro Aboumrad González Proprietary	◎		
Miguel Ángel Martínez Parra Executive			
Alfonso Salem Slim Proprietary			
Juan Rodríguez Torres Proprietary		◎	◎
Antonio Gómez García Proprietary			
Manuel Gil Madrigal Independent		◎	◎
Henri Proglio Independent		P	
Álvaro Vázquez Lapuerta Independent		◎	P

P: Chairman of the Committee

- Francisco Vicent Chuliá, Secretary (Non Director)
- Felipe Bernabé García Pérez, Vice-Secretary (Non Director)

The General Meeting of Shareholders

The General Meeting of Shareholders of FCC Group is governed by the provisions of the law, the company's by-laws and the Regulations of the General Meeting. FCC ensures equal treatment to all shareholders who are in the same position, in terms of information, participation and the exercise of voting rights at the General Meeting. There is no limit to exercising the right to attend and vote. One share, one vote.

The Board of Directors

This is the body responsible for the management, administration and representation of FCC Group. It focuses its core activity on the supervision and control of the everyday management of the company, entrusted to executive directors and senior management, as well as the consideration of other issues of particular importance to FCC Group.

The Executive Committee

This is the permanent delegation body appointed by the Board of Directors which, in turn, determines the powers and duties that have been assigned to it as well as to the directors in said committee. It is responsible for making decisions regarding investments and divestments of FCC Group, access to credit, loans, guarantees, sureties and other instruments of a financial nature.

The Audit and Control Committee

This supports the Board in its task of regularly monitoring the process of preparing the financial-economic information, internal control processes and the independence of the external auditor. It comprises a majority of independent directors. As a whole the members of the Committee must have the relevant technical knowledge regarding the sectors in which FCC Group operates. In addition, an essential requirement is that among its members, at least one of them must have the knowledge and the necessary experience in accounting and/or auditing.

The Appointments and Remuneration Committee

This committee is assigned the following powers concerning: information, consultancy and proposals related to the appointment, reappointment, ratification and removal of directors, remuneration of directors and senior management of FCC Group, as well as the control of potential conflicts of interest and related party transactions, without prejudice to other functions, whatever they may be, attributed by law, the Corporate By-laws or the Rules of the Board of Directors.

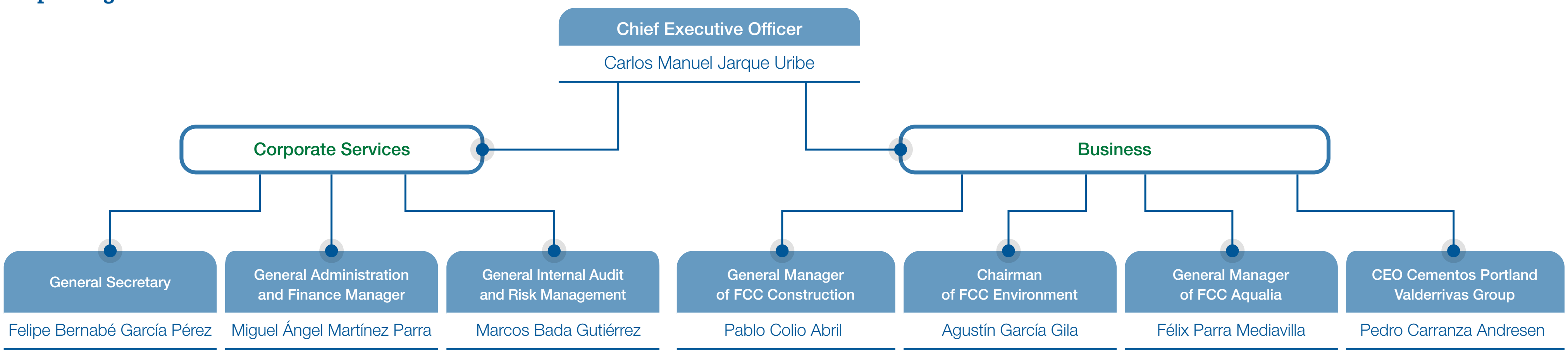
According to the provisions of FCC Group's Corporate By-Laws, the governance and administration of the company is the responsibility of the General Meeting of Shareholders and the Board of Directors, appointed by the General Meeting, to represent the company in the performance of the duties and powers attributable to each of them.

The Board of Directors has in turn three support committees of a permanent and internal nature, which are the Executive Committee, the Audit and Control Committee, and the Appointments and Remuneration Committee.

The distribution of powers and duties among the Board of Directors and its committees is of a suitable nature to achieve the corporate purpose, favouring efficient organisation and operations by the Board.

The Directors of FCC Group are classified as executive, proprietary and independent directors and they are appointed by the General Meeting of Shareholders. In the case of independent directors, they are elected by the General Meeting based on the implementation of rigorous professional criteria and total independence, and they have to be proposed for election by the Appointments and Remuneration Committee. This proposal comes from an independent third party responsible for the selection of directors of listed companies, that meets the needs of FCC Group's profile and the requirements of professionalism and independence required by law and Good Governance practices.

Corporate governance structure



Diversity on the Board of Directors

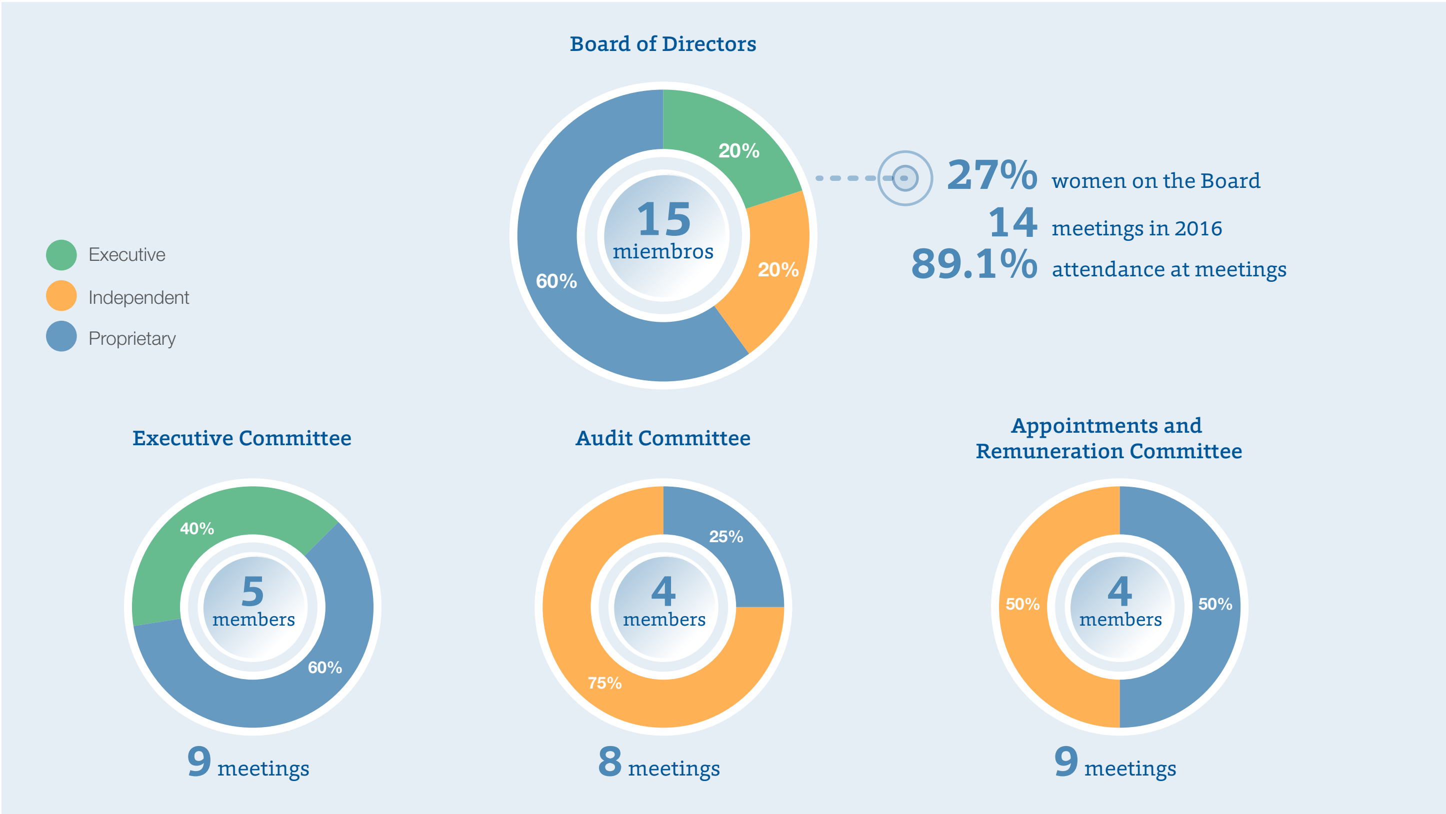
The members of FCC Group's Board of Directors as a whole represent a wide diversity of gender and nationalities, with 27% of the Board being women (60% of foreign nationality). Among the nationalities represented are Mexican (53%), Spanish (40%) and French (7%). Notably, the percentage of women and foreign directors is above the average percentage of all Spanish listed companies (10% of women on average and 15% of foreign directors, according to the Spencer Stuart Boards Index Report 2016, 20th edition, which analyses 100 listed Spanish companies).

The Appointments and Remuneration Committee is responsible for ensuring diversity on the Board of Directors. Among its duties, as laid down in the Rules of the Board, is the avoidance of bias in the assessment of candidates as well as making sure that a suitable number of women are included among the applicants for vacancies.

The training and professional performance of the directors also demonstrates the diversity of their backgrounds. Thus the profiles linked to the field of economics, law and engineering are highlighted, with extensive international career paths in different types of companies, mainly in the field of construction and cement, but also related to finance, services and telecommunications.

Operation and effectiveness of the Board and Board Committees in their performance

The Board of Directors, exercising its responsibility in the monitoring and control of risks, strategy and responsible management in the company, met fourteen times during 2016, and has therefore complied with its duty to meet with the necessary frequency to properly perform its functions whenever required by the interests of the company (Article 34.1 of the Rules of the Board of Directors and Article 31.1 of the Corporate By-Laws).



In addition, the directors are provided with the necessary information so that they can form their opinion and cast their vote in relation to the matters submitted for consideration, as established in article 34.3 of the Rules of the Board of Directors. In turn, the Board of Directors has gathered from senior management of the company, the information that it has considered suitable for the better and more adequate performance of its functions. The company agreements have been adopted in all cases by the unanimous vote of the directors participating in the voting process.

Similarly, the Board committees have held a lot of meetings to ensure the monitoring and ongoing supervision of the management and administration of FCC Group.

It should be noted that the exchange and flow of information between the various committees and the Board of Directors is constant and is optimal for the best performance of the activities and functions assigned to each one of them.

Also, the information channels established between the Board and the senior management of the company and its committees, as well as the progress of their sessions, allow the Board of Directors to carry out its general function of supervising the management and administration of the company and its Group efficiently.

Remuneration in 2016:

The Board: 2,756

Senior Management: 3,507

(thousands of euros)

Self-assessment of the Board of Directors

On 3 February 2017 the Board of Directors of FCC issued the report which evaluated the quality and efficiency of its operation and that of its Committees during the year 2016. This self-assessment corresponds to the duty imposed by Article 34.9 of the Rules of the Board of Directors, through which, recommendation 36 of the Code of Good Governance of Listed Companies and Article 529 of the Spanish Capital company Act are incorporated.

For the 2016 report, the self-assessment process was conducted assessing the various aspects that affect performance, efficiency and quality in the proceedings and decision-making of the Board of Directors, and the contribution of its members to undertaking the functions and achieving the goals assigned to the Board.

Respect and compliance have also been taken into account by the Board of Directors and its members, of the by-law provisions, the Rules of the Board of Directors and, in general, the rules of Good Corporate Governance of Listed Companies.

Positive evaluations and conclusions were obtained from the assessment process on the quality and efficiency of the operation of the Board of Directors, both with regard to its composition and internal organisation and the exercise of the powers assigned to it.

Lastly, the members of the Board possess the necessary neccesary repute, solvency, technical competence and experience referred to in Article 16.1 of the Rules of the Board, for the exercise of their functions and the fulfilment of their purposes. The composition of the Board is suitable for the performance of its activities and the quality and efficiency of its functions, given the entity and current size of the company and the activities it carries out.

Incentives aligned with the achievement of FCC objectives: remuneration policy

FCC's remuneration system is directly related to the results of the company, given that the remuneration of the directors mainly consists of a share of the net profit of the company, thus when there are no profits the members of the Board of Directors of FCC only receive the allowances arising from the effective attendance at the Board and its Committees meetings.

In accordance with the provisions of Article 28.2 of the Rules of the Board of Directors, among the criteria that must be met with respect to the remuneration policy of the company, is that the remuneration must be kept in reasonable proportion to the importance of the company, its economic situation at any given time and the market standards of comparable companies, and the system of remuneration established must aim to promote the profitability and long-term sustainability of the company and incorporate the necessary safeguards to prevent excessive risk-taking and the rewarding of unfavourable results.

03

FCC Group strategy

FCC Group's vision, mission and values

Current context

To affirm the vision of FCC is to clarify our future and give meaning to our activities. In this way, we all share the same culture and adhere to the same project: an unique FCC.

Vision

What we want to be

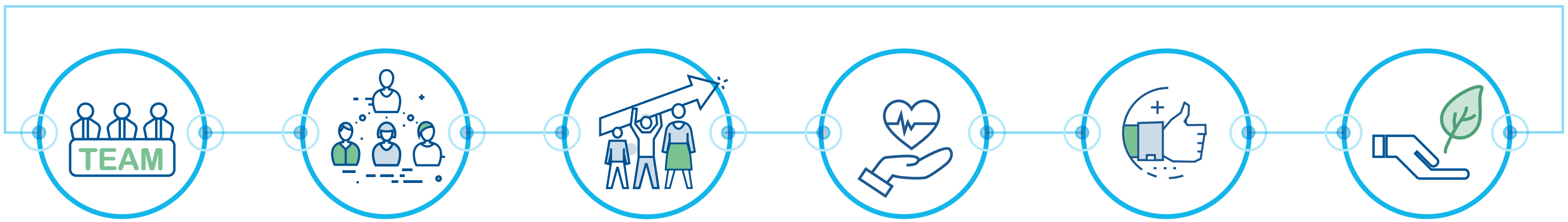
To be the International Group of reference on Citizen Services that offers the best global and innovative solutions for efficient resource management and infrastructure construction, contributing to improving citizens' quality of life and the sustainable progress of society.

Mission

What we do

Design, implement and manage, in an efficient and sustainable way, environmental services, integrated water management and the construction of major infrastructure works, to improve the lives of citizens.

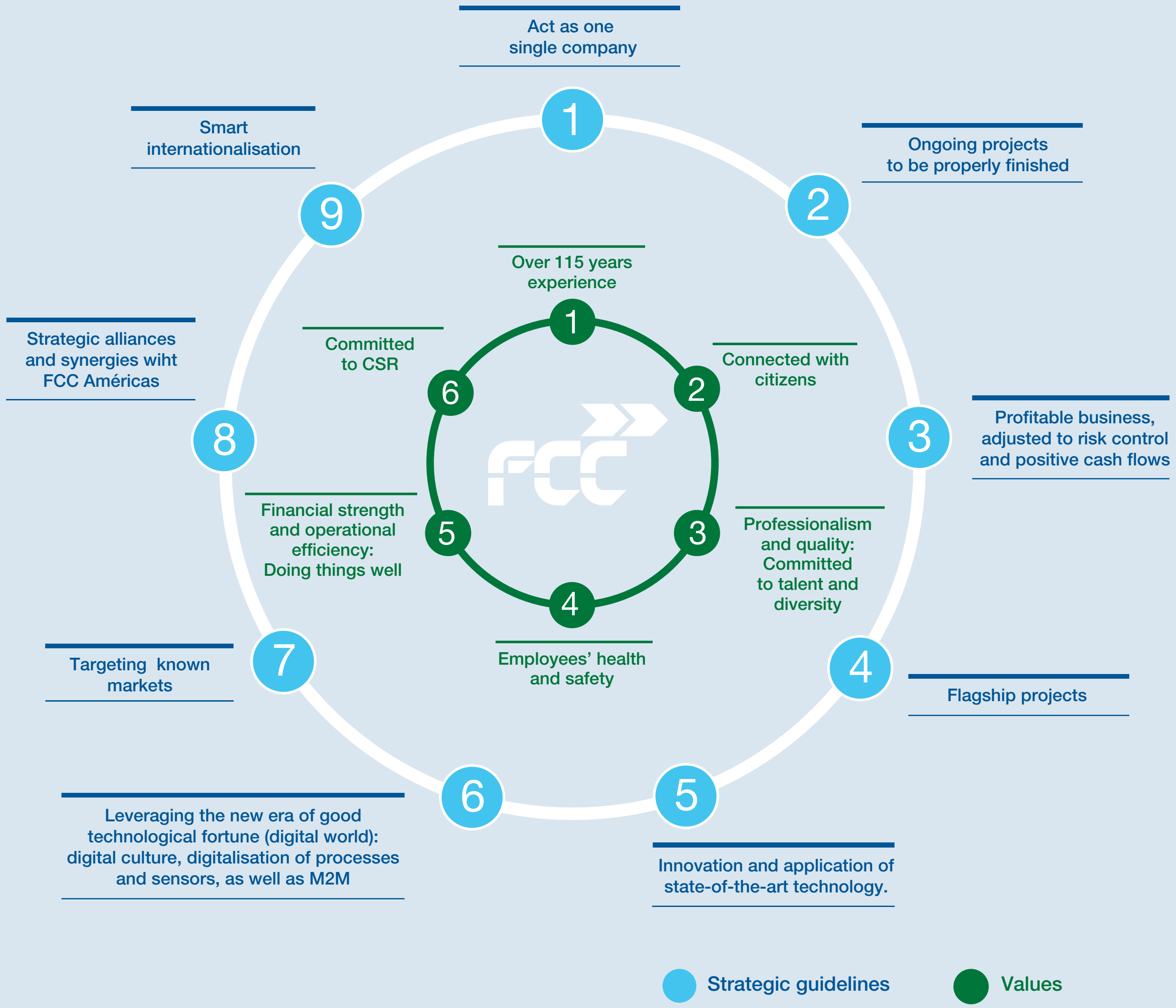
Values



- Over 115 years experience
- Connected with citizens
- Professionalism and quality: Committed to talent and diversity
- Employees' health and safety
- Financial strength and operational efficiency: Doing things well
- Committed to CSR

FCC Group's contribution to value

FCC Group's business model is based on the specialization of three synergistic business areas in the field of design, infrastructure execution and the provision of services to cities. This value creation proposition is based on the company's values and on the development of strategic lines of business.



FCC Opportunities for a global future

Scenarios marked by global trends

Some of the main global challenges that will affect the socio-economic panorama of cities, governments and companies, are:

Population pressure and concentration of the population in large cities and urban centres

By 2030, the world's population will exceed 8.5 billion people, which will be concentrated mainly in urban centres (over 60%). The increase and global consolidation of the middle classes will drive this change, especially in emerging economies, which will experience increasing urbanisation over the next decade.

As a consequence, the conception and planning of cities will gradually change over the next few years to adapt to this new scenario in which information technologies, mobility, land use planning and the sustainable development of the environment will be the pillars on which urban growth should be articulated.

Climate change on the global agenda

It is well known that cities and their buildings generate more than 30% of global greenhouse gas emissions, as well as those related to the mobility of people, which exceed 20% of global emissions. The responsibility for the total emission reduction makes it necessary for governments, companies and citizens to act. The Paris Climate Conference, which took place in December 2015, laid the foundations for a historic agreement to contain global warming, signed and ratified by more than 100 States since its entry into force in 2016.

The current energy model has been the main driver of climate change. At present, the generation of different energy agents is evolving and favours the development of clean energy from renewable sources. Energy regulation will require action on the part of the various players in the market to ensure the fulfilment of objectives.

Water scarcity

The scarcity of water resources today affects more than 40% of the population. By 2050, at least one in four people is likely to live in a country affected by chronic and repeated shortages of freshwater. The shortcomings related to the provision also pose a problem for economic development and social progress. At present, more than 748 million people have no access to drinking water sources and 2.5 billion have no access to sanitation. In Latin America alone, 82 million people live without water and 114 million do not have access to sewage systems.

The measures to achieve universal access to drinking water and sanitation systems are part of the Agenda 2030 and require the involvement not only of the States, but also all the social actors involved in the management, including the private sector.

The disruption of new technologies

The digital transformation marks the growth patterns of the sectors in which the company is present, much more dynamic and linked to the development of information and communication technologies, in response to the demands of consumers that are much more empowered.

The existence of disruptive technologies could have a potential economic impact between 13,000 and 30,000 million euros per year in 2025. The transformation of technology includes new ways of working, according to the location of the population, continued education and new products and services that ultimately seek a healthier environment.

Some of these technologies are related to energy storage systems, which will transform transport, mobility and the provision of services, having a great impact on the organisation of cities of the future.

Economic globalisation and outsourcing of added value

In developed economies, the economic structure has shifted to a model based primarily on the services sector to the detriment of industrial manufacturing, mainly due to the increase in family income that has allowed more services to be used. This phenomenon has intensified in recent decades as a result of globalisation.

The concentration on economic activities of the third sector already represents 75.7% in an economy like that of the United States, or close to 70% in European countries, like Germany.

Opportunities for citizen services

The macro-trends mentioned above, create a new scenario with uncertainties about the timely impact of these changes,

but also provide opportunities for a company such as FCC Group, with experience and capacity to respond to specific needs of the population, through its businesses:

75.7% concentration on economic activities of the services sector, in the economy of **the United States**

70% en países europeos, como **Alemania**

The supply and treatment of quality water for a larger number of people will require greater specialisation and investment

Guaranteeing access to water, in quantity and quality, to an increasing number of the urban population, taking measures that protect the resource, together with the management of the waste generated.

In emerging markets, the solution will come from increased water infrastructures works that cover access and sanitation needs, while in more mature markets, large-scale data analytics could be a disruptive element in the understanding of water management and the infrastructure associated with the sector.

The challenge to manage waste generated in cities, protecting the value of urban ecosystems, requires extensive experience in the sector

The increase in municipal solid waste generated (between 7 and 10 billion tonnes *) makes waste management a priority to contain global warming, with a potential impact from improved waste management in terms of reducing emissions between 15% and 20%.

The circular economy is postulated as one of the viable solutions in the fight against climate change to limit the rise in the global temperature between 1.5 and 2ºC until the end of the century. It is estimated that around 50% of greenhouse gas emissions are associated with the consumption of raw materials.

Between 7,000 and 10,000 million tonnes of solid urban **waste**

With the **improvement of waste management** it is possible to achieve a **reduction of emissions** of between **15** and **20%**

The population's access to basic services, as well as urban mobility: inter-urban connections, requires more complex transport infrastructure

It is estimated that due to the population growth forecasts up to 2030, an annual infrastructure investment of 3.3 billion dollars (around 3.8% of the world's gross domestic product) is needed, mainly in emerging economies where the lack of infrastructure represents 60% of the investment needed.

This demand will triple if you take into account the additional investment that would be required to meet sustainable development goals.

The challenge for these developments is the necessary support of stable regulatory frameworks and the backing of multilateral institutions responsible for boosting investment.

* Global Waste Management Outlook of 2015, prepared by the United Nations Environment Programme and the International Solid Waste Association

FCC Strategy

Background

FCC Group has a history of more than 115 years in the market. It is a dynamic company, with experience, the capacity to adapt and react to the various scenarios that it faces, which contribute to the development and progress of cities, creating value for all citizens, customers, shareholders and employees.

Objectives:

- Regain profitability.
- Strengthen investor confidence.
- Reaffirm FCC as a leader in its areas of activity.

Actions for a more robust and efficient business

2016 realignment

Financial:
- Capital increase and divestments.
- Debt reduction.
- Restructuring of remaining debt.
- Renewal of contracts and new projects.
- Collection of debts.

Operational:
- Organisational optimisation (restructuring of areas and synergies).
- Renewal of the Management Team.
- Concentration of support functions.
- Reduction of inefficiencies.
- Centralised purchasing.
- Expansion of operational best practices.
- Reduction of staff, maintaining the specialized team.
- Adjustment of regional and local offices.
- Training for strategic and growing markets.
- Reduction of costs (administrative, advisers, sponsorship, etc.).
- Review of critical decisions in the project cycle.
- Strengthening, Corporate Social Responsibility actions and implementation of the Code of Ethics.

2017 growth

Values that define our performance:
- Over 115 years experience.
- Connected with citizens.
- Professionalism and quality: Committed to talent and diversity.
- Employees' health and safety.
- Financial strength and operational efficiency: Doing things well.
- Committed to CSR.

Strategic guidelines to achieve objectives:
- Act as an unique company.
- Ongoing projects to be properly finished.
- Profitable business, adjusted to risk control and positive cash flows.
- Flagship projects.
- Innovation and application of cutting-edge technology.
- Leveraging the new era of good technological fortune (digital world): digital culture, digitalisation of processes and sensors, as well as M2M.
- Targeting known markets.
- Strategic alliances and synergies in FCC Américas.
- Smart internationalisation.

Values that define our performance:

1. Over 115 years experience

FCC is a company that provides high added value thanks to more than 115 years of activity. We export our *know-how,* our consolidated experience and a large portfolio of references.

We have a magnificent team of professionals, highly specialised in all branches of engineering and we provide knowledge, technology and innovation to every project we carry out. In addition, we have a strongly implemented corporate responsibility policy, which stems from senior management, and which is based on supporting the local communities where we operate.

2. Connected with citizens

Through the strategic pillar connecting citizens, FCC has raised a number of objectives to reinforce the principle of proximity. For the implementation and evaluation of the initiatives developed, the company has created the **work platform** "connecting citizens" in which all the business areas of the Group participate. The objectives established for this are:

1. Evaluate and establish **metrics on the positive** social and environmental impact generated by FCC projects presented in public tenders.
2. **Involve** citizens in the **promotion of sustainable habits** and in the search for answers to present and future urban challenges.
3. The creation of dialogue forums with strategic prescriber groups for the company, in order to observe **trends and needs** of the **communities** of the **future**, and connect FCC management and innovation with the key expectations of citizens.
4. We have the **cooperation of our employees** to create a more equitable, sustainable and diverse society, by designing projects that contemplate their collaboration and contribution to value.

3. Professionalism and quality: Committed to talent and diversity

At FCC we are aware that the best services can only be provided by the best professionals. FCC has technicians who are experts in all fields of engineering and services, who have trained with the best specialists in the market and who know different techniques, thus contributing added value based on confidence, safety and professionalism for our clients.

Our priority is still centred on satisfying customers well beyond their expectations, and we are committed to fulfilling their requirements with the guarantee of quality that sets us apart. Our main objective is based on performance excellency and customer satisfaction, achieved by providing special attention and ongoing dedication to our customers, always focusing on fulfilling their expectations.

To ensure a constant supply of quality drinking water, water should be treated and monitored following strict operating protocols that should be carried out by qualified technicians in each phase of the integrated water cycle. The water analysis laboratories play a fundamental role to guarantee compliance with quality standards established according to current legislation. To this end, these laboratories should have the best available technology and highly qualified personnel, as well as all the controls necessary to guarantee environmental-friendliness.

4. Employees' health and safety

FCC establishes and implements health policies for employees, families and communities, ensuring safe and healthy work environments, and raising awareness through the supply chain.

The health and safety of FCC employees is a fundamental and crucial pillar for the company. At FCC, we are aware that we work in sensitive activities, and it is for this reason that considerable efforts are made in the area of health and the prevention of occupational hazards.

FCC Group has a strategy and action plan, which is periodically reviewed, whose objective is to ensure compliance with legal requirements, as well as to commit the entire organization to comply with the regulations.

Fostering a culture of prevention

We seek continuous improvement of the preventive culture in each business, through training, information and awareness of the obligations and responsibilities of all employees, as well as the commitment of the entire organisation to compliance with regulations. The key to success in prevention is based on the employees themselves, they are responsible for complying and committing themselves to their own individual part. This fact is accredited by the certifications obtained and the notable reduction of the accident rates in the Group.

Healthy company

Our commitment to health and well-being is one of the basic pillars of our employee value proposition as well as the reduction of absenteeism in the Group:

- FCC launches annual awareness campaigns and information on matters of prevention, such as road safety, flu vaccinations, blood donations, etc.

- FCC encourages the practice of sports and promotes healthy physical activity to put an end to sedentary lifestyles.
- FCC provides its employees with information on healthy eating.

Health and Safety Awards

These prizes are awarded every two years and are intended to recognise and assess both initiatives set up and people, for their innovation and/or career, in order to pursue the goals of FCC Group in the prevention of occupational risks and in the promotion of health.

5. Financial strength and operational efficiency: Doing things well

At FCC we continue to work on the Group's operational and financial optimisation, identifying areas of opportunity and implementing strategies and plans that ensure we have a solid capital structure, which is competitive and able to meet the opportunities and challenges of today and of the future.

The Citizen Services Group will continue to reduce costs, expenses and have greater operational efficiency, as well as a strict profitability requirement for its new contracts.

6. Committed to CSR

FCC works to ensure that the Millennium Development Goals are achieved and has drafted a 2017-2020 Master Plan that includes the three main aspects:

1. Connecting with citizens
2. Smart services
3. Exemplary commitment *

* Chapters 5, 6, 7, and 8 of the Annual Report.

Strategic elements to achieve objectives

1. Act as a unique company

FCC will continue to work for the benefit of resources and boost synergies between divisions to act as one single company.

2. Ongoing projects to be properly finished

One of the fundamental pillars on which FCC is based is to complete all projects, fulfilling contracts on time, according to specifications, and with profit.

3. Profitable business, adjusted to risk control and positive cash flows

Taking these scenarios into account, FCC's business model responds to making the most of these opportunities and to develop abilities to satisfy shareholders, customers, employees and citiziens in general.

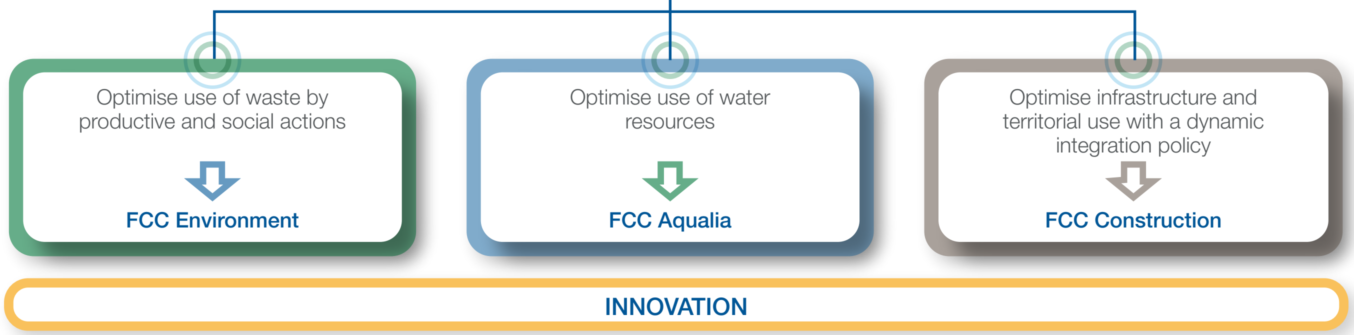
4. Flagship projects

The strategy chosen by FCC is to be an operator in international markets, selecting landmark and unique projects in which it can contribute great differential value:

- Projects that improve environmental services in the communities.
- Contracts covering the integrated water cycle.
- Infrastructure works where we are competitive and generate value, ensuring in any event, positive results, trying to consolidate the market share and regain our traditional leadership position.

Strategic sectors to optimize

The twenty-first century



FCC should go wherever it has a comparative advantage, being selective and meeting challenges

5. Innovation and application of cutting-edge technology

FCC is among the world's most advanced companies in environmental, water and infraestructure services.

To maintain competitiveness, FCC Group focuses on continuing to provide quality and innovation.

The concept of innovation is closely linked to our business, as is the case with other Spanish companies, we are exporting our technology all over the world.

- To encourage innovation and strengthen it as one of the company's distinguishing values.
- To encourage the collaboration of intra-division innovation projects.

We have a robust innovation programme, working together with universities and research centres.

6. Leveraging the new era of good technological fortune (digital world): digital culture, digitalisation of processes and sensors, as well as M2M

Digitalisation offers tremendous opportunities for growth in all industries regardless of the sector and region to which they belong. This mega-trend will lead to optimising processes, which will improve overall efficiency and reduce costs.

FCC Group, aware of the incredible progress that new technologies are driving in all areas of human life, has defined, for the years 2017 and 2018, a new Strategic Plan for Information Technology and Systems focusing on the improvement of operational efficiency. Automation of processes, digital transformation and technological innovation are the main guidelines of this plan.

Based on these premises, the business divisions, in collaboration with the Information Systems and Technologies Division of FCC Group, are carrying out a profound re-engineering of processes through the incorporation of technological advances such as the use of mobile devices, sensors, drones, etc.

FCC works to optimise its processes by improving the M2M-managed connectivity for the improvement of operational processes, harmonising business management systems and optimising infrastructures by optimizing costs.

Among these technological advances are the M2M applications and services, which allow the communication of data between remote machines and whose main utility is the optimisation of business processes based on remote control or telemonitoring.

FCC Group is committed to this technology for the present time and the future, either in the area of water meter reading, saving travel costs of personnel and knowing the demand requirements in real time, thus optimising the distribution; or in the environment area, optimising fleet management, with geo-location, knowing their status, or even interacting directly with vehicles, or in weather stations to measure irrigation needs, water levels in reservoirs, etc.

7. Targeting known markets

FCC wants to strengthen its presence in stable and profitable geographic areas, that represent known markets, and where we already operate.

It works to maintain leadership in domestic markets and improve our opportunities to increase the FCC portfolio and create future value.

8. Strategic alliances and synergies in FCC Américas

FCC Americas, was established with the objective and vocation to execute all type of works in America.

To achieve permanence in the most relevant projects in the region.

- The company is made up of 50% by Carso Infraestructura y Construcción and FCC Construction.
- It reinforces the use of the synergies, experience and know-how of Carso and FCC Construction.
- Allowing an increase in the added value of FCC Americas.

This company will work on:

- Efficiency of the cost structure, combining the company's efforts in production.
- Optimum efficiency in purchases supported by the unification of databases and in the global volume generated.
- Quality as a premise of the work performed.
- The flexibility of the company taking advantage of local staff as a cost reduction mechanism.
- Financing of the works in the best possible conditions, based on the strength of the companies that make up the Group.

The first results of the success of FCC Americas are:

- Samalayuca – Sásabe gas pipeline.
- Panama City of Health.
- Study of the navigability of the Magdalena River (Colombia).
- New International Airport in Mexico City.

9. Smart internationalisation

The world faces critical transformations and challenges, for which FCC is ready and has the ideal resources in place.

Growth opportunities

FCC Group makes its growth decisions based on a selective analysis of opportunities in the markets where it is present, identifying not only aspects tied to technical feasibility and legal security guaranteeing and protecting the Group's investments, but also analysing other potential risks linked to social and environmental aspects. For these reasons, the growth strategy is highly selective, based on the study of all the external and internal variables affecting a contract.

Europe

In Europe, growth opportunities are linked to the investment effort required for the conservation and renewal of ageing infrastructures. The absence of hydraulic infrastructures works in Central Europe and the availability of funds to invest will boost projects linked to water management. The increase of regulatory pressures in the European waste management market poses the need to progress in the current mixed model towards a model largely based on waste recovery and recycling, always in compliance with regulatory demands.

Prospects for the main countries in which FCC operates in Europe*

Spain

Europe

Country risk: B 27

The formation of a government provided the country with a certain degree of political stability. The Spanish economy is in a strong recovery stage, in spite of the increase of public debt and following strong growth at a rate of over 3% in 2016, as a consequence of the weaker euro and low oil prices. GDP is expected to grow by over 2.5% in 2017 and by an average of 1.8% between 2018 and 2021.

United Kingdom

Europe

Country risk: B 26

The economy is expected to grow by around 1.1% in 2017 and to rise to 1.3% in 2018, exceeding the forecasts of economic deceleration following the decision to leave the European Union, probably due to the measures passed by the Bank of England, coupled with the rapid and relatively smooth transition to the new government, which is expected to focus on enhancing the appeal of the UK for investment, also in infrastructures works, and on seeking new agreements once Brexit from the single market takes place.

Source: The Economist Intelligence Unit

A: Very low risk (0-20);
B: Low risk (21-40);
C: Medium risk (41-60);
D: High risk (61-80);
E: Very high risk (81-100).

Austria

Europe

Country risk: A 15

The resumption of political life in the country after the elections in 2016 has contributed to improving the situation of instability gripping the country over the last few months. However, Austria is still exposed to other external factors slowing down its growth (compared to its peers in the region). Thus, its growth rate in 2017 is estimated at 1.4%.

Poland

Europe

Country risk: B 35

The political instability in Poland as a consequence of the reforms implemented by the new government, together with a significant slump in investment, weighed down on the growth of the Polish economy in 2016. In 2017, investment is forecast to rise and GDP growth could increase to around 3.1%.

Romania

Europe

Country risk: BB

Romania has growth recovery prospects in the medium and long term, but on the other hand it records a high proportion of net external debt in exports of goods and services and the newly formed government (January 2017), under close scrutiny by the population, which stirred up protests when the government tried to change the law on corruption offences. After the approval of the National Plan for the development of network infrastructure in 2015 and the support for ICT companies, labour productivity growth will be relatively strong, with forecasts of 3.2% in year-on-year terms 2015-30. The growth rate of real GDP per capita, will grow by 3.4% per year in 2015-30.

Czech Republic

Europe

Country risk: B 28

It is estimated that GDP will grow at an annual rate of around 2.6% during 2017 and 2018. The Czech Republic enjoys a sound tax situation as a result of a tax surplus of 2.4 billion euros in 2016 and a healthy trade balance, with a surplus of 18.5 billion euros (over 9.5% of its GDP). The country's economic strength generates trust and boosts the demand of Czech assets from investors.

Source: The Economist Intelligence Unit

A: Very low risk (0-20);
B: Low risk (21-40);
C: Medium risk (41-60);
D: High risk (61-80);
E: Very high risk (81-100).

North America

Despite inflation prospects in Mexico and the uncertainty regarding the political environment in USA, GDP growth predictions in both countries remain stable and above 2% for 2018. Growth opportunities in these markets are concentrated in infrastructure investment (Greenfield projects) in Mexico, under the National Infrastructure Plan, and brownfield projects in USA. In the waste recovery area, the company is in a position to grow. Regarding integral water management, there are growth opportunities in the medium term.

Prospects for the main countries in which FCC operates in North America

Mexico

North America

Country risk: C 44

Mexico's exposure to the US market has strongly devaluated the Mexican peso and reflects investor concerns regarding the future of trade and investment relations between the two countries. The inflation increase is another aspect that will represent an obstacle for the growth of the Mexican economy, which is scheduled to grow by 1.8% and 2.3% respectively during 2017 and 2018.

USA

North America

Country risk: A 20

The USA will lead the growth of G7 countries during the next two years, with growth forecasts of 2.2% and 2.3% respectively in 2017 and 2018. With the arrival of President Trump to the White House, it is expected that investments in infrastructure will increase, together with the stripping down of the environmental policies commenced by the previous government.

Source: The Economist Intelligence Unit

A: Very low risk (0-20);
B: Low risk (21-40);
C: Medium risk (41-60);
D: High risk (61-80);
E: Very high risk (81-100).

Central America and South America

The absence of infrastructure makes Latin America an attractive market to boost the growth of FCC Group in the medium and long term, with growth opportunities in Construction and Water that are already taking shape. In the urban services field, there are favourable business prospects in the medium term.

Prospects for the main countries in which FCC operates in Latin America

Colombia

Latin America

Country risk: C 44

GDP is forecast to grow by 2.4% in 2017 and by 3.1% in 2018 following the deceleration of growth in 2016. The increase in growth will be driven by an increase in infrastructure expenditure (specifically in transport projects), a hike in oil prices and growing private investment. It is estimated that inflation will settle within the target range of 2 to 4% starting in 2017.

Chile

Latin America

Country risk: B 21

In January the Central Bank of Chile lowered the benchmark interest rate in an attempt to stimulate economic growth. GDP is estimated to grow at rates of 2.1% in 2017 and 2.5% in 2018. Uncertainty regarding the presidential elections at the end of 2017 could take a toll in terms of growth prospects in Chile.

Panama

Latin America

Country risk: B 34

The growth of the economy is forecast to speed up, in connection with the completion of large public works projects that will keep GDP growth above 5.5% in 2017 and 2018. It is likely that the increase of international pressure demanding greater transparency and governance from offshore financial centres in Panama will lead to certain reforms.

Perú

Latin America

Country risk: C 42

Peru was one of the best performing countries in 2016. Economic growth is expected to slow down during 2017–2021 as a result of the end of the "Commodities Supercycle" and the limited progress of reforms to improve internal productivity. There is growing concern following the recent corruption scandals, which slows down the imlementation of public works projects and could deter future investors.

Source: The Economist Intelligence Unit

A: Very low risk (0-20);
B: Low risk (21-40);
C: Medium risk (41-60);
D: High risk (61-80);
E: Very high risk (81-100).

Middle East and North Africa (MENA)

The Middle East and North Africa (MENA) appear as two attractive markets for developing the company's business, largely due to the possibilities they provide for the construction of infrastructure linked to FCC Group's Water and Environment divisions, which are necessary to make up for scarce water supplies by seeking efficient solutions in the protection and care of the environment.

Prospects for the main countries in which FCC operates in the Middle East and North Africa

Saudi Arabia

Country risk: B 40

The Saudi government is expected to slightly raise expenditure after the tax austerity measures applied during the year 2016. There is concern regarding the oil revenue outlooks after the OPEC's agreement to reduce production, in spite of the increase in oil prices. Estimates set GDP growth at 0.8% in 2017 and 1.8% in 2018.

Middle East and North Africa

Qatar

Country risk: B 30

There is a strong commitment to invest in infrastructure in 2017, which together with the increase of gas production and the increase in oil prices will benefit growth in this country. Growth rates of 3.4% and 3.6% are forecast for 2017 and 2018. It is estimated that real GDP will grow modestly at an average rate of 3% in the 2017–2021 period.

Middle East and North Africa

Egypt

Country risk: B 54

Egypt is currently carrying out a number of structural reforms in response to IMF demands within the framework of the 12 billion [US dollars] loan that was granted. In the near term, risks arise in relation to the liberalisation of the Egyptian pound or security challenges. It is estimated that GDP will grow by 3.4% and 3.8% respectively in 2017 and 2018.

Middle East and North Africa

United Arab Emirates

Country risk: B 31

Economic diversification in the UAE (to foster growth that does not depend solely on oil) has curbed the impact of the decline in oil prices. Public expenditure will remain stable during 2017 and GDP growth will be in the region of 2.6%. In 2018, GDP growth is estimated at a rate of 3.2%.

Middle East and North Africa

Tunisia

Country risk: B 50

Despite the austerity policies defined in the budget for 2017 (these might give rise to social and political internal tensions), modest growth prospects remain in place at around 2.4% during this year and 3.2% in 2018.

Middle East and North Africa

Source: The Economist Intelligence Unit

A: Very low risk (0-20); **B:** Low risk (21-40); **C:** Medium risk (41-60); **D:** High risk (61-80); **E:** Very high risk (81-100).

The environment

FCC Environment in Spain

In order to remain competitive, FCC Environment's commercial strategy in Spain focuses on continuing to provide quality and innovation and therefore to further the efficiency and quality of its services based on innovation and cumulative know-how, as well as on continuing to progress in achieving smarter services for more sustainable and socially responsible cities. Policies for the integration into the labour market of underprivileged groups and those destined to reduce the carbon footprint will be particularly relevant.

FCC Environment internationally

The strategic priorities for 2017 focus on improving efficiency, reducing operating costs and structural costs, renewing existing contracts and business operations and moderate growth. Europe offers business opportunities in the field of energy recovery due to regulatory changes.

FCC Industrial waste

In the next three years, the company will continue insisting on operational efficiency and business growth. The incorporation of new technologies will allow us to gain a stronger foothold in the recycling and waste recovery markets, with a position as a key player in the circular economy.

Regarding the US market, over the coming years we shall continue developing our activities in the urban and industrial environment.

Cleaning and decontamination of the bay in Algeciras, Spain.

Water management

FCC Aqualia's strategy seeks to achieve a world leadership position in the management of water resources, maintaining its current presence in concessions with high returns. It mainly contemplates the strengthening of its business risk profile, reinforcing activities characterised by steady and recurring cash flow and using them as key platforms for future growth. Besides this, FCC Aqualia constantly focuses on implementing efficiency measures throughout the organisation from an operating and financial standpoint, with the purpose of improving profitability and optimising the capital structure in search of attractive growth opportunities.

Regulated water management activities are characterised by contractual relations that are sustainable in the long term and high entry barriers, which provide an excellent opportunity for profitable commercial transactions with a low risk profile.

FCC Aqualia's strategy also benefits from solid market fundamentals. In a large geographical spectrum, regulatory developments and environmental consideration boost long-term growth patterns in water management services.

Domestic market

In Spain, substantial investments may be necessary to reinforce and recondition Spanish water infrastructure works. Spain has embarked on important reforms aiming to improve productivity and is showing signs of long-term macroeconomic recovery.

FCC Aqualia expects these reforms will be beneficial for water management volumes and long-term profits. It intends to strengthen its current position to reinforce its market leadership in Spain. In particular, the company intends to continue developing the water concession business and considers that its current position as market leader improves its capacity to capture opportunities to create future value.

International market

In a number of emerging markets, urban areas continue to suffer from the lack of hydraulic infrastructures, due to population increase and the size of cities. FCC Aqualia participates in select geographical areas in which it identifies attractive growth opportunities. In markets where FCC Aqualia has entered recently, it intends to continue strengthening its business of developing, operating and maintenance of water infrastructure by allocating more resources to expand these businesses. In this context, FCC Aqualia does not rule out the possibility of adding new lines of business to continue to support its international growth. These may include the provisions of water management consultancy services and water services for specialised industries such as oil and gas, the agriculture and food industry as well as the pharmaceutical industry.

The following are included among the main drivers of international growth:

- New public and private sector participations in developing countries, geared to improving drinking water and waste water systems, especially in Latin America, the Middle East and North Africa.
- Taking FCC Aqualia's presence in the European market further, taking advantage of new opportunities in municipal water concessions.
- Development of new projects with technological solutions adding value and providing a competitive advantage for desalinisation, industrial and reutilisation systems, especially in USA, Mexico, the Middle East and North Africa.
- Giving priority to organic growth over acquisitions, but without ruling out new opportunities in the emerging markets in which FCC Aqualia is already present and in countries that already have a consolidated water industry.
- Taking controlling stakes in Water Management Activities and O&M contracts, wherever it does not hold a majority stake.

Below are the two growth drivers in O&M activities in the Middle East and North Africa:

- Water scarcity, which has prompted opportunities for FCC Aqualia in terms of optimising costs and improving efficiency.
- The recent slump in oil prices, which has given rise to new public and private sector collaboration opportunities.

FCC Infrastructure works

FCC Construction is working on three fundamental pillars to generate growth both in volume terms and in returns:

1. Increasing competitive capacity, becoming increasingly efficient, adjusting our structures and costs to the size required for each project. FCC Construction will increase its development in areas in which it has a positive, tested experience: Spain, Europe (United Kingdom and Romania, as well as other countries with opportunity projects), the Middle East, USA and Latin America.
2. Maximising margins via compliance in terms of quality, deadlines and budgets, as well as committing to a strict selection of projects in which to be involved.
3. Fostering actions to improve the infrastructure market in Spain, adapting to new requirements in the industry and participating in infrastructure projects in which we can contribute differential value.

In light of all this, the following tendering criteria shall govern our business performance:

- Bidding in markets where our historic experience and our technical capacity may allow us to obtain the returns that our shareholders demand.
- Conducting a thorough analysis of projects, including the best partners and suppliers, choosing customers who share our same business culture.

In the international market we shall strengthen our presence in stable territories that have allowed us to continue boosting our returns, taking part in tenders for large railway and road transport infrastructure (we are world leaders in the construction of metro facilities), infrastructure related to water purifying and desalinisation, large unique buildings, hospitals and airports, as well as civil engineering specialities such as highly complex bridges and tunnels in which FCC is a world benchmark. All of this is done within a fundamental scope of selection, strictly controlling risks in the new projects.

We shall advance further in the benefits brought about by the synergies between FCC Construction and the other divisions and businesses of FCC Group, providing know-how, business and market penetration, encompassing investment in concession projects, and the design, construction and maintenance of projects requiring this.

In the Americas, the strategic alliance with our partner Carso Infraestructuras has led to the incorporation of an affiliate, FCC Americas, which will deliver projects throughout North and South America, bringing together in a single company the best technical and financial capacities and strengths of the two groups.

In the industrial market, we shall continue to work to be leaders, keeping up the steady growth we have been achieving since the creation of the division, focusing on strengthening the markets in which we operate, in the fields of Industrial Construction, Oil & Gas, Electro-mechanic Facilities, Construction and Maintenance of Distribution Networks, Maintenance of Civil and Electric Infrastructure, and Implementation of Traffic and Defence Systems, always sharing the same objective criteria as FCC Group.

Last of all, in the field of Concessions we will pursue the following major goals:

- Maximising the value of existing assets by managing contracts with the goal of improving recurring cash flow from the projects.
- New projects selected as growth opportunities in solvent, safe markets with growth prospects in the medium term, in keeping with the strategy set by FCC Group. In particular, in Spain, Latin America, the United Kingdom and USA.

Cementos Portland

- Participating in the recovery of cement demand in Spain.
- Building up exports of clinker and cement to increase the use of its production capacity.
- Keeping up efforts in production efficiency in terms of the use of alternative fuels, favouring returns and the circular economy.
- Focusing the sales policy on improving the sale price of our products.
- Ensuring profitable growth and ongoing improvement, applying cost restraint policies and taking advantage of future market opportunities.

Identifying and managing risks

Managing risk is one of FCC's key strategic items when applying and achieving its strategic pillars.

Responsibilities and functions in FCC's risk management

FCC, as part of its Risk Management and Control Model, has set up Risk and Compliance Committees in each of its business areas. They have the executive responsibility of implementing the Model, by approving specific Risk Maps for each activity, valued in terms of impact and likelihood of occurrence, which include strategic, operation, financial, reporting and compliance risks. The Risk Committees are also responsible for the design of key strategies, procedures and controls that are necessary to ensure the existence of sufficient control environments to mitigate and keep critical risks within tolerable levels, approved beforehand by the Board of Directors. They also monitor risk exposure and risk materialisation.

FCC identifies events that might affect the company achieving its strategic goals. The model is supervised by FCC Group's Audit and Control Committee, supporting the Board.

Integrated Risk Management Model

The dominant business model at FCC and the political environment in which it is developed has a risk attached to it: depending on the stage of each project, risks may be of a different nature or have a different likelihood of occurrence, therefore risks are managed throughout the entire life of the project, from the tender until the execution, operation or maintenance are completed.

In the bidding stage, the different areas focus on the technical feasibility of the project, considering the specifications and technology required by the client, the partners, the requirements of those providing the financing and the characteristics of the market where the project is developed for instance security as well as political and socio-economic stability.

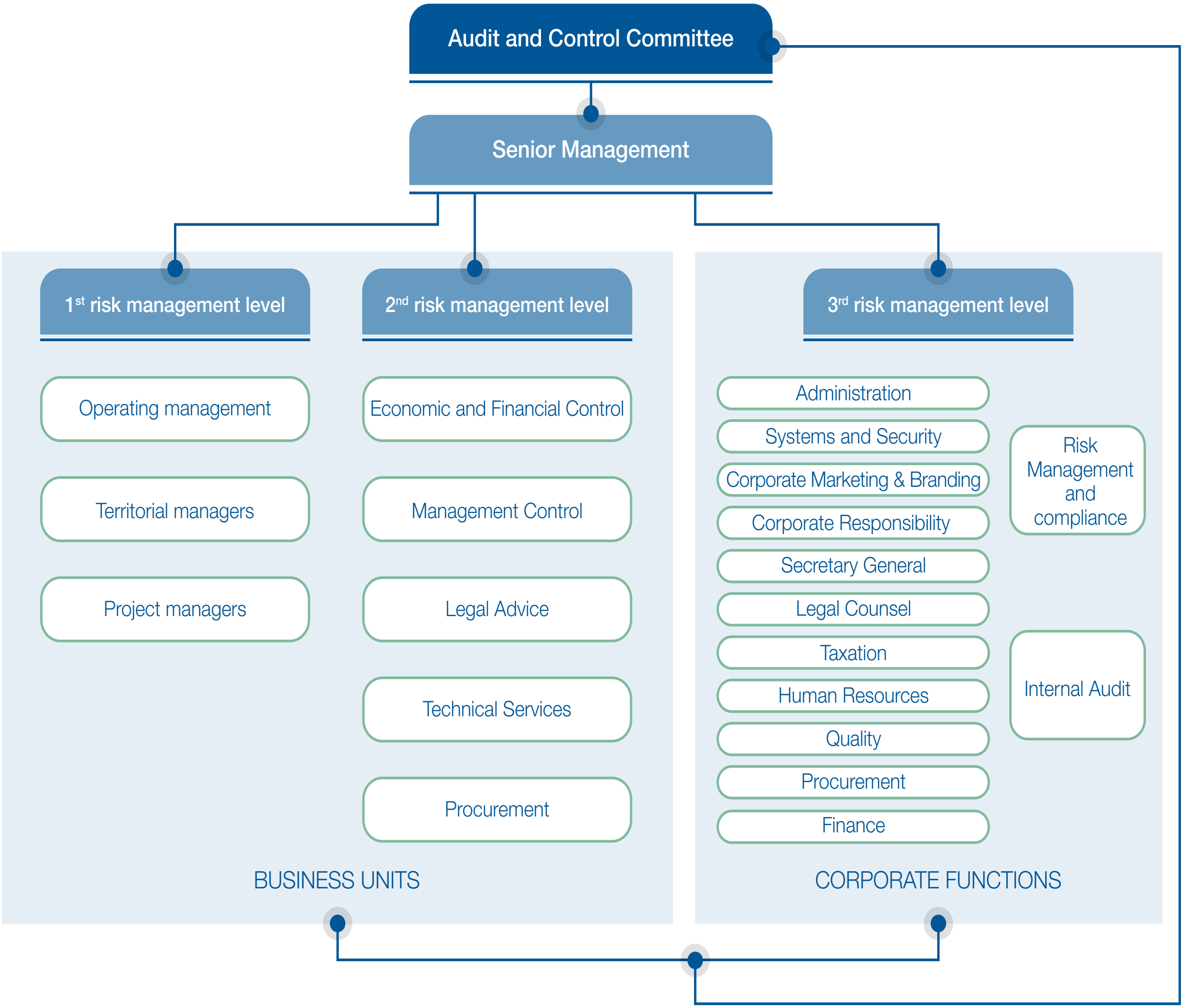
In the delivery stage, the company must especially heed to the operational risks, which require comprehensive planning and ongoing supervision to guarantee that the conditions agreed to in the contracts are met. These include the risks deriving from relations with public administrations, clients and communities within the operating environment.

The model used by FCC is based on three risk management levels. This ensures the separation of the three functions in order to guarantee that the risks are managed properly: the areas owning and managing risks; the areas monitoring those risks; and the areas providing independent insurance.

At FCC, the first risk management level is responsible for managing, monitoring and reporting the risk that has been generated within the business unit.

The second risk management level is made up by the support, risk control and risk supervision teams within the business unit itself, which are in charge of overseeing the effective control of risks and ensuring that they are managed according to the risk appetite that is assumed. The Risk and Compliance Committee is located at this second tier in terms of risk management.

The third risk management level is made up of the corporate functions. The Risk Management Function is responsible for coordinating the model, centralising and reporting incidents, while the Internal Audit Function, acting as the last control layer, assesses from time to time that the policies, methods and procedures are suitable and checks that they have been effectively implemented.



FCC Group's risk maps

The risk identification process begins with the specific goals of each business unit, along with the risk events that might affect achieving the goals in each production process, the dimension of the risk according to its likelihood or impact, and who, from among the 'risk owners', is responsible for monitoring and/or mitigating the risk.

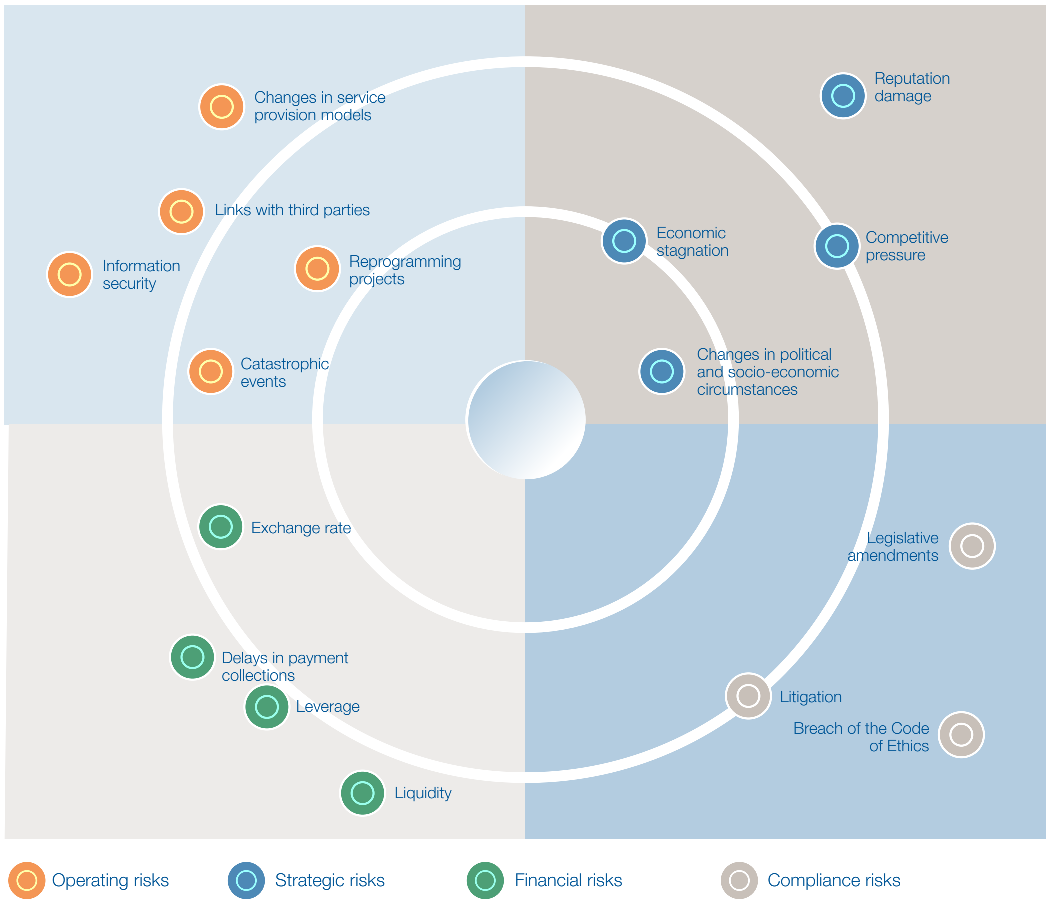
Through its risk maps, FCC identifies the potential events that could affect achieving the company's goals, subsequently establishing the prevention and mitigation measures allowing the risk level to be kept within the tolerance level set by the Board.

Risk maps are kept up to date by the directors of each area, who, together with the Corporate Risk Management function, analyse which risks have materialised in each of the Group's divisions, reporting them to the Audit and Control Committee.

The current risk map, as shown in the illustration, shows the most relevant risks to which FCC Group is exposed—specific action plans are developed to counter them. These action plans include the actions that are necessary to reinforce existing controls and they even incorporate new controls.

Risk Map elaboration process

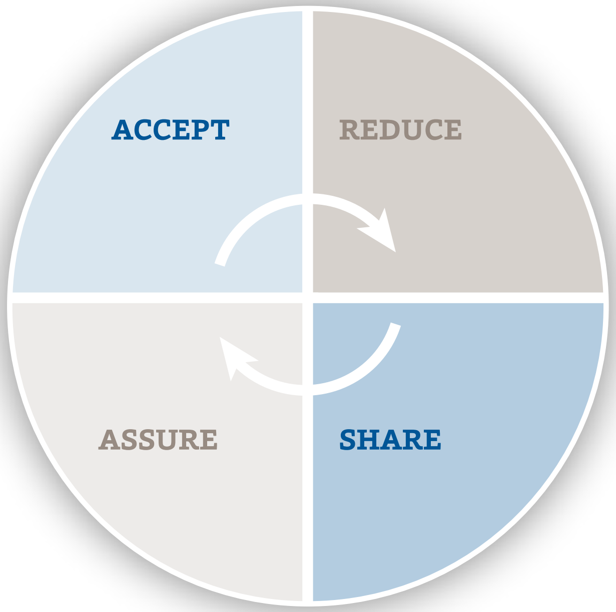
Most relevant risks



FCC Group's responses to risks: Accepting / Reducing / Assuring / Sharing

- Not embarking on new initiatives or activities that might lead to risks.
- Dispensing with a business unit.
- Dispensing with a market niche or territorial segment.

- Recording provisions for possible losses.
- Relying on natural offsetting within a portfolio.



- Establishing effective business processes.
- Establishing operating limits.
- Rebalancing the portfolio of assets to reduce the risk index.
- Reallocating capital between the operating or business units.
- Ensuring that Management is involved both in decision-making and in monitoring.

- Outsourcing business processes.
- Taking out insurance policies against unexpected losses or weather-related risks.
- Establishing contractual agreements with clients, suppliers, and business partners in which risk is distributed.
- Using long-term capital market instruments.
- Establishing co-operation agreements with other companies.

04

Performance in 2016

Relevant events in 2016

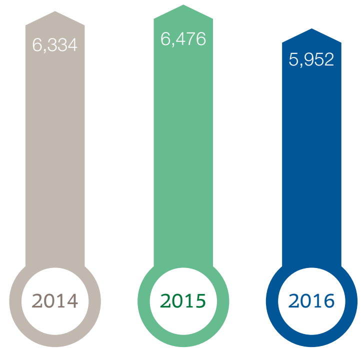
05/02/16	Novation of the agreement to invest in FCC by Ms Esther Koplowitz and Inversora Carso S.A. de C.V.
09/02/16	FCC announces the approval of the Securities Note for the capital increase with preferential subscription rights.
29/02/16	The company submits an Addendum to the Securities Note that includes FCC's 2015 individual and consolidated Annual Accounts to the Securities Notes by reference.
03/03/16	The company declares that the capital increase is fully subscribed.
04/03/16	The company reports the registration of the public deed related to the capital increase in the Barcelona Mercantile Registry.
04/03/16	Control Empresarial de Capitales, S.A. de C.V. submits the compulsory prior notification of the Request for Takeover for FCC.
04/03/16	Inversora Carso, S.A. de C.V. request Fomento de Construcciones y Contratas, S.A. to study and, if appropriate, draft, an Exclusion Takeover Bid to delist Cementos Portland Valderrivas, S.A. from the stock market.
05/04/16	Control Empresarial de Capitales, S.A. de C.V. submits the compulsory Request for Takeover of FCC.
18/04/16	The CNMV reports that it accepted for consideration the Request for Takeover submitted by Control Empresarial de Capitales, S.A. de C.V. of Fomento de Construcciones y Contratas, S.A.
18/04/16	Inversora Carso, S.A. de C.V. submits information on the acquisition of FCC shares.
19/04/16	Inversora Carso, S.A. de C.V. submits information on the acquisition of FCC shares.
21/04/16	Inversora Carso, S.A. de C.V. submits information on the acquisition of FCC shares.
24/05/16	Control Empresarial, S.A. de C.V. reports it has received unconditional authorisation from the CNMC for the merger file consisting of Inversora Carso, S.A. de CV ("IC") taking exclusive control, through its subsidiary CEC, of FCC and, indirectly, of Realia Business, S.A. ("Realia").
25/05/16	FCC's Board of Directors agreed to support a takeover bid for 100% of Cementos Portland Valderrivas to delist the company for a price of six euros per share.
27/05/16	The company announces the call for the General Meeting of Shareholders.
30/05/16	Inversora Carso, S.A. de C.V. submits information on the acquisition of FCC shares.
31/05/16	Control Empresarial, S.A. de C.V. reports that Inversora Carso, S.A. de CV received authorisation from the Mexican Federal Economic Ant-Trust Commission ("COFECE"), in accordance with Articles 61 et seq. of the Federal Economic Anti-Trust Law, for the merger transaction to take control of FCC.

01/06/16	Inversora Carso, S.A. de C.V. submits information on the acquisition of FCC shares.
10/06/16	Publication of an addendum to the call for the Annual General Meeting on 28 June 2016.
14/06/16	Inversora Carso, S.A. de C.V. submits information on the exercise of a call option, subject to condition precedent, for a total of 9,454,167 shares of Fomento de Construcciones y Contratas, S.A., which represent 2.496%.
29/06/16	The CNMV reports that the takeover of Fomento de Construcciones y Contratas, S.A., filed by Control Empresarial, S.A. de C.V., was approved on 29 June 2016.
29/06/16	Agreements approved during the Annual General Meeting on 28 June 2016 are submitted.
29/06/16	The new composition of the Board of Directors is submitted after the meeting on 28 June 2016.
29/06/16	Referring to the announcement of the exclusion takeover bid for Cementos Portland Valderrivas.
01/07/16	The CNMV reports on the approval period for the takeover of Fomento de Construcciones y Contratas, S.A. filed by Control Empresarial, S.A. de C.V.
04/07/16	Inversora Carso, S.A. de C.V. submits information on the acquisition of FCC.
07/07/16	Approval of the Board of Directors report in relation to the takeover bid launched by Inversora Carso.
22/07/16	The CNMV announces the outcome of the takeover bid of Fomento de Construcciones y Contratas, S.A. filed by Control Empresarial de Capitales, S.A. de C.V.
26/07/16	Control Empresarial de Capitales, S.A. de C.V. submits information on the acquisition of FCC shares.
29/07/16	Information relating to the application for the approval of the exclusion takeover bid to delist CPV is submitted today.
10/08/16	The CNMV reports that the exclusion takeover bid to delist Cementos Portland Valderrivas, S.A. submitted by Fomento de Construcciones y Contratas, S.A., was accepted for consideration on 10 August 2016.
25/08/16	Completion of the put period for bondholders and beginning of the issuer’s conversion rights.
13/09/16	FCC proceeds to pay 92% of the issue of its convertible bond.
07/10/16	The company reports the exercise of the conversion rights of convertible bonds into shares amounting to 32.75 million euros.
24/10/16	The company reports on the process of the exercise of the conversion rights of the convertible bonds.
23/11/16	The company has been informed that the English Court of Appeal rejected the appeal made by FCC.
30/11/16	Sentence on legal ratification in favour of FCC.
22/12/16	The CNMV reports that the exclusion takeover bid to delist Cementos Portland Valderrivas. S.A. filed by Fomento de Construcciones y Contratas, S.A., was approved on 22 December 2016.
29/12/16	The CNMV reports on the approval period for the exclusion takeover bid to delist Cementos Portland Valderrivas, S.A. filed by Fomento de Construcciones y Contratas, S.A.

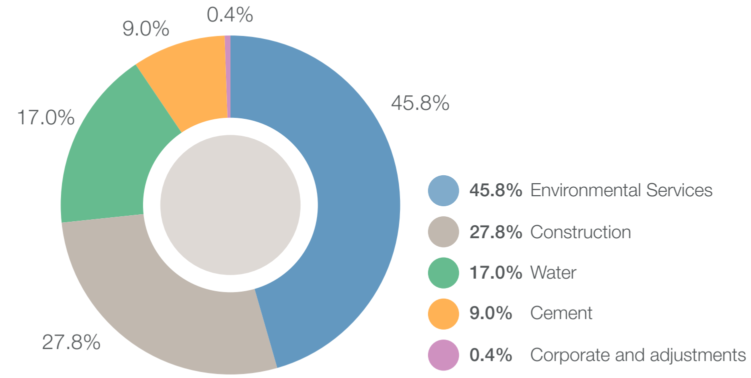
FCC Group's performance during 2016: analysis of the evolution of key financial figures

Higher **EBIDTA** and higher **margin**

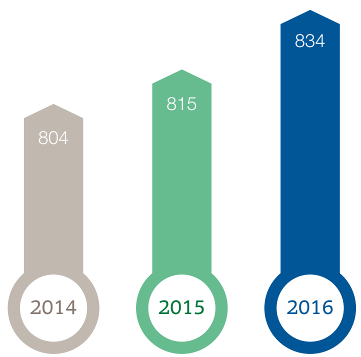
Revenues. Million euro



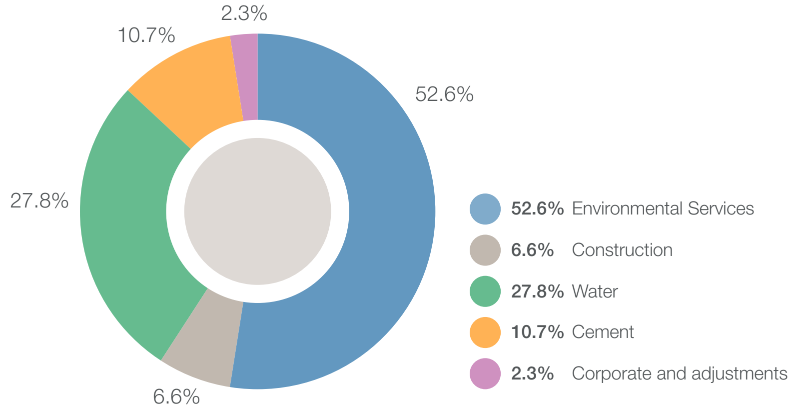
Revenues. Business activity



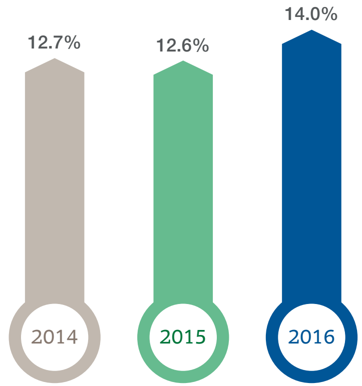
Gross operating profit (Ebitda). Million euro



EBITDA 2016. Business activity

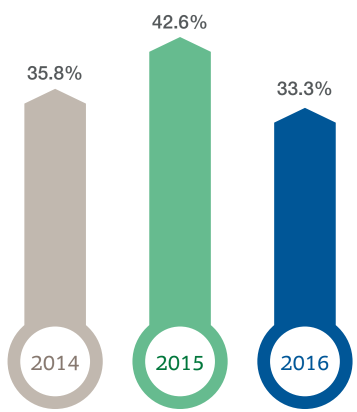


EBITDA margin. Million euro

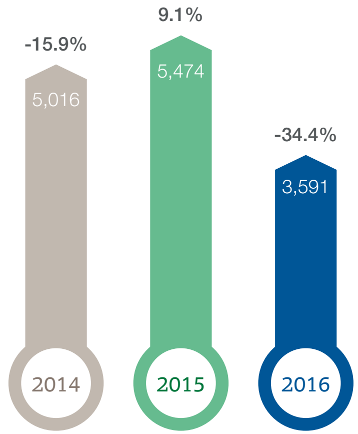


Less **debt** and more **equity**

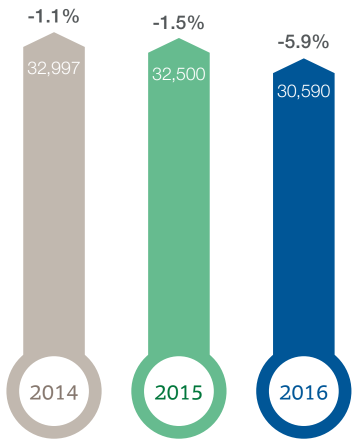
Net debt/Total assets. % Financial Leverage



Net financial debt. Million euro

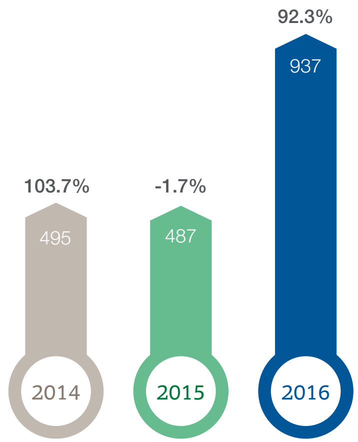


Backlog*. Million euro



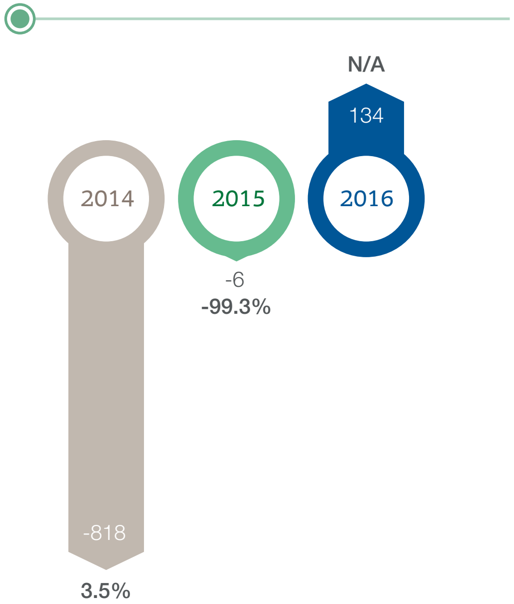
* Without Abu-Rawash

Equity. Million euro

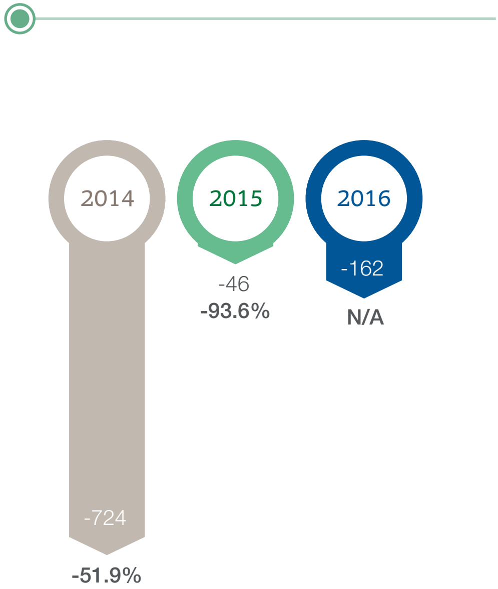


Higher profit attributed to the parent company

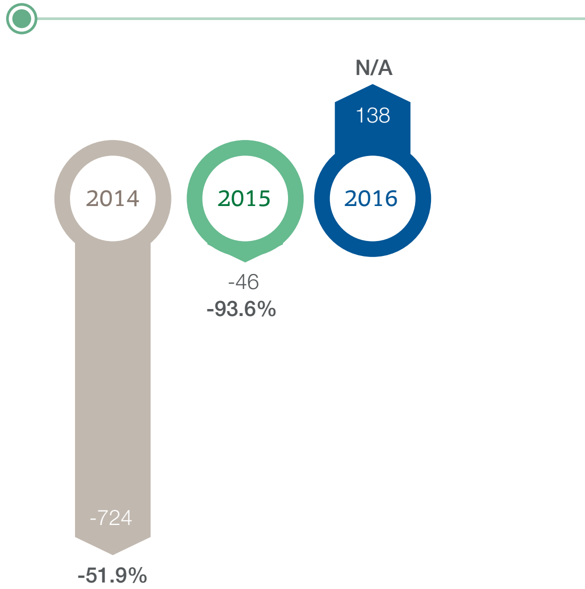
Earnings Before Taxes (EBT)*
Million euro



Profit attributable to the parent company
Million euro



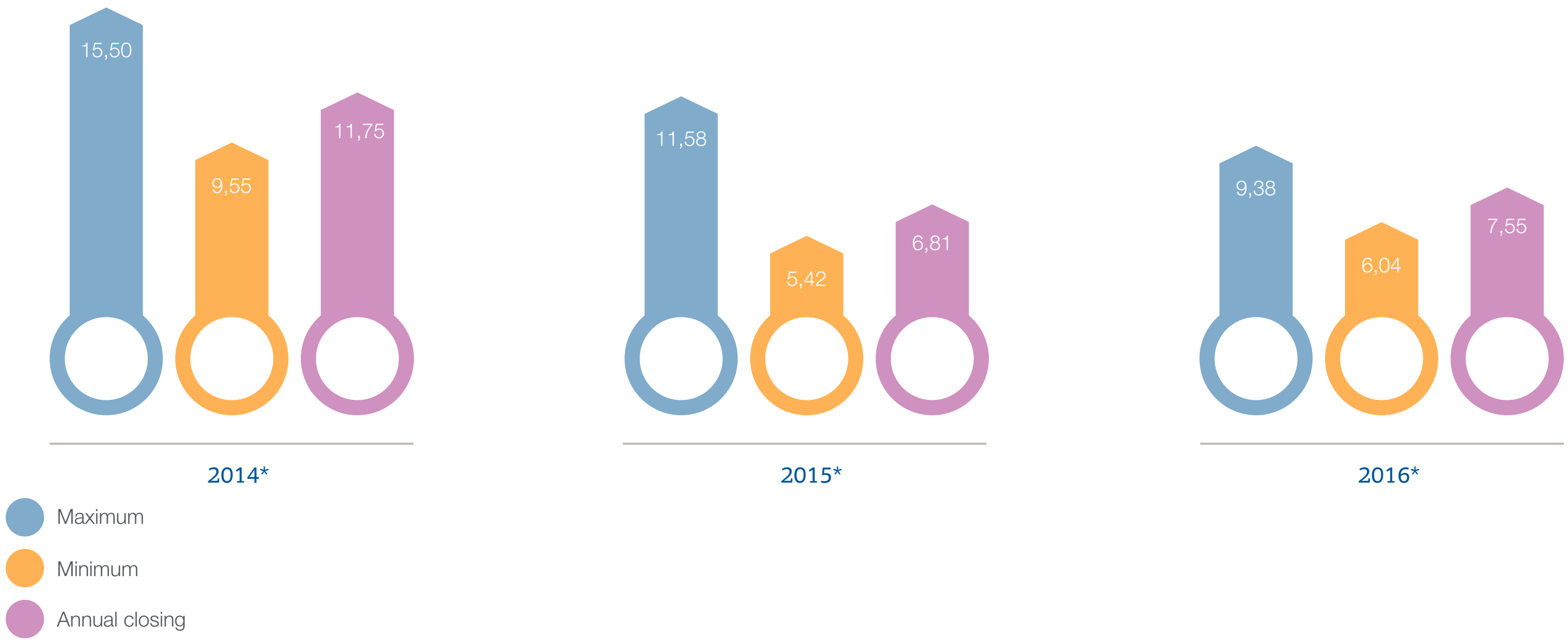
Adjusted profit attributable to the parent company*
Million euro



* Allocation to impairment of CPV's goodwill amounting to €300 million Euros

Less variation in the share price

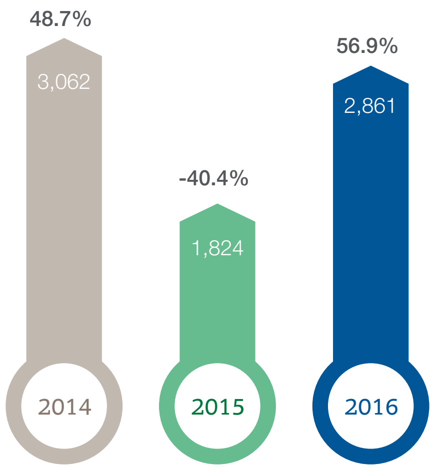
Price of the shares: maximum, minimum and annual closing. In euros



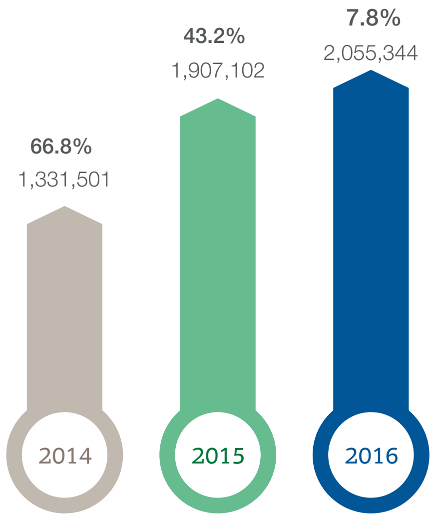
* Adjusted for 2014 and 2016 capital increase

Higher **turnover**

Market capitalisation. Million euro



Turnover. Daily share average



Important news and milestones

2016

January

- We started the waste collection service in Orange County, Florida.
- We commission the nanofiltration plant in Huechún, Chile.

February

- Aqualia receives an award in Saudi Arabia for our contribution to modernising the water sector.
- Conclusion of the south branch of Line 9 of the Barcelona Metro.

March

- We extended the street cleaning and waste collection contract in Oviedo for an additional five years.
- FCC Aqualia will develop the El-Alamein desalination plant in Egypt.
- Excavation of the left tunnel of the Vallirana by pass in Barcelona.

April

- We were awarded the contract for cleaning streets, beaches, seafront promenade and waste collection in San Bartolomé de Tirajana, Gran Canaria.
- Renewal of the supply management contract in Zaragoza.
- Contract for refurbishing industrial facilities in Dublin airport, Ireland, and completion of the works in the Port of Açu in Brazil.

May

- Contract for the maintenance and cleaning of ornamental fountains in Barcelona.
- We were awarded the contract for the design, construction and operation of the El Salitre plant in Bogota.

June

- Two new contracts in Norfolk and Harborough for waste management and street cleaning in the UK, and we handed over the energy from waste plant in Greatmoor to the Buckinghamshire County Council.
- The excavation work for Line 5 of the Riyadh Metro was finished, we were awarded the first joint contract with Carso and FCC (the Samalayuca-Sasabe gas pipeline) and the new container terminal in Cadiz was completed.

July

- #SmartAgua, a mobile app for water services, was presented.
- We inaugurated the expansion of the Panama Canal and finished the work on the viaduct for the Doha Metro in Qatar.

August

- Recognition with "Gold and Platinum Brooms" for making Spanish cities and municipalities where we carry out our activities the cleanest.
- Contract for the management of the Sollano water treatment plant in Bilbao for the next four years.
- Inauguration of the Cañas - Liberia road in Costa Rica.

September

- Equality Seal in in all FCC's business areas.
- Contract for basic and scheduled urban cleaning and similar services in Pamplona.
- We are participating in the Methamorphosis project to convert the waste treatment facilities in bioenergy factories.
- We finished construction of the tank for the first floor of the liquefied natural gas (LNG) plant in Finland and we finished the work on the hospital in La Línea de la Concepción, Cadiz.

October

- Contract for urban solid waste collection Contract 1-Western Madrid and will we manage the Edinburgh and Midlothian wastes (Scotland).
- Together with SEAT, we created the first 100% Spanish alternative fuel from waste water.
- Completion of the platform for the Almonte viaduct, one of the high-speed railway bridges with the longest spans in the world.

November

- We launched the campaign against gender violence by creating a human ribbon.
- Contract for the processing and marketing of recyclable material from University Park, Texas. The design of the waste treatment plant in Dallas was awarded a Gold Medal at the 2016 P3 Awards.
- The Madrid Engineers Association awarded us with the sustainability and social responsibility award for the SAMCEW project.

December

- New contracts for waste collection and street cleaning in Polk County (Florida, U.S.A), Barrow (United Kingdom) and Prostejov (Czech Republic).
- Contract for the operation and maintenance of the La Gavia wastewater treatment plant in Madrid, and the New Cairo wastewater treatment plant in Egypt, a United Nations success.
- Recognition of the FAST consortium with the Global Tunnelling Team of the Year for the work done on the Riyadh Metro and the excavation of the Bolaños tunnel on the Madrid-Galicia high speed railway line.

January · February · March · April · May · June · July · August · September · October · November · December

Group · Environment · Water · Construction

Analysis of the company's stock market information

Evolution of the stock market and share price

The IBEX 35 closed the year with a -2% decrease compared to the -7% of the previous year. A year marked by milestones of various types and different origins, such as referendums, oil, "Brexit", Donald Trump's victory, interest rates and, in Spain, sustained political uncertainly for much of the year, which led to a negative year-end for the IBEX-35.

The majority of world stock exchanges ended the year with positive performances, such as Britain's FTSE (+17.5%), the Dow Jones (+13.4%) and the Nasdaq (+7.5%).

Those recording losses include the Milan Stock Exchange (-10.2%), which spent a year immersed in doubts generated by its banking sector due to a lack of liquidity and some political instability.

Evolution of the share price 2015 (Coupling)

Variation in the share price compared to year-end 2014

Sector: ACS, Ferrovial, OHL, Sacyr y FCC

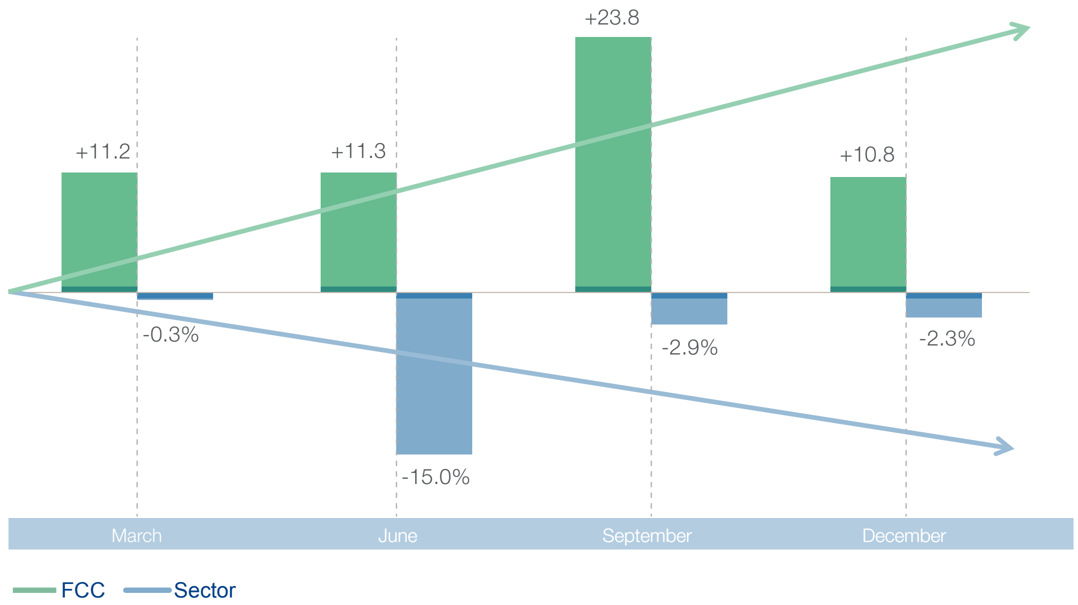
In 2016, FCC's share price went up almost 11% compared to the -2% fall of the IBEX 35. During this year, the listed price absorbed the capital increase that took place at the beginning of the year, approved by the Board of Directors in December 2015, amounting to 709 million euros. Later, in the middle of the year, the compulsory takeover of FCC by Inversora Carso Group was finalised, and the latter now has a 61.11% stake in the company's share capital. As a result of the takeover, on 28 July, FCC shares were no longer part of the IBEX35.

While FCC share price in 2015 was in line with the general trend for the sector, in 2016 FCC's share price underwent a positive cycle compared to the constant fall registered in the sector (graph on page 21).

FCC ended the year with a capitalisation of 2,861 million euros.

Evolution of the share price 2016 (Decoupling)

Variation in the share price compared to year-end 2015



Trading

Total trading volume this year was over 528 million securities, with a daily average of 2,055,344 shares, 108% more than the daily average in 2015, due to both the capital increase and the takeover. In yearly terms, 1.4 times FCC's share capital was traded.

Dividends

Since 2013, FCC's Board of Directors has maintained the policy of not paying out dividends.

This decision, unchanged in 2016, is framed within the restructuring process that started in 2013, which seeks to increase operational efficiency and to strengthen the balance sheet and will have to be ratified by the General Meeting of Shareholders to be held in the first half of 2017.

Treasury Stock

FCC Group does not make transactions with treasury stock apart from those in the CNMV's framework agreement on liquidity agreements, which aims to ensure liquidity and depth for the share price in accordance with current regulations. This liquidity agreement was suspended on 18 December 2015 due to the capital increase approved that month and completed in March 2016.

When the capital increase was finalised, on 4 March 2016, Inversora Carso announced it was launching a compulsory takeover bid for FCC, and so, under section 2 b) of Rule Five of Notice 3/2007 of 19 December from the CNMV, from that date the liquidity contract activity was suspended and this has continued after the liquidation of the takeover on 28 July.

Altogether, as of 31 December FCC Group directly and indirectly holds a total of 415,500 treasury shares, which represent only 0.11% of the share capital.

Shareholders

FCC, S.A.'s shares use the book entry system and are listed on the four Spanish stock exchanges (Madrid, Barcelona, Valencia and Bilbao). According to the information on file in Spanish National Securities Market Commission (CNMV) records, on the closing date of the year the main shareholders in the company were:

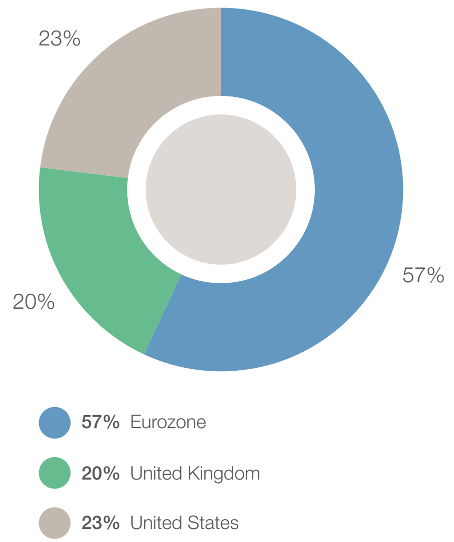
Main Shareholders	No. of Shares	% of Share Capital
Inversora Carso, S.A. de C.V.	231,504,295	61.11%
Esther Koplowitz	75,807,584	20.01%
William H. Gates III	21,729,431	5.73%

Thus, the estimated free float of FCC at year-end was 13%. Its estimated distribution being:

- Spanish minority shareholders, 5.4%.
- Spanish institutional investors, 2.3%.
- Foreign institutional investors, the remaining 5.3%.

The composition of the free float (as a percentage), based on the origin the shareholders is as follows:

Free float structure. In %. December 2016



Source: Compiled in-house

FCC's businesses

Environment

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

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

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 algo 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%.

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.

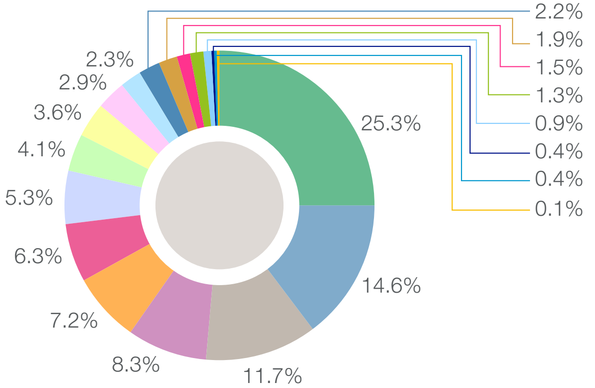
FCC Environment manages nearly 24 million tonnes of waste and produces over three million tonnes of recyclables and fuel derived from waste (WDF) every year. It has more than 650 waste management facilities in operation, of which nearly 200 are environmental facilities used for treating and recycling 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.

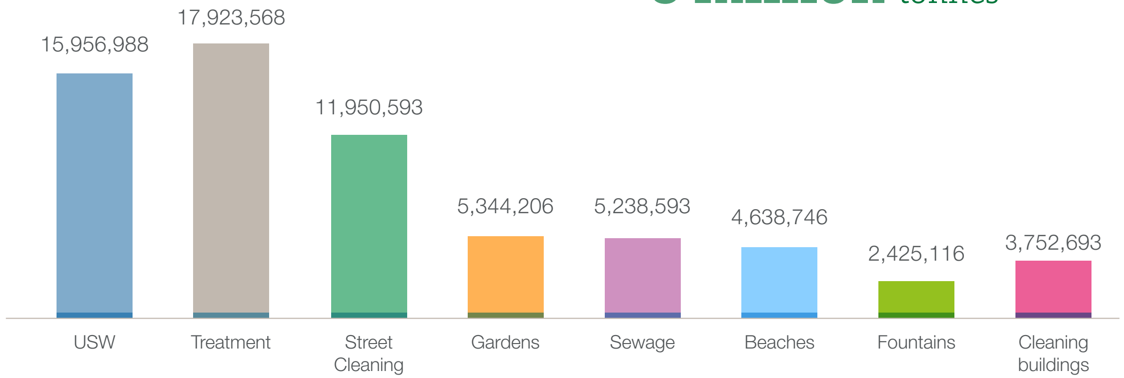
in 2016, FCC collected **5.33 million** tonnes of waste **and treated** more than **8 million** tonnes

FCC Environment's domestic turnover. Geographical location

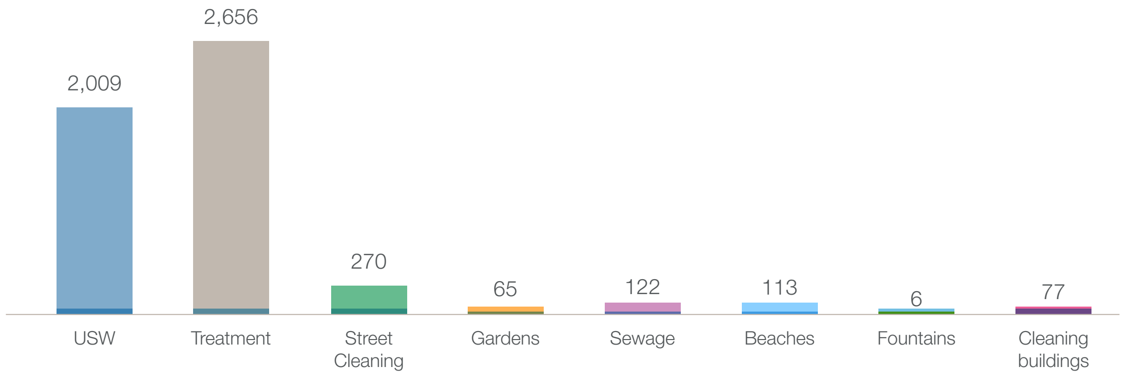


- 25.3% Catalonia
- 14.6% Madrid
- 11.7% Valencia region
- 8.3% Andalucía
- 7.2% Basque Country
- 6.3% Aragón
- 5.3% Castile and Leon
- 4.1% Canary Islands
- 3.6% Murcia
- 2.9% Galicia
- 2.3% Balearic Islands
- 2.2% Navarre
- 1.9% Asturias
- 1.5% Extremadura
- 1.3% Castile La Mancha
- 0.9% La Rioja
- 0.4% Melilla
- 0.2% Cantabria
- 0.1% Ceuta

Inhabitants served by FCC Environment in Spain



Municipalities served by FCC Environment in Spain

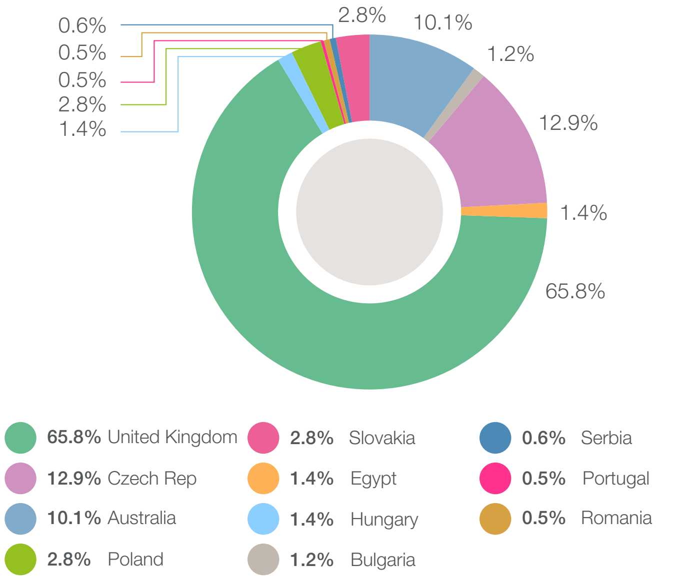


FCC Environment International

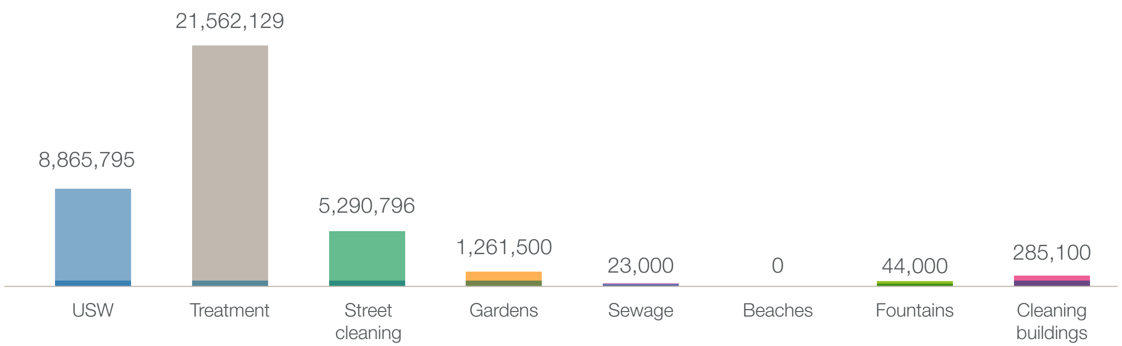
FCC is one is one of the leading worldwide groups in the integrated management of urban solid waste and recovery of energy from waste. It applies innovative systems and the cleanest, most-advanced technologies in the provision of quality services that are sustainable over the medium and short-term and 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%.

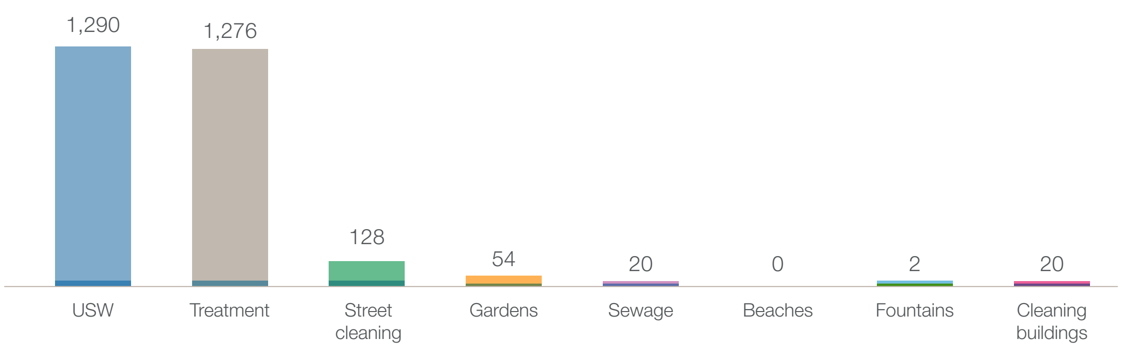
International Environmental Services division Turnover. Geographical location



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.

Laguna de Arganda del Rey, Madrid. España

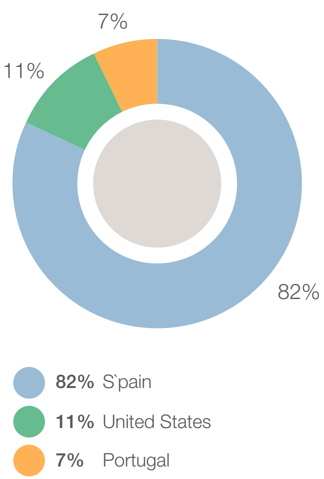
Integrated management of industrial waste

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.

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 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.

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

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 divison 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: 4**28.8 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 Courtneay 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 AWV Volkemarkt Association of Municipalities, Carinthia, Austria.** Contract awarded to FCC Environment CEE for the collection and disposal of waste for the Vokermarkt 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 Envioronment EEC 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, Prostejov City Council (Czech Republic).** FCC has been providing all municipal services in the city of Prostejov 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.

FCC's businesses

Water management

Industry analysis

Domestic market

In 2016, the slight recovery of turnover volumes that had started the year before continued. The change was sharper in coastal areas than in the interior, so there were more significant consumption increases in the Balearic and Canary Islands and in parts of Andalusia, and slight declines or stagnation persist in interior regions of the Spanish mainland. In global figures, the turnover volumes with a constant scope of consolidation grew by 0.62% and revenue from own items rose by 2.55%.

With the formation of new municipal governments in June 2015, in some towns there were political initiatives that put water management services back in municipal hands. The impact of these measures on FCC Aqualia's contracts so far has been less significant, and the legal framework in which our contracts are drawn up does not suggest significant risks for our activity.

Municipal water concessions in Spain

As far as municipal water concessions are concerned, changes in the management of local governments may entail a reduction in outsourcing, although it is expected that the need to adapt to European and Spanish environmental regulations will lead to an increase in the number of towns that use public-private sector collaboration mechanisms for water management.

With the formation of the new government in the last quarter of 2016, there has been a reactivation of legislative initiatives and the transposition of European directives. As of the date of preparation of this report, Parliament is processing an extensive amendment of the Public Sector Contracts Act. It will have an effect on the industry, especially as regards the solvency to be demanded of tender bidders, the adaptation to the deadlines of the concessions, the review of the events for claiming economic balances from concessions and of the regulation of the system for reviewing contract rates. Also, in March 2016, the Spanish Economy Non-indexation Act was passed. Since then there has been no progress towards the creation of a state level regulator, in spite of the strong requests by all the players involved (trade unions, FEMP – Spanish Federation of Towns and Provinces-, AGA).

BOT concessions in Spain

Regarding Build, Operate and Transfer concessions, FCC Aqualia estimates that private sector activity should increase as a result of towns, regional bodies and the central government having to face important challenges with limited financial and technology resources. Climate change and fund shortages make it necessary to invest in optimising the existing resources, for instance in the reuse of waste water and the creation of new water resources via desalinisation technologies.

Following several years of relatively low public sector investment, FCC Aqualia estimates that it will be necessary to invest in new waste water processing plants and to improve existing facilities to adapt to EU regulations and avoid possible penalties. Such a scenario would require public and private sector alliances in which companies such as FCC Aqualia can build on their experience in the design, construction and operation of water processing facilities.

Within the scope of hydraulic infraestructure works, in 2017 it is likely that concession activities will commence on purifying facilities at least in Castile-La Mancha and Extremadura, to progress towards the fulfilment of the Waste Water Purifying Plan, which is very deficient in country areas.

Operation and Maintenance (O&M) activities in Spain

Thanks to the important boost in the Operation and Maintenance (O&M) sector in 2016, for 2017 we expect important opportunities will arise in the Sanitation Boards of Autonomous Regions where we expect to strengthen our presence (Valencia, the Balearic Islands and Murcia).

The overall market volume for O&M activities in Spain was estimated at over 500 million euros as of 31 December 2016, and FCC Aqualia has a 10.3% share of the market.

FCC Aqualia will continue to support new R&D developments to allow it to gain a competitive advantage, providing our clients with solutions that take our offer beyond a merely competitive price for the services we provide.

The operation and maintenance of facilities for the integrated water cycle will keep tenders at a steady pace, because they are not subject to electoral calendars and generally depend on regional rather than local authorities.

International market

The Americas

During the year 2016, in the **United States** the main drivers of growth appeared to be water shortages, obsolete hydraulic infrastructure, and the scarce penetration of private sector operators in the industry. In **Mexico**, local entities are increasingly concerned about the efficiency of their water services, which added to the limited volume of federal subsidies leads to new opportunities, mainly under the mixed enterprise setup. Besides this, the recent energy reform has led the national oil company to start a process to outsource its water services, in which FCC Aqualia is fully involved. New desalinisation projects are likewise foreseen in Baja California.

The industrial sector may also play an important role in the development of new investments, especially in mining and energy companies.

In Central and South America, growth prospects have grown significantly due to insufficient water structures to cover the growing needs of certain areas. Chile, Peru and Colombia are the countries that will generate the largest business opportunities in the short term, together with Paraguay and Panama. In **Colombia**, business opportunities have been detected in the management of integrated services under municipal concession models, as well as for the design, construction and financing of hydraulic infrastructure destined to purifying waste water. In **Peru**, the government is evaluating the efficiency of its utilities to allow the entry of private sector companies wherever management indicators are lowest. In **Chile**, the mining industry will present important business opportunities in terms of water desalinisation for its operations.

Europe

In **Portugal**, during 2016 virtually no new tenders were called for the concession of municipal services. A reactivation of the concession business is expected following the municipal elections in the last quarter of 2017, boosted by the budget deficit of town councils and the need to invest in new infrastructure. Although the privatisation of the state water company does not seem to be on the cards in the coming years, local governments are looking for solutions to improve their infrastructure for the distribution of drinking water and also their sewage facilities. Government concessions appear to be a possible option.

In **Italy**, the establishment of a national regulator to determine the rates based on the principle of total cost recovery has improved the perception of the business by investors in the market. This will serve as an incentive for new public and private sector associations with local and regional authorities. According to EU laws on waste water processing, this will speed up the use of EU funds to implement new infrastructures and to rehabilitate or increase the capacity of existing infrastructures. New concessions appear to be expected for northern Italy (Piacenza and Rimini), together with the concentration of water management around larger geographical units.

In the **Czech Republic**, the new regulatory framework has eliminated the rates incentives that were applied to investments on the part of companies owning assets. That effect may be partially offset by the recognition, for tariff purposes, of all the costs related to greater efforts in the preventive maintenance of the hydraulic infrastructure owned by operating companies. Tenders are expected for the contracting of private water management and sanitation in northern Bohemia and the southern part of the country, together with likely new tenders for the lease of services, without including investments by the operator.

In **France**, a large volume of activity is expected in the coming years due to the end of contracts that have historically been managed by large French water companies. The rupture of the traditional barriers to entry in this market seems complicated, but the current high prices of the water services provided by traditional operators may prompt the local corporations into changing to new operators. Likewise, the local organisational structure, whereby public services are managed in conglomerates, causes a new political environment of management transparency and efficiency which is bound to attract new management operators.

In the **United Kingdom**, water supply and sanitation services are provided by private-sector companies that own the assets, which are largely controlled by financial investors. Entry into the market will take the form of providing high value-added services to said companies.

In the **Balkans**, the most prevalent business model is the construction contract supported by European funds with the goal of complying with European regulations in terms of treating urban water. Private sector involvement is also being considered for the financing of hydraulic infrastructure, although we see a long road ahead before this is definitely implemented.

North Africa and the Middle East

In **North Africa**, the desalinisation of sea water and the waste water treatment appear to be good business opportunities in the countries in which FCC Aqualia is present. This is the case of Tunisia and Egypt. In **Egypt**, the country's fiscal and trade deficit, the high interest rates and limitations in the access to hard currencies have led the government to adopt severe economic measures such as the reduction of public expenditure and the flotation of the Egyptian pound. These measures have led the currency to devaluate by over 100% and to a standstill of foreign investment in the country. Water shortages in Egypt have led the Defence Ministry to call tenders for large desalinisation plants to supply the population near the Mediterranean and the Red Sea. Also, the enlargement of the Suez Canal and the creation of new industrial and mining zones suggest that water demand required for their development will continue to grow.

In the **Middle East**, where there are population growths of up to 8% in year-on-year terms, the strong reduction of oil revenue is forcing governments to withdraw subsidies and to resort to private sector initiatives to develop its hydraulic infrastructure projects.

In **Saudi Arabia** the Saline Water Conversion Corporation, which is responsible for water production in the country, is launching a new desalinisation plan under the BOT approach, and the National Water Company, which distributes drinking water to the larger cities, will complete one or more of the concession projects that it has been designing for several years ago.

Oman will also continue to develop its desalinisation plan via public-private sector initiatives, while in the United Arab Emirates tenders are expected for the operation and maintenance and even the construction of desalinisation plants.

Activities and geographical areas

FCC Aqualia, S.A. and its consolidated affiliates make up the third European private group dedicated to water management in terms of population served, with over 23 million people as of 31 December 2016, according to estimates by Global Water Intelligence Ranking. It is the seventh largest company in the world by population served.FCC Aqualia is a diversified company, focusing on public and private sector needs in all stages of the water cycle, supplying water for human, industrial and agricultural use, ranging from the supply of drinking water to the purifying of waste water.

The company provides services in Spain to over 850 town councils and it also operates internationally, with projects throughout Europe, Latin America, the Middle East and North Africa. As of 31 December 2016, FCC Aqualia was present in 22 countries, with 7,764 employees across the world. Also, its activities in the field of infrastructure management and operation include the management of approximately 66, 400 kilometres of distribution networks, 2,709 water tanks, 760 waste water purifying plants, 21 desalinisation plants for salt water and brackish water and 209 drinking water treatment plants.

FCC Aqualia provides services **in Spain** over **850 town**

FCC Aqualia's activity is characterised by the foreseeable cash flow generation and largely foreseeable revenues due to the long-term and recurring nature of most of the contracts.

The accumulated portfolio totalled 14,400 million euros at year-end 2016, in other words 14 times the annual turnover, without any significant contracts expiring in the coming years and with 96% of the portfolio terminating after 2019.

FCC Aqualia is the only Spanish company able to provide integrated solutions for all water management needs, both for the public and the private sector, by offering economically feasible and socially acceptable solutions. The company carries out initiatives that are part of the environmental policy of its parent company, FCC, with the goal of ensuring a more efficient use of natural resources, a more rational use of energy, and the identification of operational risks. FCC Aqualia integrates corporate social responsibility (CSR) as part of its daily operations, in an attempt to ensure that the social and environmental aspects of its operations are not compromised by its business decisions.

Activities performed

FCC Aqualia is dedicated to several business activities related to private water management, including both regulated and unregulated activities:

Regulated activities

FCC Aqualia's regulated water management activities are governed by agreements whereby the company provides its services within the framework of concession agreements or using company-owned infrastructures, for instance in the Czech Republic. These are long-term concession agreements allowing FCC Aqualia to recover the initial investments that are committed by contract.

FCC Aqualia generally invoices and collects payments from the end client of Regulated Water Management Activities, thereby covering the full service cycle. The rates it charges are adjusted from time to time based on the evolution of the costs associated to the provision of its services, using different mechanisms for setting rates, for instance polynomial formulas, economic reports and the CPI, according to the economic and financial criteria established in the contract.

Contracts for regulated water management activities may be for periods of up to 25 years.

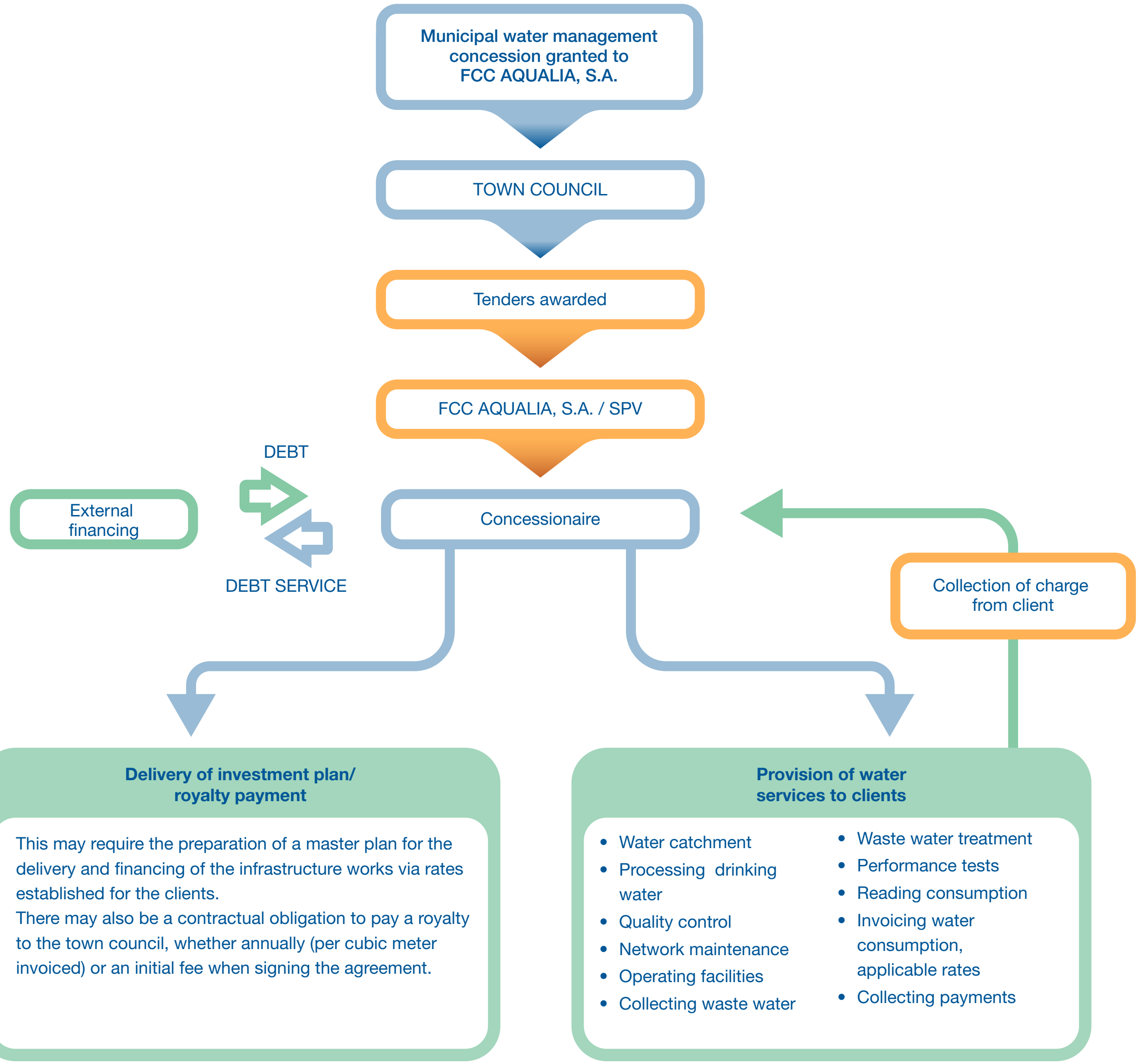
FCC Aqualia has a high success rate in the renewal of its contract portfolio. In 2016, it renewed over 90% of the contracts expiring during the year. Structural insolvency is low (0.66% in average terms), directly collecting payment from the end user.

Municipal water concessions

FCC Aqualia's municipal water concessions mean that the municipality grants the company not only the responsibility of the operation and maintenance of water resources but also the financing and management of all the required investment.

Municipal water concessions are generally characterised by the presence of strong barriers to entry and the need for large initial investments. On the other hand, municipal water concessions are comprehensive concessions that are usually for a long period, and they also include assets that are fully owned by FCC Aqualia, for instance SmVaK in the Czech Republic, which does not have an expiry date and is characterised by a high degree of legal regulations.

In terms of the financing structure of projects, here is an illustration of the procedure for establishing a municipal water concession:



BOT concessions

FCC Aqualia's BOT concessions imply the delivery of "build-operate-transfer" projects, through which a public entity grants FCC Aqualia the right to develop and operate a public works facility or concession on a long-term basis for a given period.

These concessions are generally characterised by the existence of strong entry barriers and large initial investments with specific project financing structures. They generally feature long-term operations with medium or high degree of legal or regulatory supervision.

Unregulated activities

FCC Aqualia's unregulated activities include both EPC and Operation and Maintenance (O&M) contracts of the following types:

- Desalinisation activities, including the development, operation and maintenance of salt and brackish water treatment plants.
- Wastewater activities, including the development, operation and maintenance of wastewater treatment plants and systems for processing municipal and industrial effluents.
- Industry-related water activities, including the application of integrated solutions for processing and spillage water.
- Drinking water activities, including various treatments to produce drinking water.
- Water reutilisation activities, including the development of tertiary processing plants for municipal and industrial purposes.
- Water and sewage activities, including cleaning and maintenance of water and sewage networks.

Raceways for growing microalgae.

EPC activities

Many of the Engineering, Procurement and Construction projects developed by FCC Aqualia are related to O&M contracts and investment commitments related to regulated water management activities.

In relation to EPC contracts, FCC Aqualia is mainly involved in the engineering stage and in the procurement of specialised equipment, whereas the construction activities are normally entrusted to partners specialising in civil works construction.

Operation and Maintenance (O&M) activities

FCC Aqualia's O&M activities imply the delivery of operation and maintenance projects, whereby the contracting entity grants FCC Aqualia the right to provide O&M activities related to existing water assets or infrastructure.

By virtue of the agreements regulating these O&M activities, FCC Aqualia provides services for the operation and maintenance of a number of assets linked to the water cycle, such as drinking water plants, processing plants, distribution networks, pumping stations, sports facilities and irrigation networks. These are short-term contracts that do not require an initial investment.

O&M activities are generally characterised by the fact that there are not many entry barriers and investment requirements are low.

Geographic areas

FCC Aqualia provides services in Spain and in international markets in Europe, Latin America, the Middle East and North Africa.

Spain

In 2016, 75.5% of FCC Aqualia's revenues were generated in Spain. In 2016, for the first time since the start of the economic crisis, there was a slight hike in water consumption, especially in coastal areas, which in recent years had steadily fallen. FCC Aqualia has an integrated organisation grouped into three regional units that are in charge of developing all the activities in the water cycle, such as urban, industrial, technology and network concessions, operations and maintenance. This enables a concentration of efforts, improving its competitive position.

The map on the right illustrates FCC Aqualia's most significant operations in Spain as of 31 December 2016.

As of 31 December 2016, 85% of revenues in Spain came from regulated water management activities and 15% originated from unregulated activities.

Population in thousands

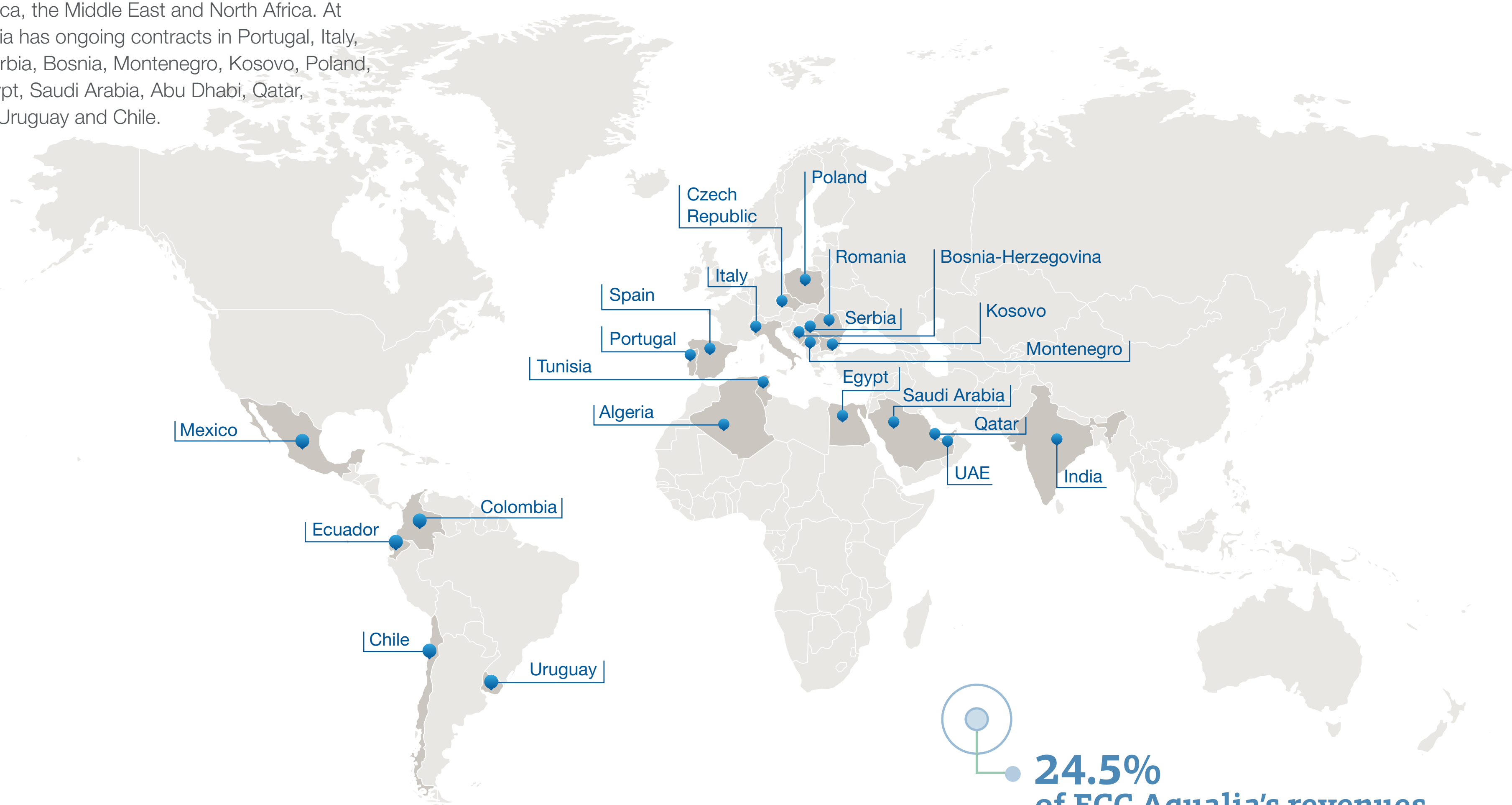
Revenues in Spain

85% from regulated water management activities.

15% from unregulated activities

International market

In 2016, 24.5% of FCC Aqualia's revenues were generated in international markets, with operations in 22 countries, in Europe, Latin America, the Middle East and North Africa. At present, FCC Aqualia has ongoing contracts in Portugal, Italy, Czech Republic, Serbia, Bosnia, Montenegro, Kosovo, Poland, Algeria, Tunisia, Egypt, Saudi Arabia, Abu Dhabi, Qatar, Mexico, Colombia, Uruguay and Chile.



24.5%
of FCC Aqualia's revenues
were generated in international markets

Europe

In 2016, 87% of revenues in Europe came from regulated water management activities, while 13% were the result of unregulated activities. Europe accounted for 61% of FCC Aqualia's international revenues in 2016. In Europe, FCC Aqualia's business activities are concentrated in the Czech Republic, Italy and Portugal.

Latin America

In 2016, 16% of revenues in Latin America came from regulated water management activities, while 84% originated from unregulated activities. Latin America accounted for 24% of FCC Aqualia's international revenues in 2016. FCC Aqualia is involved in two BOT arrangements in Mexico:

- It owns a 49% stake in a BOT concession including the design, financing, construction, operation and maintenance of an aqueduct for the State Water Commission of the state of San Luis Potosí.
- If holds a 25% stake in a BOT concession including the design, financing, construction, operation and maintenance of an aqueduct for the State Water Commission of the state of Querétaro.

In 2016, EPC activities were responsible for the majority of revenues from unregulated activities in Latin America. In Mexico, one of the most relevant projects carried out during this period was the aqueduct for the Water System of Cutzamala, administrated by the National Water Commission and supplying drinking water to 50 towns in the state of Mexico, the capital of which is Mexico City. Another project delivered in 2016 was the installation of 25 wells and pumping plants in the state of Zacatecas for a gold mine managed by its industrial client, Minera Peñasquito. In Chile, FCC Aqualia built a water treatment plant in the metropolitan area of Huechún, in connection with the mining activities conducted by the Chilean state mining company, Codelco. In Uruguay, FCC Aqualia executed the construction of the underwater discharge outlet of Punta Yeguas, which takes treated wastewater from Montevideo to the sea.

Middle East and North Africa

In 2016, 52% of revenues in the Middle East and North Africa originated from regulated water management activities, mainly from BOT concessions, and the remaining 48% came from unregulated activities. The Middle East and North Africa accounted for 15% of FCC Aqualia's international revenues in 2016. O&M activities in the Middle East and North Africa are developed under performance based contracts with relatively high margins and for periods ranging from three to ten years.

Contracting

FCC Aqualia has been the successful bidder or has extended service concession contracts when they expired involving the integral water cycle, achieving a very high loyalty rate (94.4%) in the towns in which it operates.

In the domestic market there was not much activity in terms of municipal concessions, partly due to the presence in town councils of groups opposed to public-private collaboration and also because of the political uncertainty generated by the time it took for the central government to be formed. In any event, tenders for O&M services remained at normal levels and the following contracts stand out:

- Madrid (Madrid), O&M service of the EDAR (Waste Water Treatment Plant) of La Gavia, awarded by Canal de Isabel II for a 4-year period and a contract volume of 11.5 million euros.
- Madrid (Madrid), O&M service of the EDAR of Valdebebas (lot II), awarded by Canal de Isabel II for a 4-year period and a contract volume of 6.3 million euros.
- Zalla (Biscay), operating, maintenance and conservation service of the ETAP (Drinking Water Treatment Plant) of Sollano-Zalla, pumping station of Ibarra (Zalla) and pumping station of Berrón awarded by the Bilbao City Council for a 4-year period and a contract volume of 4.6 million euros.
- Puebla de Don Fabrique (Granada), municipal concession for the management of the water supply, sewage and waste water treatment service for a period of 20 years and a portfolio worth 4.6 million euros.

EDAR (Waste Water Treatment Plant) of La Gavia, Madrid. Spain

- San Cristóbal de Segovia (Segovia), municipal concession for the integrated management of the water service for a period of 15 years and a contract worth 4.5 million euros.
- Llanes and Ribadedeva (Asturias), operating, maintenance and conservation service for the public sanitation systems, awarded by the Water Supply and Sanitation Consortium of the Princedom of Asturias (CADASA), for a 4-year period and a contract volume of 3.9 million euros.

94.4% loyalty rate in the towns in which FCC Aqualia operates

The following stand out among the renewals, enlargements and extensions of the contracts managed by FCC Aqualia in Spain:

- La Adrada (Ávila), municipal concession for the drinking water supply and sanitation service for a period of 15 years and a contract worth 8.3 million euros.
- Guijuelo (Salamanca), construction and operation, for a term of 21 years, of infrastructure in the town worth 13.0 million euros, awarded by the Guijuelo Town Council.
- Ebro Corridor (Zaragoza), water supply operating services in the province of Zaragoza: Zaragoza and Ebro corridor and lower part of the Ebro River in Aragón, awarded by Aguas de las Cuencas de España, S.A., for a period of 2 years and a contract worth 2.9 million euros.
- Vigo (Pontevedra), maintenance of the facilities and operation of the indoor swimming pools of Traviesas,
- Lavadores, Teis and Valadares, of the Vigo City Council, for a 1-year period and a contract worth 2.8 million euros, awarded to a UTE (joint venture) in which FCC Aqualia holds a 50% stake.
- Costa Brava (Gerona), purifying services awarded by the Costa Brava Consortium to a UTE in which FCC Aqualia holds a 37.5% stake for a 2-year period and a contract worth 26.2 million euros.
- Ibiza (Balearic Islands), concession for the municipal water supply and sewage service for a period of 1.2 years and a contract worth 11.1 million euros.
- Nigrán (Pontevedra), management of the municipal water supply and sanitation service for a 5-year period and a contract totalling 10.0 million euros.
- Rota (Cádiz), management of the town's water supply service for a period of 4.2 years with a contract worth 9.5 million euros.
- Santiago del Teide (Santa Cruz de Tenerife), management of the municipal water supply service for a 5-year period and a contract of 9 million euros.
- Yecla (Murcia), management of the municipal water supply service for a 4-year period and a contract worth 4.9 million euros.
- Pola de Lena (Asturias), integral management of the municipal water supply and sanitation service for a period of 5 years and a contract totalling 4.2 million euros.
- Sant Antoni de Portmany (Balearic Islands), management of the municipal water supply and sewage service for a period of 1 year with a contract worth 3.9 million euros.
- Santa Eulària des Riu (Balearic Islands), management of the municipal water supply and sewage service for a period of 1 year with a contract worth 3.2 million euros.

The year 2017 sees the end of concession contracts that the company has been fulfilling in the integral water cycle with an annual turnover of 47 million euros, as well as O&M contracts worth 30 million euros. Renewal rates are expected to be similar to those of 2016.

Also nearing termination are a number of relevant contracts operated by other companies in the industry (in Lugo, Pontevedra, San Cugat, Manises, Requena, Villareal, Fuengirola…). This means that the market will be more active this year and therefore more contracting opportunities should be available.

FCC Aqualia expects to continue advancing in the development of new activities, supplementing or ancillary to those representing its core activity, such as: O&M and adaptation of water plants (processing and drainage) for industries, Smart City Services (remote control, remote management, telemetering…).

Water deposits in Casablanca, Zaragoza. Spain

In the international market, FCC Aqualia has been very active in international tenders in various areas, particularly the following:

- In the European market, it contracted the management of the sanitation and water purifying service of the town of Dolni Lutyne in the Czech Republic for a 5-year period through its affiliate SmVaK, and it was awarded the contract for the construction of the sanitation and wastewater treatment system of the city of Berane in Montenegro, worth 10.9 million euros.
- In **North Africa,** Egypt's Defence Ministry awarded FCC Aqualia, through its affiliate FCC Aqualia Intech S.A., a contract for the design and construction of a reverse osmosis desalinisation plant in El Alamein, with a capacity of 150,000 cubic m/day, worth 114.6 million euros.
- In the **Middle East** a contract was secured for the modification of the water networks and services affected by the construction of line 6 of the Metro in Riyadh (Saudi Arabia), amounting to 12.6 million euros. Bids have also been submitted in Bahrain, Oman and the United Arab Emirates, which are yet to be awarded as of the date of drafting this report.
- In **Latin America**, FCC Aqualia won important awards in Colombia, Ecuador, Mexico and Chile. Below are the most relevant among these contracts:
  - Contract for the design, construction, supply and installation of equipment and the assisted operation of the enlargement of the of El Salitre wastewater treatment plant in Bogotá, with a total contract volume of 377.4 million euros, which was awarded to a consortium in which FCC Aqualia participates through its affiliate FCC Aqualia Intech SA with a 30% stake.
  - Contract for the design, construction and operation of the San Silvestre wastewater treatment plant in Barrancabermeja (Colombia), amounting to 33.9 million euros. FCC Aqualia holds a 50% stake in the consortium, likewise through its affiliate FCC Aqualia Intech S.A.
  - In Ecuador, a contract was obtained for the construction of the Ambato sewage water treatment plant and the sewage collector system worth 23.4 million euros, with a 60% stake in the consortium, through the subsidiary FCC Aqualia Intech S.A..
  - In Texcoco (Mexico), a contract was secured for the modernisation, start-up and operation of the Contracorriente wastewater treatment plant, worth 4.7 million euros, also through the affiliate FCC Aqualia Intech S.A.

Service excellence

In the ongoing policy of seeking efficiency in our company's operational management, we must underscore the efforts carried out in 2016 to reduce costs. The Central Procurement Dept. renegotiated the electricity supply contracts, reviewing the conditions of the power contracted, adapting the processing schedules and improving the hydraulic efficiencies in the catchment and distribution networks, which has led to a reduction of the water volumes purchased and of power consumption.

Our network of accredited laboratories has been restructured, focusing the new distribution on the search for greater efficiency, both in operational and economic terms. Likewise, we have implemented measures geared to setting up district-level teams for the sewage cleaning tasks, controlling and reducing the work outsourced to third parties, renegotiating the bank fees for handling the collection of invoices through the bank, incentives and new campaigns to boost the use of electronic billing (eliminating the use of paper and the associated costs), speeding up the processing resulting from regularisations due to customer fraud that is detected.

Likewise, in 2016 we reinforced our social action and dissemination campaigns. We signed many agreements with town councils and pursued regulatory amendments to prevent the risk of cutting off the water supply to customers under the risk of social exclusion, and the industry's employers' association signed an agreement with UGT, the trade union, to protect jobs in the industry both in the public and private sectors, and two Industry Sessions were held in Seville and Toledo to disseminate the benefits of public and private-sector collaboration and management models in the water industry. We also communicated widely about our R&D&I initiatives.

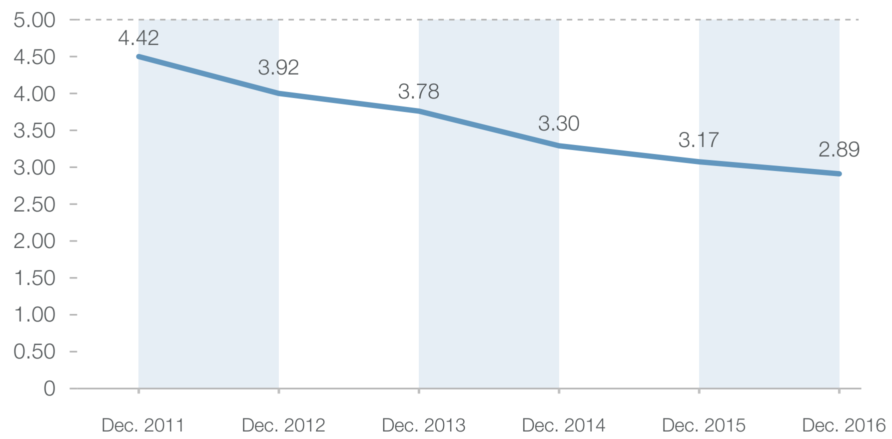
Customer services

For FCC Aqualia it is essential to extend the company's commitment to society, seeking the goal of excellence in customer service. The company intends to stand out in the market by developing services adapted to tis users' needs.

During 2016, progress continued in terms of gearing the strategy towards end users, particularly focusing on the quality of the channels used to interact with our customers.

In this respect, the customer management area implemented the Balanced Scorecard management tool, allowing us to link strategies and key goals with performance and results. This has allowed a continuous improvement of processes, until reaching an average payment collection period of 2.89 months.

Average payment collection period (months)



Also in 2016, a campaign was started to promote the use of electronic billing and to gradually do away with paper invoices. As a result there was a 73.9% increase in the number of customers who help to preserve the environment, with 122,014 of them choosing to receive their invoice in digital form.

The task of minimising the difference between the water supplied into the network and the volume actually consumed is an essential goal for a company such as FCC Aqualia. To achieve this, besides continuously updating networks to keep water leaks to a minimum, plans are designed to be able to detect the fraudulent use of drinking water. This year 9,359 cases of fraud were detected totalling 2.9 million euros. In addition to these actions, 143,496 metering devices were renewed in many different contracts.

Customers have increasingly higher expectations regarding the quality of their interactions with the company. In order to fulfil these expectations, in 2016 FCC Aqualia went a step beyond in customer service, going from a multi-channel offer to provide all its customers with an omni-channel experience in their relations with the company.

The onsite and online office, telephone assistance and mobile device channels have been integrated so that all of them are inter-related in real time. That way customers who have started communication by any of these channels can switch to another channel if they wish to do so, without changing their experience as a customer of the company.

aqualia contact

95.62%

Positive satisfaction rate

among Aqualia Contact customers

The telephone assistance service, through the Customer Services Centre (Aqualia Contact), allows users to take care of things without having to go to an office, and also contributes to considerably reduce the time required to solve breakdowns in distribution networks. The short time customers have to wait to report an incident (24/7/365 service) triggers off a quick and efficient action protocol to solve any type of incident in the network, which leads to improved water distribution efficiency. This customer service facility, available in six languages (Spanish, Galician, Catalan, English, German and French), received 729,282 calls in 2016. Surveys were conducted with 235,242 customers of Aqualia Contact to measure their level of satisfaction, of whom 170,308 rated assistance as excellent, 36,234 as very good and 18,399 as good, therefore the positive satisfaction rate reached 95.62%.

The corporate website www.aqualia.com, available in five languages, provides global information on the company. It also has links to local sites, to various municipal water services provided by FCC Aqualia, with more local and customised information on the company's presence in the municipality concerned. Through FCC Aqualia's corporate and local websites, access is provided to the aqualiaOnline virtual office, where customers can handle service-related matters in the same way as they would at an onsite office or by phone.

Since 2011, the aqualiaContact and aqualiaOnline channels have been certified with the UNE- ISO 27001 Standard, "Information Security Management Systems', meeting the security goals established by Law and ensuring the commitment to keeping our customers' data secure, as well as the integrity, availability and confidentiality of said data.

During the year 2016, FCC Aqualia provided its customers with a new communication channel, SMARTaqua, an application for mobile devices. This App allows customers to handle everything related to the services provided by the company, whenever and wherever customers want it, in the easiest and most comfortable way, providing a global view of their inter-relations with the company. This new channel, just like the ones stated above, interacts in real time with the computer systems, giving customers an omni-channel experience in their relations with the company.

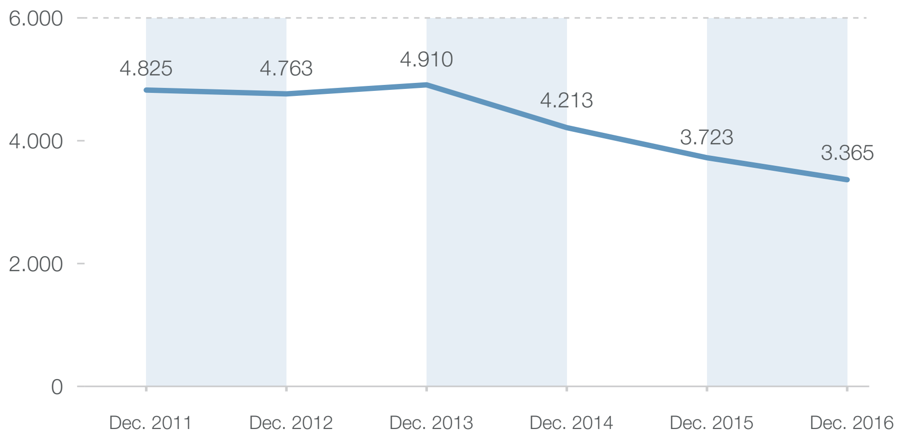
The efficiency of all the customer relations channels has enabled the number of claims to drop even lower, reaching the lowest levels of the historical series in 2016.

It should be noted that the average response time for claims is 16 days and the average time for installing a meter, from application to registration, is seven days.

Although the capacity to set rates and regulate the services provided in the integral water cycle in Spain lies exclusively with the Administration, at FCC Aqualia we actively promote social action mechanisms in the rates and solidarity funds for underprivileged users. We have also improved our coordination with the City Councils' social services to protect customers at risk of social exclusion.

Lastly, it should be noted that in 2016 FCC Aqualia renegotiated with the main Spanish banks the fees they charge for direct debiting customer invoices, with an average discount of 57.9%. The reduction of bank charges will be reflected in next year's financial statements.

% of claims over total contracts



Sustainable management

FCC Aqualia continues with its strategy to Create Shared Value, heeding the expectations of our stakeholders and further developing the tools allowing us know and measure our social and environmental impact, supporting our creation of economic value and increasing our competitiveness (calculating our social and environmental footprint).

Specifically, in 2016 work has been done on the following aspects:

1. Adapting the Management System to the structure of the new versions of the ISO 9001 and ISO 14001 Standards, which were published in 2015.
2. Adapting the Management System to the company's new functional and territorial organisation.
3. Climate Change. During the year 2016 we updated the calculation of the Carbon Footprint of all FCC Aqualia's activities, registering it at the Ministry of Agriculture, Food, Fisheries and the Environment's Carbon Footprint Registry on 9 August 2016 and with Code 2016_00_a200, verified by AENOR, the Spanish Association of Standardisation and Certification.

   The Report on Greenhouse Gases is done according to the requirements of the UNE-EN ISO 14064-1 Standard: 'Greenhouse gases - Part 1: Specification with guidance for quantification and reporting of greenhouse gas emissions and removals'.

   In response to the entry in force, in February, of Royal Decree 56/2016, on Energy Efficiency, during the year we continued to implement the plan agreed to with AENOR, as an adaptation to compliance therewith, and this has allowed us to certify the entire organisation according to the ISO 50001 Standard. To this end, Energy Audits were planned in 78 contracts with an aggregate consumption of over 293,000 MWh, representing 85% of the company's total consumption, as required in the regulations in force, to communicate to the relevant bodies of the various Autonomous Regions. The bases have been laid down to carry out a Carbon Footprint compensation project.
4. Environmental Management. Establishment of a systematic environmental approach in Caltaqua, with the implementation and certification of the ISO 14001 Standard at a pilot installation.
5. Business continuity.
   - Analysis pf the convenience of the implementation and integration of the applicable standards: ISO 31000 (Risks), ISO 27001 (Information security), ISO 22301 (Business Continuity), ISO 55001 (Assets), ISO 22000 (Food Safety Management), EN 15975-1 (Crisis Management) and EN 15975 (Security of Drinking Water Supply), Water Safety Plans (PSA, OMS-IWA).
   - Analysis of Applicable Laws: Critical infrastructures, Drinking Water Directive, Data Protection Statute (LOPD), etc.

6. Involvement in Standardisation Committees and Expert Groups: Standardisation Committee of the Service Excellency Model of AENOR, CEN/PC 420. AEN/ CTN 309 on Horizontal Service Standards and AEC's Customer Experience Committee.

One of FCC Aqualia's fundamental goals is the continuous improvement via an Integrated Management System that includes both the quality management of the processes, products and services and environmental management, publishing these types of reports with the purpose of facilitating the verification of the GEI inventory, thereby furnishing transparent information to its stakeholders.

FCC's businesses

Infrastructure

FCC Construction

Industry Analysis

Spain

Demand has changed over recent years. Investment in infrastructure in Spain has been drastically reduced as a result of the economic crisis. An early forecast for 2017 anticipates a level of public investment in infrastructure similar to that of the previous year. The forecast for the next two years is to maintain investment at 1.9% of GDP, which is 0.9% less than the European average of 2.8% of GDP.

In response to information provided by the European Commission[1], it is estimated that the ratio of investment/surface area per population in the 1995-2016 period was significantly lower than that of France and Germany (17% and 24%, respectively) and substantially less than those of Italy and the UK (58% and 91%, respectively). Forecasts from the European Commission for 2017/2018 put Spain in the penultimate position of the investment ranking of the EU, ahead of Portugal, with a value (1,660 euros/km[2] per million inhabitants) 32% lower that the investment ratio of the past 22 years. These figures show that this forecast increases the gap between Spain and our main European partners: during the period forecast, public investment valued in terms of area and population increased 32% in the UK, 20% in Germany and 1% in France. In the case of Italy, the ratio experienced a decline of 17%, substantially far from 32 per cent reduction expected for Spain.

According to data from SEOPAN, the volume of tendered public works in 2016 was 2% higher than that of 2015, and showed greater strength in construction with an 11% growth, compared to the 3% in that of civil works.

In general, it is estimated that the residential construction sector will maintain a more positive picture, showing a slight acceleration of activity throughout 2017. Civil engineering works, after the short period of slight recovery, returned to negative growth, experiencing a fall close to 4% in 2016. The outlook for 2017 is determined by the need to continue, and even intensify, the process of fiscal consolidation, which probably will require further sacrifices in public investment.

With reference to the labour market, the loss of over 1.75 million construction jobs in Spain, representing 55% of the existing positions, between 2008 and 2014 must not be forgotten. However, the last two years have been good for employment and unemployment. Over the last 12 months, unemployment decreased by 541,700 people in 2016, according to the Labour Force Survey (LFS). Meanwhile, employment grew by 413,900 jobs, and the construction sector adding 20,800 jobs.

Over the last **12 months** unemployment has gone down by **541,700** people in **2016**, according to the Labour Force Survey (LFS)

[1] Winter 2017 forecast. Directorate General for Economic and Financial Affairs. European Commission.
[2] 2016 constant euros invested per km^2 and million inhabitants.

Europe

United Kingdom

- **Construction sector**
  - The construction industry in the United Kingdom grew again in 2016, since Brexit had less impact than expected.
  - Construction is expected to increase by 0.7% in 2018 and 2.2% in 2019, according to the Construction Products Association (CPA). It is anticipated that, until 2019, growth will be driven primarily by increased activity in infrastructure and an increase in the construction of private homes; these positive results would offset the declines expected in commercial and industrial construction.
- **Factors to watch:** Brexit negotiations, especially in relation to the construction labour force and infrastructure investment by the government to strengthen the economy.

Romania

- **Construction sector**
  - In 2016, the construction sector decreased 4.8% compared to 2015, due to the reduction in infrastructure works. In contrast, the residential construction market recovered significantly.
  - In September 2016, the Romanian government adopted its General Master Transport Plan for Romania ("TMP"), which it hoped would be a significant boost to the development of the transport, railway, land, naval, air and multimodal transport infrastructure in Romania during the next 15 years. The approval of the TMP is also a condition for receiving funds from the European Union.
- **Factors to watch:** the fight against corruption remains a problem in Romania, and the government is under increasing scrutiny.

Portugal

- **Construction sector**
  - It is anticipated that the construction sector will increase by 2.6% in 2017, a return to growth after a 15-year decline which caused the sector to fall 3.3% last year. Construction is expected to benefit from overall economic growth, as well as public investment, in anticipation of local elections to be held during this year. According to forecasts, non-residential construction should grow 3.1 per cent thanks to the 5% increase in public spending which affects this sector, while private construction in this segment will grow 2%.
- **Factors to watch**
  - Economic performance, local elections (September or October 2017).

Latin America

Mexico

- **Construction sector**
  - It is anticipated that the decrease in the price of oil and the impact of the fall of the Mexican peso on construction will result in a slowdown of the sector in 2017.
  - Donald Trump being elected President of the United States and claims to "withdraw" from the Free Trade Agreement (NAFTA) have generated concern.
- **Factors to watch**
  - The relationship between the United States and Mexico, the costs of fuel and oil.

Peru

- **Construction sector**
  - It is anticipated that the construction sector will grow approximately 3.7% in 2017.
  - After taking office in July, the new president is expected to meet his promises to accelerate the delayed infrastructure works with a total investment of 18 billion USD.
- **Factors to watch**
  - The construction of delayed infrastructure and the non-resolution of the problems related to corruption.

Colombia

- **Construction sector**
  - The construction sector is one of the fastest growing in South America. In 2016, it registered a 4.1% growth. This growth is partially due to 4G infrastructure project, amounting to 24 billion USD, which includes investment in several large projects related to the construction of motorways, to the extension of transport infrastructure, energy, basic services and affordable housing projects.
- **Factors to watch**
  - The pace of the infrastructure plan.

Panama

- **Construction sector**
  - Public investment in Panama are expected to total 5,119 USD millions this year, which represents one-quarter of total public investment for the current five-year period.
- **Factors to watch**
  - It is anticipated that the country's growth in GDP will be the largest in all Latin America.

North America

USA

- **Construction sector**
  - The Dodge Construction Outlook report for 2017 notes that the beginning of works in the USA. will be increased in 2017 by 5% reaching 713,000 million USD, after slow growth in 2016.
  - There will be special emphasis on the one billion USD promised by President Trump for infrastructure over the next 10 years, especially on how he will get the funds for such investment. The private sector could benefit from incentives to handle some of the work, thanks to tax credits amounting to over 18 billion USD. Growth is also expected in PPPs (Public-private partnerships).
  - There will be emphasis on the construction of new infrastructures and the repair of important already existing assets that are generating safety concerns. Additional investments for bridges and water supply systems as well as wastewaters, have been subject to considerable criticism.
- **Factors to watch**
  - Clarity on infrastructure spending by President Trump.

Middle East

Saudi Arabia

- **Construction sector**
  - Growth of 1.9% is expected for this year, an improvement over 2016. The construction market remains the largest in the Cooperation Council for the Arab States of the Golf (GCC).
  - The Vision 2030 and the associated National Plan for Transformation, launched in 2016, are key to opening the infrastructure market, with the potential of private investment in the transport area to reactivate the sector. In September 2016, the government also enacted extensive tax reforms which cut subsidies and salaries in various sectors.
- **Factors to watch**
  - Currently, a review is being conducted of government contracts worth USD 69 billion and there are signs that a third of them could be ruled out.

Qatar

- **Construction sector**
  - Qatar's 2017 budget outlines sustained spending in vital sectors such as healthcare, education, infrastructure and transport, which will consume most of the new budget, almost half the total spending, of which USD 13 billion have been reserved for infrastructure projects in 2017. These include construction projects for the 2022 FIFA World Cup.
  - The Qatari government's plan to introduce a law governing public-private partnerships (PPPs) is a positive sign of greater opportunities for the infrastructure market, which is currently expanding.
- **Factors to watch**
  - Infrastructure related to the 2022 FIFA World Cup; the labour market.

Industrial activity

In the industrial sector, FCC Industrial moves in various subsectors, ranging from manufacturing to operation and maintenance, as well as the design and construction of, industrial facilities.

The economic situation in Spain has stabilised and there is some growth in certain sectors, such as the construction and automotive sectors, which positively affects the evolution of our business.

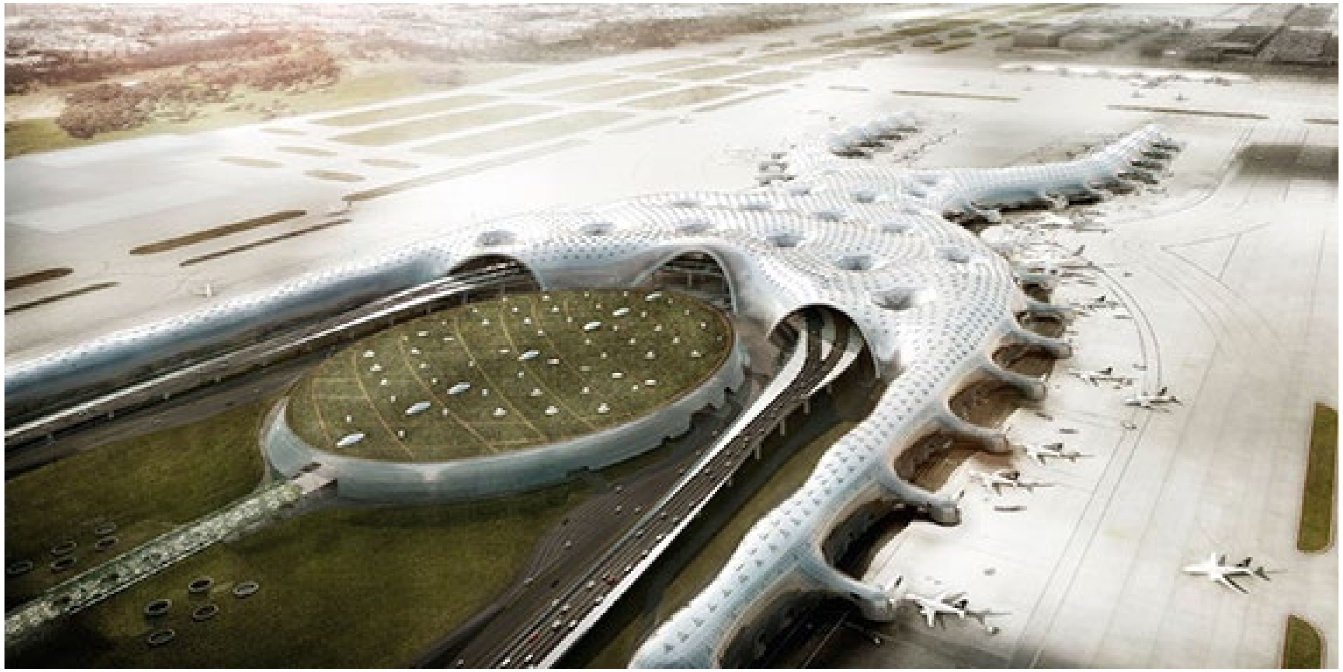
Internationally, oil prices are affecting large projects in the oil and gas and fossil-fuel-based power generation sectors, but there is some growth in renewable energies in Latin America and the Middle East and in Europe in waste recovery, sectors in which FCC Industrial is present as part of the diversification of activities and markets strategy.

Activities and geographic areas

FCC Construction

FCC Construcción is the infrastructure division of FCC Group. Its activities cover all areas of engineering and construction, and it is a leader in the construction of civil works (roads, railways, airports, hydraulic works, maritime works, tunnels and bridges) and construction (residential and non-residential: hospitals, football stadiums, museums and offices).

It is the fourth-largest construction company in Spain and among the largest in the world. It has proven track-record in implementing projects under the concession regime, and it also has a group of Companies dedicated to the industrial sector, energy, grouped together under the same brand FCC Industrial, as well as other activities related to the construction sector.



New terminal building in Mexico DF airport

Railway Infrastructure

In 2016, the railway transport sector advanced slowly in Spain due to the reduction in investments related to the plans for the expansion of the high-speed railway network. However, progress continued on the construction of new metro lines in the Middle East and North and South America.

Metro

Most significant ongoing works:

- **Panama Metro. Progress on the delivery of Line 2 (Panama).** The contract involves the design and construction of civil works, ancillary line facilities and stations, supply and installation of the complete railway system, including rolling stock and commissioning of Line 2, which will be ready in 44 months. Along the line five-carriage trains will run with state-of-the-art technology, that will allow them to consume less energy and guarantee efficient operability. It will have a capacity to transport on average 16,000 passengers per hour and will be adapted for people with disabilities.

- **Lima Metro. Line 2 and Line 4 branch (Peru).** The project involves the design, construction, financing, operation and maintenance of the Lima Metro Line 2 and Line 4 branch, which goes to the airport, for an amount totalling 3.9 billion euros. Line 2 will be 35 kilometres long and cover Lima's east-west axis from Ate to Callao. Once operational, its 35 stations will provide services to more than 600,000 people a day, which will save up to 90 minutes on their journeys. For its part, the Line 4 branch linking the capital to the airport will run along an 8-kilometre tunnel, from Avenida Faucett to Nestor Gambetta. Financing for the Lima Metro was given an award in February by the Project Finance International magazine.
- **Riyadh Metro. Lines 4, 5 and 6 (Saudi Arabia).** The project includes the design and construction of Lines 4, 5 and 6 and will have 25 stations for which 64.6 kilometres of metro tracks, 32.3 kilometres of viaducts, 22.68 kilometres of underground tracks and 9.3 kilometres of ground-level tracks. In June, FCC finished drilling the first section of the tunnel for Line 5 (the Green Line) for the Riyadh Metro, which covers 1.2 kilometres.
- **Doha Metro. Red Line (Qatar).** The project includes the construction of a section of the Red Line for the Doha Metro. The section will comprise three elevated stations and extend 6.97 kilometres. The project also includes burying a section of the urban motorway that currently exists at the entrance of the city of Al Wakra. This is FCC's first major works in this Emirate. At present, the works are 70% complete. In 2016, the design and construction of the civil works for the viaduct and the structure of the stations were completed.
- **Toronto Metro. Highway 407 Station and Northern Tunnels (Canada).** This is an underground inter-modal station measuring 165 metres long, 22 meters wide and 23 metres deep, with a central platform and three levels (two underground and one on ground level) with a bus terminal and an outdoor car park with 600 parking spaces. By the end of 2016, it will be 97% completed.

Railway

High Speed

FCC Construction has taken part in the construction of a signifiant part of the 3,000 kilometres of Spain's high-speed railway line, one of the most advanced and largest in the world. It also has worked on more than 700 kilometres of track doing renovations of the existing conventional network.

The most significant ongoing works are:

- **Pajares tunnels (Spain).** The work is concentrated inside the Pajares tunnels along their 14,817 metres (for the western tunnel) and 14,836 metres (for the eastern tunnel). They make up the most technically complex work done on the high-speed León-Asturias line, that connects Madrid and the larger capitals of Castile and Leon with the main cities in Asturias.
- **Mediterranean Corridor rail link (Spain).** It is part of the Madrid-Barcelona-French border high-speed railway line. The works consist of assembling the superstructure track between Vandellòs and Secuita (Camp Tarragona station) and all necessary work for implementation of the line. The section has a 65.2-kilometre-long dual track on which trains travel at 220 kilometres per hour.

Pajares Tunnel (Spain)

Accesses to the Sagrera station

- **High-speed Madrid-Extremadura railway trackbed for the Alcántara Reservoir-Garrovillas section (Spain).** The works consist of the construction of a new 6.2-kilometre dual high-speed railway trackbed. An important element is the viaduct over the River Almonte, which is 996 metres long and whose main arched central span under the upper deck measures more than 384 metres long.
- **High-speed Madrid-Extremadura railway trackbed for the Arroyo de la Charca-Grimaldo section (Spain).** This is the construction of a 6,406 metres-long high-speed railway track including four viaducts, two underpasses, one overpass and thirteen cross drainage structures.
- **North Vigo accesses (Galicia, Spain).** The project consists of the construction of civil works at the rail yard in the same location as the current station, but a height that is 15 metres lower due to the route chosen for accessing Vigo.
- **Vilariño-Campobecerros section, left track (Spain).** The section includes the construction of two parallel single-track tunnels, each measuring 6,700 metres long and each excavated using a single-shield TBM and the construction of 18 connecting and emergency galleries between the tunnels. In December 2016, FCC completed the excavation of one of the tunnels, and the completion of the works is estimated to take place by the end of 2017.

Motorways, dual carriageways, roads and urban roads

Most significant ongoing works:

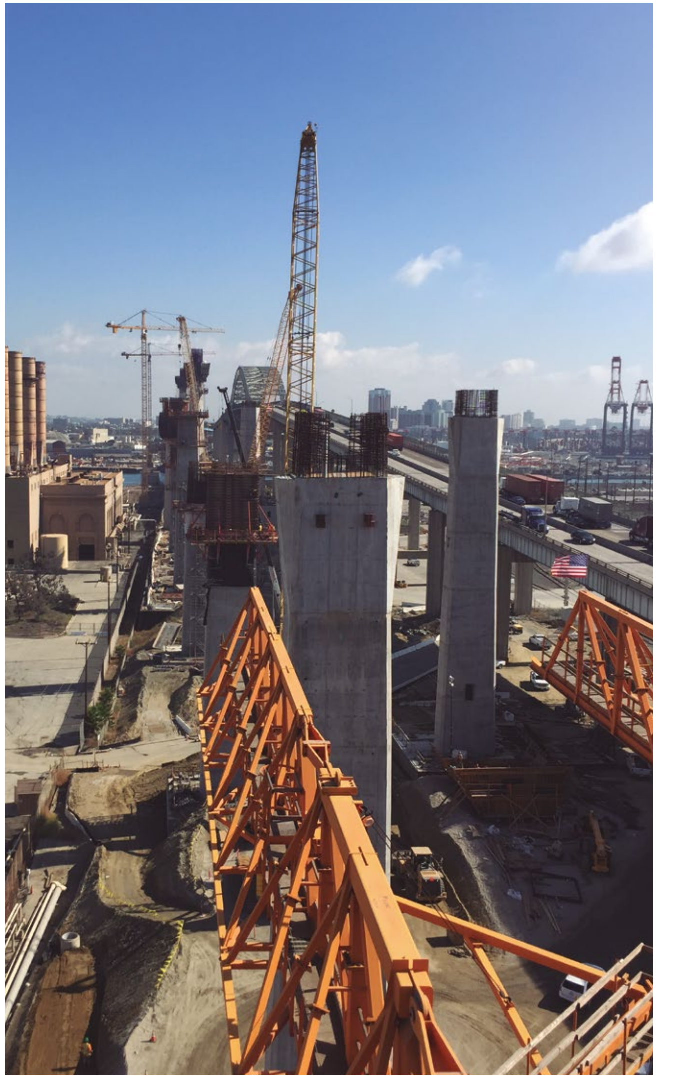
- **Vallirana bypass, (Barcelona, Spain).** The works for the Vallirana bypass, which is 2,400 metres long, include a tunnel with two tubes, one for each direction and measuring 1,400 metres each.
- **Road link to Jumilla Yecla for the A-33 dual-carriageway (Murcia, Spain).** Subsection of the A-33 dual carriageway in Murcia (subsection 2), which measures 7.5 kilometres long.
- **Widening of TF-5 road (Tenerife-Canary Islands).** Urban road section measuring 2.2 kilometres that will serve as a connection between the TF-2 motorway and Príncipe de España Avenue.
- **La Aldea - El Risco road (Gran Canaria, Canary Islands).** Construction of a re-mapped conventional road measuring 10.15 kilometres, limited at each end by the population centres of La Aldea de San Nicolás and El Risco in Gran Canaria.
- **Águas Santas tunnel (Portugal).** Construction of the Águas Santas tunnel (near Porto). The project consists of the construction of a new gallery measuring 367 metres long with a maximum 24-metres overburden.
- **Maintenance of the Pan-American highway. Chorrera-San Carlos section, in the province of West Panama (Panama).** The project consists of 53 kilometres of the Pan-American Highway and is carried out in the province of West Panama.

- **Work on the third section of the southern access to Alto Hospicio/access to Iquique (Chile).** In July 2016, FCC began the construction work for section three that will link the towns of Iquique and Alto Hospicio in Chile. The project includes improvements, accessibility and connectivity in the city of Iquique, in the Alto Hospicio-Alto Molle sector.
- **Urban Sector Conversion Works (Chile).** Route 5 Concession, Santiago Los Vilos (Chile). In 2015, the Sociedad Concesionaria de la Autopista del Aconcagua awarded the contract to widen the motorway from three to four lanes in each direction, as well as for the construction of service roads, link road modifications, cross drains and pedestrian walkways.
- **Toyo tunnel (Colombia).** Last October, FCC was awarded the contract for the design, construction, operation and maintenance of the Toyo tunnel, located between the municipalities of Giraldo and Cañasgordas, some 500 kilometres northwest of the capital, with a new route measuring 40.84 kilometres long in two-way direction and one lane in each direction. Once completed, this infrastructure will be the longest of its kind in Colombia. In 2016, progress was made on optimising the design of the tunnel regarding the demands of the users and public client.
- **Expansion of Cañas - Liberia highway (Costa Rica).** In mid-2016, FCC Construction in Costa Rica concluded the Cañas - Liberia section of the Inter-American Highway, which measured more than 50.610 kilometres. The works doubled the highway, turning the two-lane road into a four-lane highway. This widening makes it the first highway in Costa Rica to meet the Meso-American corridor standard.

Bridges

Most significant ongoing works:

- **Gerald Desmond Bridge, Los Angeles (United States).** The project includes the design and replacement of the old bridge and the construction of the new bridge in the Port of Long Beach, Los Angeles. The new port has a main cable-stayed span of 305 metres long, positioned 61 metres over the Long Bead port's back channel. FCC is progressing on the construction of the two unique tower columns, which are approximately 155 metres high, that will support the cable-stayed part deck of the 305 metres of main span. Sixty-four per cent of the work has been completed.
- **Mersey Gateway Project (United Kingdom).** Design, construction, financing, maintenance and operation of the Bridge over the River Mersey in Liverpool (United Kingdom), which measures 2.13 kilometres long and will serve over 80,000 vehicles daily. The most unique element of the contract is the cable-stayed bridge, which is one kilometre long and 42 metres wide and has a maximum height of 125 metres. The project also includes the remodelling of seven kilometres of access roads, 2.5 kilometres of motorway and the renovation of other 4.5 kilometres of motorway, along with different links roads. In February 2016, FCC completed construction of the first deck of the northern access viaduct.
- **Almonte viaduct (Spain).** The viaduct is 6,265 metres long and is part of the Madrid-Extremadura-Portuguese border high-speed railway line. In October, the structure of the high-speed railway arch bridge with the world's largest span. It is 996 metres long has a 384-metre centre arch span.



Gerald Desmond Bridge, Los Angeles (United States)

Hydraulic works

Most significant ongoing works:

- **Enciso dam on the river Cidacos, La Rioja (Spain).** This is a straight gravity dam with an approximate volume of 0.6Hm^3 in the its body. The work will improve the supply of water for domestic, agricultural (up to 8,000 hectares) and industrial use.
- **Castrovido dam, Burgos (Spain).** This infrastructure, which is currently about 85% complete, has a capacity of 44 cubic hectometres. The dam will facilitate the water supply to more than 30,000 people and will improve the availability of irrigation for 6,000 hectares, with the consequent social and economic benefits.
- **Heightening of the Yesa dam, Navarre (Spain).** The construction of the dam body continues. This work will allow the reservoir capacity of the current Yesa dam to triple to 1,500 cubic hectometres.
- **Decontamination of the Flix reservoir, Tarragona, (Spain).** The work on this project, located in the region of Ribera d'Ebre, will remove over a century of toxic material dumped into the River Ebro from industrial activities. The works include complementary activities such installing emergency supplies for towns located downstream of Flix and, thus, the prevention of the risk of pollution and the protection of the Sebes natural reserve, located on the bank opposite the factory.

Castrovido Dam, Burgos (Spain)

- **Dredging of the river Bogotá (Colombia). T**he works consist of the relocation and reinforcement of existing lateral retaining walls, as well as the deepening and widening of the river, including dredged material with some contamination to be treated prior to being sent to landfill sites.

Port of Callao, Peru

Maritime works

Most significant ongoing works:

- **New Port of Granadilla, Tenerife (Spain).** The project consisted of the construction of an exterior breakwater measuring 2.51 kilometres long.
- **Santa Cruz de la Palma Coast, Santa Cruz de la Palma, Canary Islands (Spain).** The main purpose of the project is to create a new beach on the Santa Cruz de la Palma shoreline to meet demands from in the city and improve the protection of its waterfront, often affected by breaking waves in storms.
- **Completion of the expansion of the Port of El Callao (Peru).** The work consisted of extending piers 5 (560 metres long) and 11 (280 metres), in order to increase the berthing capacity and build new facilities.
- **Completion of the Port of Açu works (Brazil).** The project consisted of the construction of the TX-1 terminal for the Brazilian port of Açu located in north-eastern Brazil, an area that produces 85% of the country's oil and gas. The work included the construction of a caisson pier 2,438 linear metres long. A noteworthy element of these works is the construction and transport of 11 caissons built in Spain and moved to Brazil on semi-submersible vessels.

Non-residential construction

Most significant ongoing works:

- **Conference and Exhibition Hall, City of León (Spain).** This building is divided into two unique buildings: the Conference Centre and the Exhibition or Fairgrounds Area.
- **Salamanca Hospital (Spain).** This work involves the design and execution of the Salamanca University Hospital, which will be implemented in three phases. With a gross built area of 183,433 square metres, the new building is expected to house 957 beds, 25 operating theatres and 315 rooms.
- **La Línea de la Concepción Hospital, Cadiz, (Spain):** construction of a new hospital building consisting of six interconnected blocks.

- **Lleída UPSM Hospital, Lerida (Spain).** Ongoing construction works with a succession of contracts awarded for different phases: construction of a new hospital building of approximately 12,500 m^2. It has 86 rooms, 126 beds, common areas, chapel and conference room.
- **Ciudad de la Salud (Panama).** This healthcare complex project includes the design, development, construction, financing and equipment of the facilities for Panama's Ciudad de la Salud healthcare complex. The facilities will have a surface area of 220,000 square metres and will be equipped with 49 operating theatres, 200 consulting rooms and 1,709 beds, thus becoming the leading healthcare and hospital facility in the region of Central America due to its equipment and functionality.
- **Rehabilitation of the Carlos Lopes Palace (Spain).** Rehabilitation works for the building, renovation of the entrances and exterior gardens. Among the main work done was the replacement of the existing roofing with a metal one and the repairing of the tiles on the façades.
- **La Cartuja Technological University, Seville (Spain).** Construction of building that houses several technological research and development spaces for the University of Seville.
- **Hotel Torre Sevilla, Seville, (Spain).** Renovation of the interior of the current Torre Sevilla to make it into a 5-star luxury hotel.
- **San Juan de Dios, Bormujos Teaching and Research Campus, Seville, (Spain).** Construction of a rectangular-shaped research building consisting of a ground floor, two more floors and a basement.
- **Phase 3 EUIPO headquarters, Alicante, (Spain).** Construction of Phase 3 of the EUIPO (EU Intellectual Property Office) headquarters. Construction of two office buildings with capacity for 150 workstations and 111 parking spaces.
- **New Atlético de Madrid Stadium (Spain).** The project consists of the expansion and construction of Atlético Madrid's new Wanda Metropolitano Stadium. The facility will have a total of 145,721 square metres and have a capacity for more than 67,000 fans. The roof is a unique element and sets the stadium apart from other European sports facilities designed in recent years. It is made of a 6,000-tonne steel structure and covers 83,053 square metres.
- **Contract for public domain properties, City of Madrid (Spain).** Framework agreement for the reform, repair, maintenance and demolition of heritage buildings belonging to the Madrid City Council. The main actions carried out in 2016 worthy of mention are the implementation of the Centre for Woman, in the former Rubén Dario school, the refurbishment of the municipal building next to the trade fair area in the Casa de Campo and the stands and lighting of the covered athletics track in the Gallur Sports Centre.

Residential construction

Most important ongoing works:

- **129 homes units in Cornella de Llobregat, Barcelona (Spain).** In August, we began the construction of a two-tower residential building over a common car park with a total of 129 homes with parking and storerooms.
- **120 homes, Elche, Alicante (Spain).** In October, we were awarded the contract for the construction of a building with 120 social housing units, 88 parking spaces and retail premises for the City of Elche's municipal developer.
- **Nuevo Tres Cantos housing estate, Madrid, (Spain).** A housing estate on 329 hectares, of which one hundred hectares are reserved for residential use for 8,000 homes.
- **Parc Sagunt housing estate, Sector 4, Valencia (Spain):** The urban development works for Parc Sagunt, Sector 4 were recommenced in September 2016.
- **Vía Parque de Alicante housing estate, Alicante. (Spain).** Construction project for an urban road linking Lorenzo Carbonell Street with Deportista Joaquin Blume Street.
- **Torre de Madrid homes (Spain).** Demolition works, related structure and exterior joinery for the Torre de Madrid in Madrid's Plaza de España. The works will be done from the basement to the ninth floor with views to a future upgrade for its use as a luxury hotel.

FCC Industrial

FCC Industrial is the company that specialises in the implementation of projects in the industrial sector; it operates in the following lines of business:

- **Industrial construction**
  - Turnkey projects (EPC)
  - Oil pipelines
  - Specialised construction
- **IRMS**
  - Electromechanical installations
  - Electrical networks and substations
  - Energy efficiency and maintenance
  - IT systems
- **Infrastructure maintenance**
- **Industrial manufacture**

The following projects in which FCC Industrial has participated in 2016 are worthy of mention:

Turnkey projects (EPC)

- Double containment cryogenic LNG tank, with a capacity of 30.000 cubic metres, in Pori (Finland) for Skangas.
- Underground dual high-voltage circuit with fifteen MV (medium-voltage) lines and a seven-bay GIS substation in Campeche (Mexico) for CFE.
- Two substations with 73 kilometres of overhead single-circuit line and 23 kilometres of overhead dual-circuit line, each having 115 kilovolts, in Tamaulipas (Mexico) for CFE.
- Single-circuit high-voltage overhead line with 114 metal towers and 45 kilometres of conductors and fibre optic cable in Colombia for EPM.
- Modernisation of two 115-kilovolt substations in Colombia for ESSA (subsidiary of EPM).

Industrial construction

- Samalayuca-Sásabe gas pipeline (Mexico). Construction of the 36-inch-diameter pipeline measuring 610 kilometres.
- Remodelling of airport and fire hydrant system in Dublin Airport (Ireland).
- Compressed natural gas compression station for EMT in Madrid.

Electromechanical, control and communications installations

- Lines 5 and 6 of the Riyadh Metro (Saudi Arabia).
- Electromechanical installations for hospitals in Salamanca and La Línea de la Concepción (Cádiz).
- Expansion of the beacon lighting at the airfield in El Prat (Barcelona) and Santiago de Compostela airports for AENA.
- Comprehensive renovation of gallery management systems and installations for the Madrid City Council.
- Rehabilitation and upgrading of buildings, installations and equipment in the Teatro Real in Madrid.
- Renovation of the flight control centre for Enaire in Las Palmas de Gran Canaria.
- General refurbishment and remodelling of the building and installations for the Hermanos Revilla building (Madrid).
- Mallorca Council Data Processing Centre (Balearic Islands).
- Installation of sections of radar for the Catalonian Transit Service (various locations).

Railway installations

- Drafting of the construction projects, construction of the works, conservation and maintenance of the safety installations, interlocks, train protection systems, centralised traffic control, auxiliary detection systems, fixed telecommunications, GSM-R and protection and safety installations for the Monforte del Cid-Murcia section of the Madrid-Levante high-speed railway line.
- Constructions of the works, conservation and maintenance of the safety installations, interlocks, train protection systems, centralised traffic control, auxiliary detection systems, fixed telecommunications, GSM-R and protection and safety installations for the Vandellós-Camp de Tarragona section of the Madrid-Barcelona-French border high-speed railway line.
- Design and construction of the Civil Protection facilities for the Figueres-Barcelona tunnels.

Energy efficiency and maintenance

- Renewable Energies:
  - Operation and maintenance of the 50-megawatt solar-thermal power generation plant in Palma del Rio (Cordoba) for Guzmán Energía.
  - Operation and maintenance of the 50-megawatt solar-thermal power generation plant in Villena (Alicante) for Enerstar Villena.
  - Operation and maintenance of two, 10-MW photovoltaic power plants in Espejo (Córdoba) for Helios Patrimonial I and II.
- Electrical networks:
  - Maintenance and construction new low and medium-voltage distribution networks in the areas of Pozuelo/Villalba, Albacete, León, Zamora, Toledo and Levante for Iberdrola for the January 2014 to June 2017 period.
  - Maintenance and construction of new construction works for new low and medium-voltage distribution networks in Madrid and Segovia for Gas Natural Fenosa.
  - Maintenance of substations for Gas Natural Fenosa in Ciudad Real and Toledo.
  - Maintenance and construction of new medium and high-voltage distribution networks in the Barcelona area: districts 5, 6, 7, 8, 9 and 10 - Sant Adrià - Santa Coloma - Badalona (Central Catalonia division) for Endesa Distribución Eléctrica during the June 2013 - January 2017 period.
  - Replacement of meters and implementation of remote management in Seville for Endesa.
  - Inspection of measuring equipment and installing equipment for Endesa Distribución Eléctrica.
- Comprehensive maintenance of infrastructure and building facilities: Malaga Airport, Campus de la Salud in Granada, Hospital La Candelaria in Tenerife, Hospital Son Dureta in Mallorca, National Library, Royal Theatre, Cervantes Institute, Torre Castellana, Barcelona Metro Line 9, other buildings owned by REALIA, Prisa Group headquarters and other buildings and infrastructure.
  - Traffic management systems:
    - Systems in the Monrepós tunnels on the border in Huesca for the Ministry of Public Works.
    - Systems on several motorways in Catalonia for Cedinsa.
    - Systems on the ER-1 motorway in Madeira (Portugal) for Vialitoral.
  - Lighting - Energy Efficiency:
    - Comprehensive and integrated activities for the maintenance and operation of public lighting for city councils, which includes investments designed to improve the energy efficiency of the installations via measures for saving, metering and control of energy consumption.

IT systems

- Operations planning tools, TOPFAS, for NATO's Information and Communications Agency.
- Monitoring and reconstruction of air operations system for the TLP, Tactical Leadership Programme. Air Force Logistics Support Command.
- Helicopter trainer for the State Traffic Department.
- Replicas to simulate the controls for gunmen on the Army's Centauro, Pizarro and RG-31 armoured vehicles.
- System for simulating sea port operations for the Port Authority of the Bay of Algeciras.
- Comprehensive port activity simulation tool (Optiport) developed in collaboration with the Port Authority of the Bay of Algeciras.

Industrial manufacturing. Corporate image

In the corporate image-related business, FCC operates under the Megaplas and Megaplas Italia brands.

In 2016, major clients like BP Oil in Spain, Portugal and France have returned to Megaplas's portfolio. At year-end, Megaplas had worked with 25 petrol service stations to launch the programme, which is expected to last five years.

In the automotive sector, in 2016 Megaplas was named to supply and install the first pilot car dealer for Nissan's new corporate image in Spain and also the implementation of this new image in Italy and France.

With regard to Alfa-Jeep's new corporate image, in 2016 Megaplas implemented the new corporate image in a total of 276 car dealers in over 15 European countries like Spain, Portugal, France, Belgium, Italy, Holland, Hungary, Greece, Poland, Slovakia, Czech Republic, Germany, Switzerland and Morocco. The programme will run for the next two years.

Industrial manufacturing. Prefabricated materials

In the prefabricated materials business, FCC operates under the Prefabricados Delta brand.

Some of the most significant works include:

- Contract for the supply of bi-block sleepers for the connection of the Seville Metro's Line 1. To do this, a new reinforced concrete bi-block was designed, developed and put into production to provide an alternative to a construction solution that was being carried out with products from other countries.
- Supply of post-stressed concrete pipe with sheet metal coating and flexible joint for the Port of Ferrol sewage network.
- Supply of reinforced concrete pipe for the irrigation area in central Extremadura for the Ministry of Agriculture.
- Supply of polyester with glass fibre pipes with a flexible joint for the pipes replacement works in the modernisation of the irrigation in the Canal Irrigation Community of Aragon and Catalonia - Soses.
- Supply of GRP pipe for the irrigation area of the Riaño reservoir.

Supply of railroad sleepers

- Detailed construction project design for the track of the new railway access: Levante, Madrid - Castile La Mancha, – Community of Valencia – Region of Murcia. Section: Monforte del Cid – Callosa Tunnel.
- For the Line 1 connection of the Seville Metro to Alcalá de Guadaira, in 2.016, 8,421 bi-block sleepers for the metro have been supplied for the ballast.

Infrastructure maintenance. Matinsa

In 2016 Matinsa had a turnover of 67.64 million euros, 1.1% more than the previous year. In 2016, Matinsa was awarded contracts totalling 29.88 million euros, with an orderbook pending completion of 97.99 million euros. FCC Group works in the sector through Mantenimiento de Infraestructuras, S.A. (MATINSA) in the following business areas:

Motorways and roads

Maintenance of 4,720 kilometres of roads and 87 kilometres of Spain's metropolitan network belonging to various government agencies (Ministry of Public Works, autonomous regions, provincial councils and local regional councils), as well as 1,700 kilometres of roads in Portugal.

This activity is carried out in various locations. The service includes such tasks as:

- The service to control a total of 52,115 kilometres of tunnels.
- Supervision and care in the event of accidents and incidents.
- Winter road services, for which MATINSA has a fleet of 50 snowploughs.
- The systematic maintenance of installations for the supply of electricity, lighting, ventilation and tunnel control, miscellaneous signage and traffic lights.
- The establishment of inventories, creation of an agenda of information on road conditions, support activities for operation and safety reports.
- Carrying out the work necessary to maintain the elements on roads at the appropriate levels of quality.

Maintenance of transport systems

Matinsa manages the maintenance of city tramways in the following cities:

- Zaragoza, since 2016, with a length of 12.8 kilometres and 28,000,000 passengers/year.
- Murcia, since 2011, with a length of 28 kilometre of railway roadbed and 4,665,263 passengers/year.
- Málaga Metro since last year with a length of 12 kilometres and 5,000,000 passengers/year.

Hydraulic infrastructure maintenance

Maintenance of hydraulic infrastructures in the River Árrago irrigation basin, including 178 kilometres of canals and 9,300 hectares of irrigation land.

Environmental Services

Contracts awarded this year include:

- Environmental conservation of La Herrería Forest in the municipality of El Escorial (Málaga) for National Heritage.
- Management of recycling points in National Heritage historical gardens.
- Renewal of the River Manzanares conservation service where it passes through the municipality of Madrid for the City Council.
- A forest fire prevention and extinction service in the eastern area of the Madrid Region, with a total of 234 professionals, eight heavy duty forest fire engines, fifteen lightweight fire engines, two high mobility vehicles and a helicopter.
- Forest fire prevention and extinction service with heavy machinery for the Region of Madrid.
- The contracts awarded this year include the stabilisation of slopes on Riveira beach in the municipality of Miño.

2016 Contracts

FCC Construction

Significant contracts awarded in 2016:

- **Bucharest Metro. Line 5 Magistrala. (Romania).** Contract for the construction of the superstructure and the electrification, railway architecture and installations in both tunnels and stations of the Magistrala Metro line amounting to 223.37 million euros. It includes a 6.1-kilometre section of the main line that includes nine stations and a 0.9-kilometre branch line that connects to another station/depot where the line's carriages are stored.
- **Activities on the train road bed for Line 8 of the Madrid Metro between Mar de Cristal and Barajas stations (Madrid).** This is a project to update drains, replace blocks and consolidate service and evacuation galleries. That work has a budget of 3.1 million euros.
- **Implementation and maintenance of the support and guidance system for the infrastructure for the Madrid metro tracks (Spain).** The purpose is to control and recover the geometric parameters of the track superstructure, as well as the supervision, replacement and maintenance of the main elements. The contract covers approximately 50% of the Madrid Metro network. The project has an investment of 8 million euros.
- **New railway access, access and shipping roads in the Port de Barcelona, Barcelona (Spain).** In April 2016, the contract for the new railway accesses were awarded by the Port Authority of Barcelona. The work consists of a first phase with the connection of the Port of Barcelona's rail infrastructure to the rail access managed by the Ministry of Public Works.
- **Maintenance of the Iberian gauge lines of the conventional train network. Management of Burgos, Aranjuez and Cordoba (Spain).**
- **Improving the structures along the Madrid-Sevilla high speed train line, Part 1.** Structural upgrading of new bridges, corresponding to the Mora maintenance base (Spain).
- **Urban renovation of the Alameda de Cervantes and adjacent urban spaces in the city of Lorca, Murcia (Spain).** Urban renovation of the Alameda de Cervantes and adjacent urban spaces in the city of Lorca due to the damage caused by the 2011 earthquake.
- **Expansion of the Poniente Norte pier in Palma de Mallorca, Balearic Islands (Spain).** The 21.1-million-euro contract for the expansion of the pier in the Port of Palma was awarded in December 2016. The work is aimed at creating a new 36,200-square-metre space directly adjacent to the Poniente Norte pier in the Port of Palma.
- **Raos Pier 9 in the Port of Santander (Spain):** Construction of a new pier approximately 291 metres long made with nine reinforced concrete caissons. Dredging in three different areas will also be performed, with a total volume to be dredged of one million cubic metres.
- **Expansion of the Port of Playa Blanca, Lanzarote, Canary Islands (Spain).** Increase of 75,000 square metres to the Port of Playa Blanca, 38,000 of which are covered water and 37,000 on land.
- **Secondary and Tertiary Network in Sector 6 in Verdú and Preixana (Lerida, Spain).** In August 2016, FCC Construction was awarded the contract for the construction of the secondary and tertiary network for floor B, located on the left bank of the canal.
- In 2016, the following contracts for wastewater treatment systems were awarded in Colombia and Ecuador:
  - Salitre Wastewater Treatment Plant, Bogota, Colombia, amounting to 350 million euros.
  - San Silvestre Wastewater Treatment Plant, Barrancabermeja, Colombia, amounting to 38 million euros.
  - Ambato Wastewater Treatment Plant in Ecuador, amounting to 25 million euros.

Industrial activity

- **Samalayuca-Sásabe gas pipeline (Mexico).** Construction of the 36-inch-diameter pipeline measuring 610 kilometres long. It will cross the states of Chihuahua and Sonora.
- **Remodelling of airport and fire hydrant system in Dublin Airport (Ireland).** Construction of three storage tanks each with a 5,000-cubic-metre capacity with the associated installations, tank loaders, underground pipes and refuelling hydrants on the runway for airplanes and firefighting equipment.
- **Rehabilitation of distribution networks and standardisation of Contracts 4 and 9 in the Dominican Republic for CDEEE** (Dominican Corporation of State Electricity Companies).

in 2016, new contracts amounted to **452 million euros**

67% of the orderbook correspond to contracts **abroad**

Dublin Airport, Ireland.

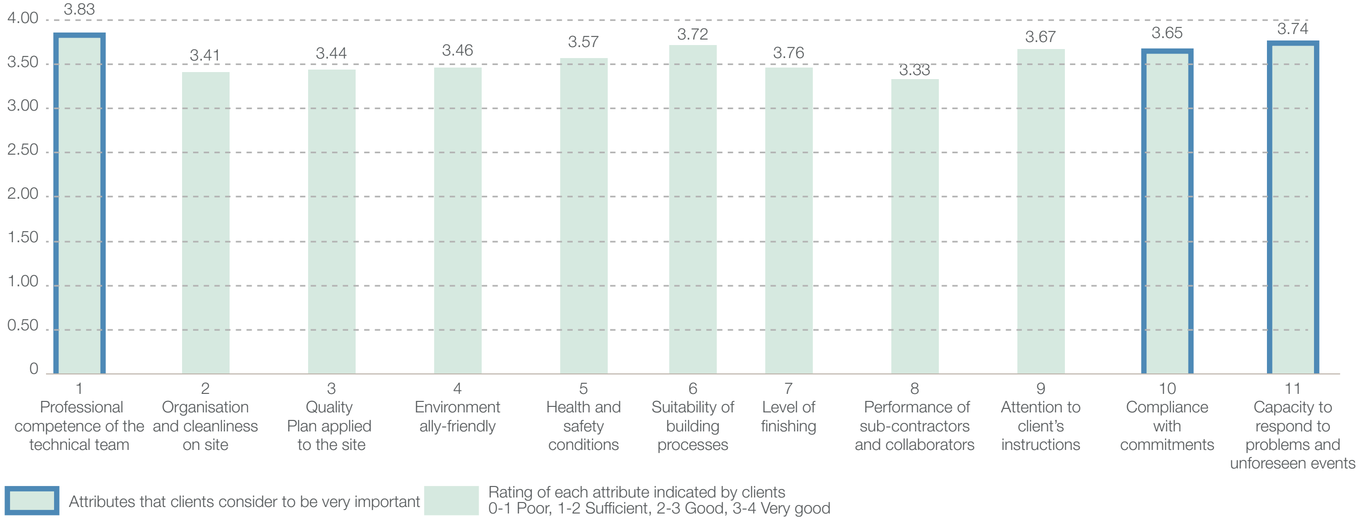
Service excellence

FCC Construction's participation in any infrastructure project means offering the experience of a company with over 100 years of experience in the industry, with strong technical skills and a firm commitment to efficiently overcoming challenges, all with total respect for the environment and using the best technology.

In its work, FCC Construction creates value for society and for our shareholders, providing the management and services required to design, build and operate infrastructure and services that efficiently, sustainably and safely contribute to the well-being of people. We contribute our expertise to create solutions aimed at the improving society, sustainable development and the well-being of people.

FCC Construction is a leader worldwide and, since this new international phase began, the company has participated in the construction of some of the most advanced projects in the world: the first metro line in Central America, the largest contract awarded to a Spanish company abroad (the Riyadh Metro) and the expansion of the Panama Canal.

Client satisfaction survey results



Quality and customer service

Our priority continues to be customer satisfaction beyond expectations, with the commitment to fulfilling their requirements with the quality assurance that sets us apart. Our main objective is excellence in the performance of our work and customer satisfaction, by providing personalised attention and ongoing dedication, always focused on fulfilling their expectations.

Every year, our clients have the word. In 2016, more than 95% of the questions answered by surveyed clients were rated with "good" or "very good". In addition, more than 65% of customers surveyed consider the overall performance of FCC Construction to be "very good". These excellent ratings received year after year allow us to confirm that FCC Construction's quality and diligence are factors that set us apart from our competition.

Overall in the surveys, the attributes rated highest by our customers are the professional capacity of work team, the responsiveness to problems and contingencies that arise in the project and fulfilling our commitments. These characteristics remain the highest-rated year after year and confirm our expectations. To have our company's knowledge and experience is to have available skilled professionals at all levels, and demonstrates how highly qualified the employees are. These are the hallmarks of FCC Construction. This is what makes FCC Construction's success in its projects possible.

Just like our company, our Management and Sustainability System is a dynamic system that is constantly adapted to the new challenges and processes required by the market. So this year. it was adapted to the new ISO standards published with regard to quality, environment, R&D&I and information security. This adaptation was necessary in order to be able to reliably undertake its implementation across the scope of the company.

In line with our commitment to innovation and the use of the best technology, along with this new impetus, information management tools were implemented: the on-line CACUMEN application and the DISCON platform. These make it possible to develop and maintain management plans for projects internationally, in terms of both quality and environmental management. Thus, in 2016 all the construction works using the FCC management system have been migrated to the DISCON platform, a web-based platform that has multiple applications that facilitate, on the one hand, the implementation of the management system, maintenance and reports on works, and on the other, the local register of the management. This platform guarantees the availability of information as it is housed on web servers, and it can be accessed from anywhere via the internet, while protecting its confidentiality.

Part of our commitment to customers is included in Information Security. FCC Construction is still the only Spanish construction company with ISO 27001 certification by AENOR for its Information Security Management System throughout the country.

In order to demonstrate compliance with third parties and greater transparency in our management, FCC Construction has its Management and Sustainability System certified by an accredited external agency. In line with its objective of continuous improvement, as well as recognition by stakeholders and greater confidence for our clients, FCC Construction has its system certificated for 100% of our business. The certificate includes all countries where it operates: four continents and 24 different countries.

Below is a table with the activities certified in the various management systems working in the operations area:

		2015		2016			
Management Area	Standard	Total Construction	Construction in Spain	Total FCC Co	Total FCC Ind	Total Construction	Construction of Sapin
Quality	ISO 9001	97.3%	100%	99.9%	82.9%	97.1%	99.9%
Environment	ISO 14001	96.9%	100%	99.9%	75.2%	95.9%	99.9%
Occupational health and safety	OHSAS 18001	87.4%	99.5%	88.0%	99.5%	93.5%	99.5%
GHG emissions	ISO 14064	33.7%	74.6%	26.4%	0.0%	22.1%	62.4%
Information safety	ISO 27001	39.2%	86.8%	26.4%	39.7%	28.5%	80.3%
R&D&I Management	UNE 166002	NA	74,6%	NA	NA	NA	62.4%

The data refers to the percentage of turnover certified, except in the case of occupational health and safety, where it reflects the percentage of workers covered.

FCC Concessions

The Concessions department is an autonomous department responsible for implementing and operating FCC Group's company and transport infrastructure concessions. It currently has stakes in 17 concessionaire companies, 13 of which are in the operation phase.

Domestic

With regard to motorway concessions in Spain, there is a recovery in the growth of vehicle traffic on the motorways managed by FCC Concessions.

Cedinsa Eix Llobregat (34%): Concession for the construction and operation of the shadow toll motorway between Puig-Reig and Berga, and the conservation and maintenance of the Sant Fruitós de Bages -- Puig-Reig section. 2016 is the ninth full year of operation, with an average daily traffic intensity on these sections of 20,299 vehicles, an increase of 3.6% over the previous year.

Cedinsa d'Aro (34%): Shadow toll concession for 33 years of the 27.7 kilometres of the Maçanet-Platja D'Aro motorway. 2016 was the eighth full year of operation, with average daily traffic intensity of 27,202 vehicles, an increase of 4.0% over the previous year.

Cedinsa Ter (34%): Shadow toll concession for 48.6 kilometres of Centelles-Vic-Ripoll motorway, of which 25.2 kilometres are new. The concession period is 33 years with a construction period of three years and 30 years of operation. 2016 was the fifth full year of operation, with average daily traffic intensity of 25,250 vehicles, an increase of 3.8% over the previous year.

Cedinsa Eix Transversal (34%): Shadow toll concession for 33 years of the 150 kilometres of the Eix Transversal motorway for 838 million euros of investment. The contract consists of the definition of the project and the construction and operation of the Cervera - Caldes de Malavella section (C-25). 2016 can be considered the third full year of operation of the motorway, with average daily traffic intensity of 14,311 vehicles, an increase of 9.6% over the previous year.

Line 9 of the Barcelona Metro (49%): Contract for the construction, maintenance and conservation of 13 stations and the associated ventilation shafts on section I of the Barcelona Metro Line 9 for 32 years. The total investment amounts to 1 billion euros, of which 876 million euros are for the construction works. The concessionaire's remuneration is set at an annual fee. In February 2016, the Line 9-South, which includes 11 of the 13 stations in this concession, became operational. The two stations not open to the public are expected to be opened once the town planning work still outstanding is finished in areas of interest to travellers.

World Trade Centre Barcelona, S.A. (16.52%): Fifty-year concession to manage the World Trade Centre buildings in the port of Barcelona, which has a surface area of 31,000 square metres of office and business premises, 9,000 square metres of meeting and conferences rooms and a 280-bed hotel. In 2016, the operation of the meeting and conference rooms was optimised and improvements have been designed to modernise the location.

Motorway in Cuenca (100%). Public works concession to conserve and operate the section of the A-3 and the A-31 that runs through Cuenca for a 19-year period. After the completion of the works in 2015, 2016 is the first year of full operation. In addition, 2016 is the second consecutive year with an annual increase of vehicle traffic of 4.9% in equivalent vehicles (4,6% light/ 6.4% heavy) marking a clear recovery in traffic after the crisis.

Ibiza - San Antonio motorway (50%): Construction and shadow-toll operation of the widening of the Ibiza - San Antonio road. Traffic in 2016 continued to grow, accumulating a 5% increase in light vehicles and 9% in heavy vehicles compared to the previous year.

Murcia tramway (50%): Construction, maintenance and operation of Line 1 of the Murcia tramway (17.76 kilometres and 28 stops) for 40 years. The total investment amounts to 185 million euros. In 2016, there was a grown in demand of 4.41% compared to the previous year.

Zaragoza tramway (16.60%): Joint venture to build, commission, maintain and operate the 12.8-kilometre Line 1 of the Zaragoza tramway for a period of 35 years. The total amount of the investments is 342.2 million euros. Due to its technology, the service is considered to be the most modern in Spain. In 2016, this means of transport was used 1.4% more than the previous year, positioning it as the most-used tramway in Spain. On 5 October, Tranvía de Zaragoza received the Best Environmental and Sustainability Award at the 2016 Global Light Rail Awards in London, which recognises the best tramway systems in the world. This is the thirteenth award received by Zaragoza's tramway.

Málaga Metro (10.01%): an agreement was reached in 2016 to divest holdings in this project.

Hospital de Torrejón de Ardoz, Madrid (5%): Full management of the Hospital de Torrejón for 30 years. It is the second hospital in the Region in which heal thcare services fall within the scope of the Agreement, together with the management of non-healthcare services. The total investment amounts to 101 million euros; 2016 was the fifth year of full operation.

Urbicsa (29%): This company awarded the contract for the public works concession for the construction, maintenance and operation of buildings and facilities in the City of Justice project in Barcelona and L'Hospitalet de Llobregat. During 2016, the main activities in managing concessions have focused on the reorganisation of maintenance services.

Healthcare Centre in Mallorca (33%): Public works concession contract for the construction, maintenance and operation of five healthcare centres and another five basic healthcare units. The remuneration system is based on payment for availability. Since operations began, the required service levels have been successfully met, evidence that the management of the work related to the contract and the resolution of the problems raised have been successful.

International

Mersey Bridge in Liverpool, United Kingdom.

Underwater tunnel in Coatzacoalcos, Mexico (85%): In 2004, the concession agreement was signed for the construction, financing, maintenance and operation of the underwater toll tunnel in Coatzacoalcos in the state of Veracruz (Mexico) which connects the city of Coatzacoalcos with the suburb of Allende. The length of the tunnel is 2,280 metres, of which approximately 1,200 meters are submerged. The duration of the concession is 45 years. The works began in 2007. Linked to this infrastructure is the Coatzacoalcos I Bridge, whose revenues from tolls are part of the viability of this project. The design and delivery of the underwater tunnel is the first construction of these characteristics in Mexico and also the first in Latin America. In 2016, the project reached a milestone the first time a vehicle passed through the underwater tunnel from Coatzacoalcos to Allende. Likewise, the project was completely restructured financially in order to make the completion of the construction phase of the project feasible. The underwater tunnel went into service in April 2017.

Mersey Bridge in Liverpool, United Kingdom (25%): Contract for the design, construction, financing, maintenance and operation of the bridge over the River Mersey in Liverpool (United Kingdom). The finances were finalised and the signing of the contract took place in April 2014. It is expected to be open to traffic in the second half of 2017.

Lima Metro Line 2, Peru (18.25%): Concession for the project: "Line 2 and Av Faucett - Av Gambetta branch of the Basic Lima and Callao Metro Network" for the design, financing, construction, electro-mechanical equipment, systems equipment and provision of rolling stock, operation and maintenance for a term of 35 years, of which five years are foreseen for the construction; the first stone was laid in late 2014. With a total of 35 kilometres of underground track and 35 stations distributed in 13 districts of the capital, Lima Metro Line 2 is estimated to have 665 thousand passengers per day. It is currently the largest construction project in Peru. The financial deal closure received two international awards. In 2016, excavation was begun on the tunnels in Phase 1 A using traditional methods, thus commencing the largest underground excavation works in the history of the city of Lima.

Haren Prison, Belgium (15%): This contract covers the design, construction and maintenance for 25 years of a new prison complex in Haren, near Brussels. The construction of the Haren prison, covers 120,000 M^2 within an 18.5-hectare plot, for 1,200 inmates and 1,000 administrative employees. The urban nature of this isolated prison presents an interesting challenge. The financial deal closure of this 270-million-euro (CAPEX) project is expected to take place in 2017. Haren is FCC's first concession project in Belgium.

FCC'S businesses

Cementos Portland

Industry analysis

Domestic market

Throughout the year 2016, we saw how the political and economic situation of each of the countries in which CPV operates had a negative influence on cement consumption.

Spain

The recovery of the Spanish economy continued in 2016, supported by the improvement of domestic demand, with GDP growth above 3% and the unemployment rate falling to below 19%. However, the improvement of the Spanish economy, was not mirrored by an improvement of cement consumption, with demand dropping by -3.1% in the year 2016.

The socio-political situation in Spain had a direct effect on the recovery of the construction sector. Thus, public tenders fell by 7.5% in the first ten months of 2016.

- Accumulated civil works tenders up until October fell by -12.2%, due to the sharp reduction of new works by -21.0%, whereas tenders for refurbishing and maintenance works rose by +6.2%. Although the drop in civil works tenders continues, we can see that this reduction is not as steep as in previous months: the accumulated reduction of civil works up until July was -21.9% and picked up to an accumulated -12.2% in October. This sheds a positive light on the outlook for 2017.
- The positive note continues to come from building, where visas for the building of homes by area in sq. metres rose by 32.6% to September and by 41.6% in the one-year moving average. The building area for other purposes dropped by -9.0%, taking the evolution of the total building area accumulated to September was 19.6%, while the one-year moving average was up by 25.6%.

In the cement sector, visible cement consumption in the year 2016 fell by 3.1% to 11.1 million tonnes, although this was offset by the increase of exports of 5.6% to 9.8 million tonnes.

The reduction of domestic demand and the rise of exports meant that clinker production was stable compared to 2015, with an increase of just 0.3% to 17.0 million tonnes of clinker.

The International Monetary Fund has improved its 2017 growth forecast to 2.3% (10 basis points better than the forecast they made in October), supported by the improvement of the economy in the last quarter of 2016. The expected economic improvement, together with greater political stability after the new government was formed, suggests that cement consumption will make it back to growth figures in 2017.

International market

USA

Cement consumption continues to slow down in the domestic market, as shown in the preliminary figures for November, which show a cumulative growth of 2.5% compared to the same period in 2015. However, the areas of influence of Giant Cement (South East, Mid Atlantic and New England) continue growing well above the US average, with a cumulative growth of nearly 11% to November.

In December, the PCA (Portland Cement Association) adjusted its growth forecast for cement consumption from 4.2% to 3.1% in 2017 due to political uncertainty, inflation and the slowdown in the construction sector. The PCA, however, considers that its cement consumption forecasts could be influenced by the policies of the new US government and support from Congress for those policies.

Tunisia

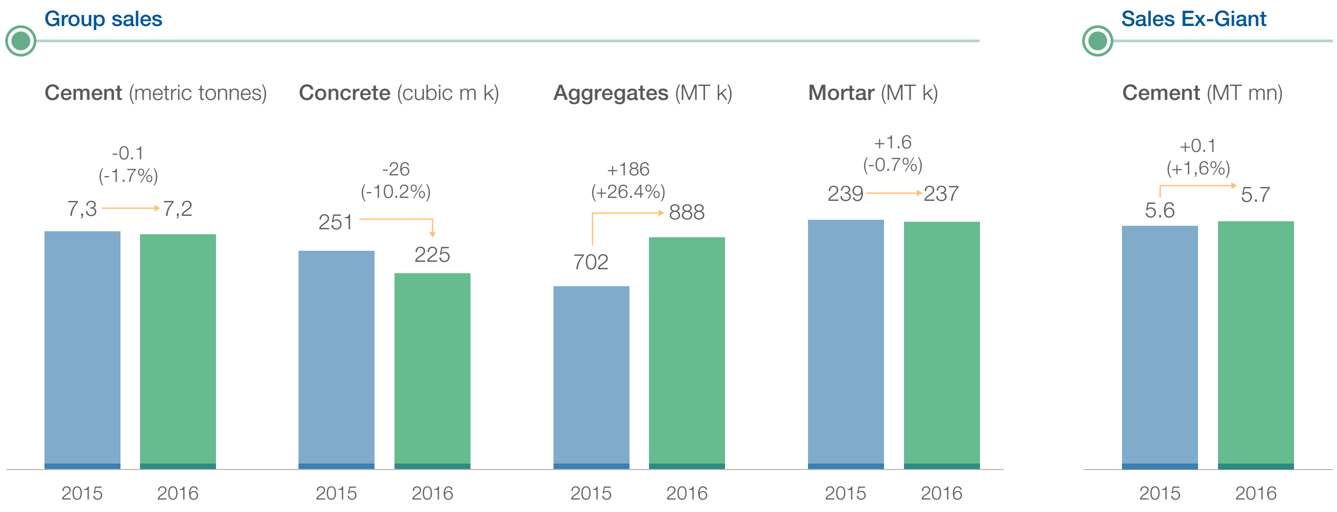
The Tunisian market cooled slightly, with a 3.9% decline in volume terms to 7.2 million tonnes. Also, exports to Algeria and Libya dropped in 2016.

Activities and geographical areas

Group sales

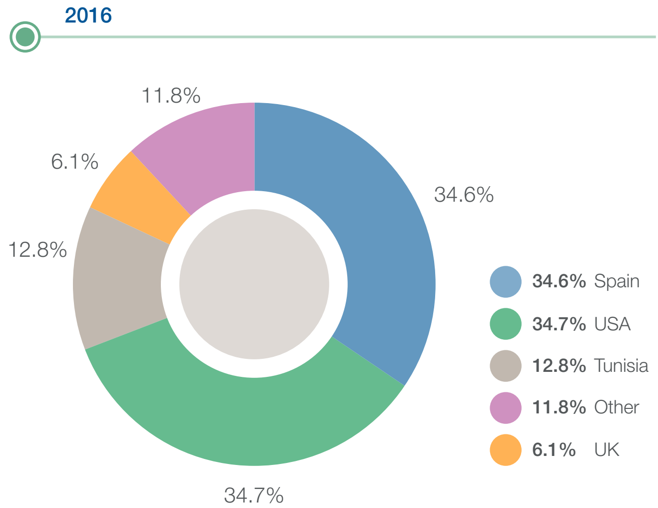
The volume of cement and clinker sold in the year 2016 reached 7.2 million tonnes, a -1.7% reduction from the previous year. This fall is due to the fact that Group volumes only consider sales in the USA up until October 2016, after which operations have been consolidated according to the equity method.

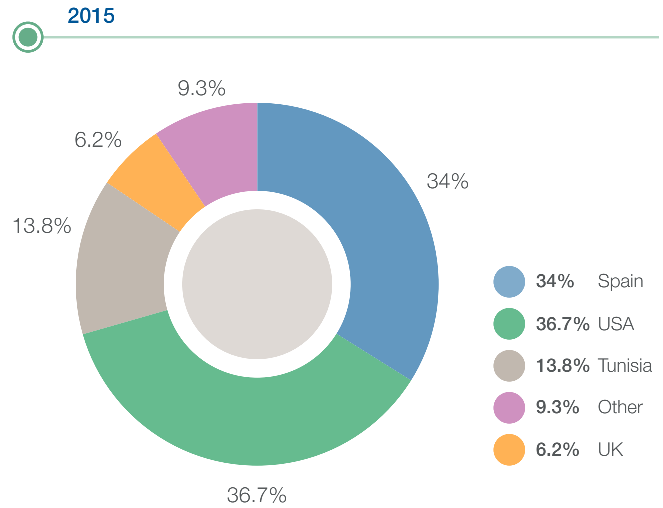
Comparing volumes sold Ex-Giant (not considering sales volumes from US operations), sales rose by 1.6% compared to the year 2015. Slight falls in the domestic markets of Spain and Tunisia were offset by the significant rise in cement exports from Spain (+49%). Exports from Tunisia were hurt by the quota concession system in Algeria and currency shortages in Libya. In the cement, aggregate and mortar businesses, the variations in volume recorded do not have a relevant impact for the Group.



Distribution of activity by country

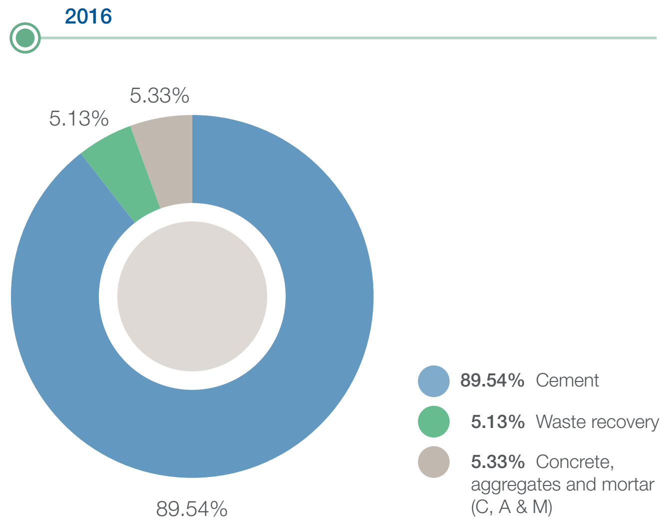
In keeping with the previous year, domestic sales in Spain accounted for 35% of total turnover, while international sales accounted for the remaining 65%.

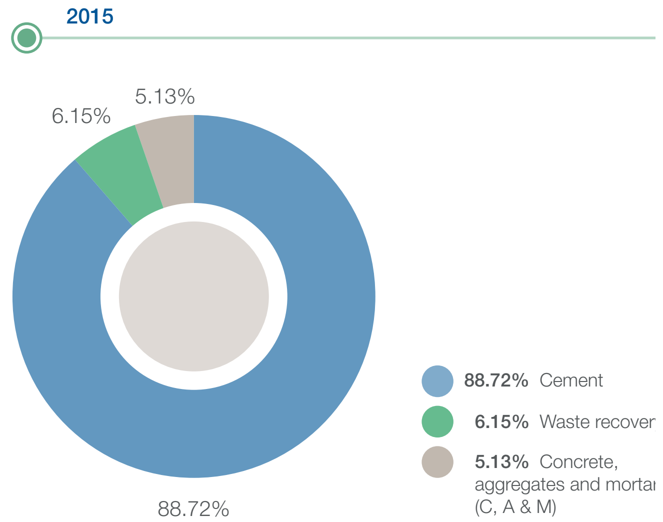




Distribution of activity by businesses

After the end of the concentration policy in the cement business, the product mix has remained very stable compared to the previous year. The cement business accounts for nearly 90% of total revenue.





Milestones in 2016

During the year 2016, the following relevant events took place, which had a significant impact on the Group's financial statements:

Giant Cement operation

The Boards of Directors of Fomento de Construcciones y Contratas (FCC) and Cementos Portland Valderrivas (CPV) approved, respectively on 25 and 24 October, with the abstention of the directors representing Inversora Carso, a corporate operation in Giant, an affiliate of CPV in USA, consisting of:

- A capital increase in Giant amounting to USD 220 million to be subscribed by the company Elementia S.A. de C.V. (Elementia).
- The grant of a loan by Elementia to Giant, on an arm's length basis, amounting to approximately USD 305 million.
- The capitalisation in Giant, by CPV/FCC, of intercompany loans amounting to approximately USD 66 million.

These operations ended on 7 November, after which Elementia controls 55% of Giant and CPV holds a stake of 45%.

Giant destined the new funds to cancelling the principal on its former debt (USD 540 million in net present value) with an interest rate of 10% + 20% stake in Ebitda. With this, the finance costs of Giant (up until now being over USD 50 million/ year) was reduced by nearly 75%, allowing it to improve its facilities and increase the company's production capacity.

Giant was consolidated on CPV's financial statements by global integration up until October, and as from November it is booked by the equity method.

Exclusion takeover bid

On 22 December 2016, the CNMV (Spanish Securities and Exchange Commission) Board authorised the Takeover Bid for shares of CPV, drawn up by FCC on 29 July 2016 and accepted on 10 August 2016 (hereinafter, the "Bid").

The Bid was for 100% of the share capital of CPV, consisting of 51,786,608 shares listed on the Bilbao and Madrid Stock Exchanges, excluding the 41,131,105 shares directly or indirectly controlled by FCC, representing 79.42% of the capital, which were immobilised by their holders until the end of the Bid.

As a result, the Bid was effectively for the acquisition of 10,655,503 shares of CPV, representing 20.58% of the share capital.

The Bid made by FCC, as the parent company of CPV, had as its essential goal of delisting the CPV shares, pursuant to the provisions in Article 82 of the Securities Market Act (hereinafter, "LMV") and in Article 10 of Royal Decree 1066/2007, of 27 July, on the System of Public Offerings for the Acquisition of Securities (hereinafter, "RD 1066/2007").

The Bid sought to increase FCC's shareholding in its affiliate CPV, with the goal of reaching up to 100% of its share capital.

The effectiveness of the Bid was not conditional upon the acquisition of a minimum number of shares, meaning that the CPV shares would be excluded from trading on the stock exchange regardless of how many accepted the Bid.

Pursuant to the provisions in Article 10 of Royal Decree 1066/2007, the bid price was established at 6 euros per share.

To determine that price, the Board considered the provisions in Article 9.4 d) of RD 1066/2007, on the acquisition of shares at their trading price in relatively non-significant volumes.

On 29 December 2016, the announcement of the Bid was published and the Prospectus was made available for those concerned.

The term for accepting the Bid ended on 13 February 2017 and the shares were delisted from the Madrid and Bilbao Stock Exchanges on 24 February 2017.

The Bid was accepted by 9,356,605 shares, representing 87.81% of the shares targeted by the Bid and 18.1% of the share capital of CPV.

Since 90% of the shares targeted by the Bid were not reached, the circumstances stated in Article 136 of LMV were not fulfilled, therefore FCC was unable to exercise a squeeze out for the remainder of the shares.

05

Corporate Social Responsibility at FCC

FCC works towards global challenges

A number of events are setting the agendas of different countries: the economic and social scenario drawn by the growth patterns of the world population and the unequal concentration of wealth, the scarcity of natural resources to meet the needs of growing economies, and the need to explore new, more efficient energy models based on renewable energy sources.

In response to these global challenges, in 2016 the United Nations drew up and published the 17 Sustainable Development Goals (SDGs), which group together 169 specific goals in order for countries, their citizens and companies to have an effective guide for minimising the social, economic and environmental problems that have been identified globally.

These commitments set the global sustainability agenda up to the year 2030, and FCC has taken stock of this, aligning its Corporate Social Responsibility commitments with these 17 SDGs, thereby contributing to achieving them.

The patterns that led to the SDGs are the context that FCC takes into consideration to analyse the risks and opportunities for its business activities. The Group is aware that the commitments and goals in this matter are closely linked to its strategy. FCC's track record and strategy in the field of CSR over the last 10 years shows that it is aligned with service efficiency, with the safety, health and development of its employees, with relations with the Community (customers, institutions and citizens) and the integrity of the people who work for FCC and act in its name day after day.

FCC's Corporate Social Responsibility Milestones

2005

The Corporate Responsibility Department was created

2006

FCC Group's Corporate Responsibility Committee was established.

2007

Drafting of the First CSR Master Plan (2007-2008). (FCC Inter-company Committee).

2008

FCC's Code of Ethics approved by the Board of Directors.

Included in the Dow Jones Sustainability Index World.

2009

Approval of the Group's Environmental Policy.

Second CSR Master Plan (2009-2010) drafted.

FCC included in the FTSE4Good.Index for ethically responsible investment.

2011

FCC awarded the Silver Class distinction in the 2011 Yearbook prepared by RobecoSAM for its performance on the Dow Jones Sustainability Index.

2012

Third CSR Master Plan (2012-2014), extended to 2015 drafted.

Update of FCC Group's Code of Ethics.

2016

Approval of the Group's Corporate Social Responsibility Policy.

The Executive Committee takes over the supervision of FCC's CSR policy.

FCC's Corporate Responsibility Department returns to the General Secretariat.

FCC Construction is awarded the Responsibility and Sustainability prize by the Madrid Civil Engineers Association.

2017

Second update of FCC's Code of Ethics.

FCC belongs to two of the most significant CSR clusters in Spain, which are benchmarks in the promotion of good business practices: the Club for Sustainability Excellence and Forética. FCC's most prominent participation in these business organisations during the last period has consisted of the analysis and dissemination of good governance and business ethics practices, which are subjects in which the company serves as a benchmark in Spain.

FCC's commitment to CSR. The Corporate Social Responsibility Policy

For the last decade, FCC has shaped its commitment to CSR via its three master plans, approved by the Board of Directors and supervised by the Corporate Responsibility Department and coordinated by the CSR Committee. This commitment was formalised in 2008, in the highest-ranking regulation at FCC: its Code of Ethics.

The current Code of Ethics, which at present is being redrafted, is the compliance framework for the ethical, environmental and social aspects, which in turn are developed through the various corporate policies, responsibilities and action plans.

The current Corporate Social Responsibility Policy, approved on 28 July 2016 by the plenary session of the Board of Directors of FCC, defines the commitments acquired by all the company's business activities in relation to Integrity and Business Ethics, respect for the Environment and the creation of values shared with the society in which FCC develops its business activities.

With the approval of the CSR Policy by the Board, FCC complies with the provisions in article 529 ter of the Spanish Capital Companies Act regarding the approval of that policy by all of the Directors, and it follows recommendation 54 of the Good Governance Code of Listed Companies of the CNMV (hereinafter, GGC), which recommends that the Board approve a CSR Policy.

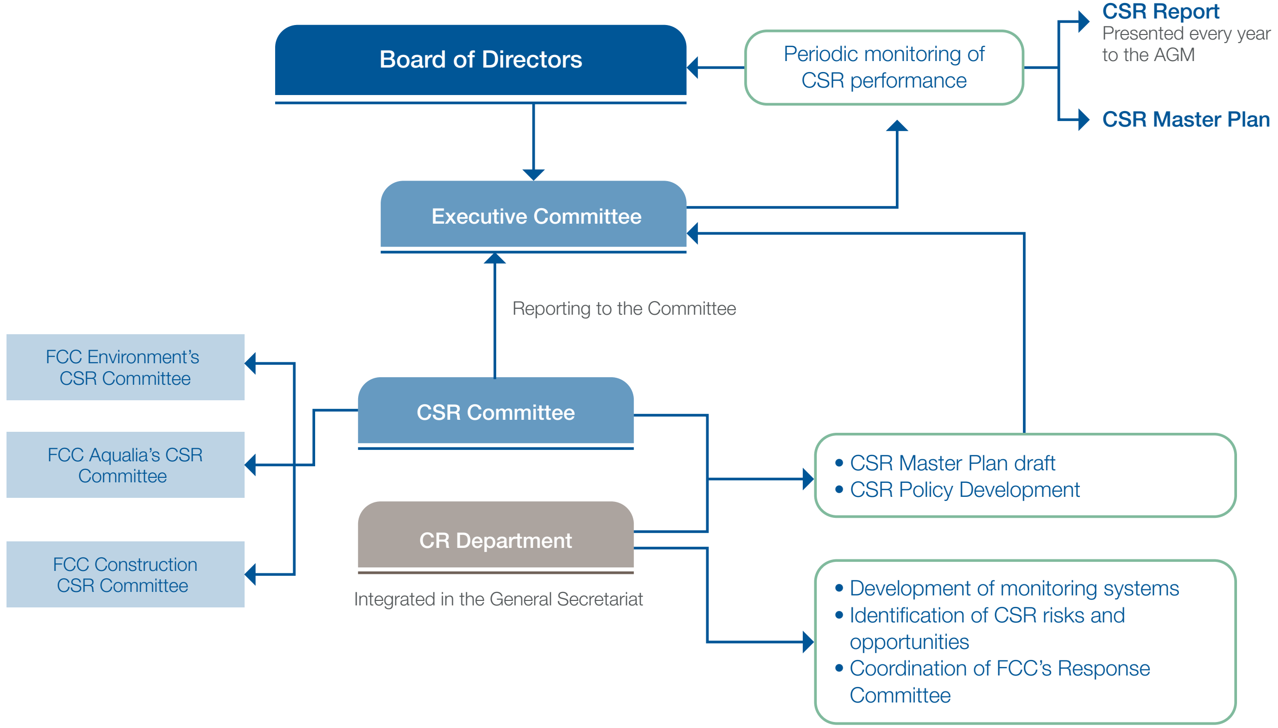
Supervision and monitoring of CSR at FCC

According to this Policy, the Board of Directors is entrusted with the correct supervision of Corporate Social Responsibility, by delegating this function to its Executive Committee, following recommendation 53 of the above-mentioned GGC. This Committee is chaired by FCC Group's CEO, Carlos M. Jarque.

The materialisation and coordination of this policy is the responsibility of the Corporate Responsibility Department, together with FCC's Corporate Responsibility Committee, which integrates the business areas and sometimes the corporate departments involved in the items of the agenda, whenever meetings are held.

During 2016, the Corporate Responsibility Department resumed its reporting to the Secretary General, which in turn performs the function of Deputy Secretary to the Board of Directors, thereby taking CSR closer to the company's decision-making body, as it had been since it was established in 2005 until 2009.

FCC Group's CSR Policy



Programmes and objectives of the Corporate Social Responsibility Policy

As stated in recommendation 54 of the GGC, the Corporate Social Responsibility Policy includes the principles or commitments that FCC assumes in its relations with various stakeholders, while at the same time observing the establishment of goals and the development of support instruments.

These goals are structured around the following three lines of the mid-term commitments for each business:

1) Exemplary performance, which includes commitments regarding Ethics, Integrity, Good Governance and People at FCC;

2) Smart services, which includes the actions that allow businesses to provide services with greater energy efficiency and consuming other resources, incorporating value added innovations to these services; and

3) Connecting citizens, which includes the initiatives with employees and the community under the 'proximity principle', a value that has been one of FCC's hallmarks throughout its history.

FCC's contribution to the SDGs

The three lines of the action plan take shape in a number of work programmes, actions and objectives that FCC will be responsible for effectively implementing in its management at corporate level and in each business area.

These three CSR lines of action are drafted so that they are aligned with the 17 SDGs, therefore contributing to achieving the Global Sustainability Agenda.

Corporate Social Responsibility Policy

Exemplary performance

3 GOOD HEALTH AND WELL-BEING — Establishes and implements healthcare and safety policies to protect the health of employees, families and communities, ensuring safe and healthy workplaces, in addition to awareness-raising their supply chain.

4 QUALITY EDUCATION — Collaborates with universities and study centres, providing employees with ongoing training programmes and carries out training initiatives for local communities.

5 GENDER EQUALITY — Ensures gender equality in the selection, training and remuneration of all professionals. It takes part in initiatives aiming to achieve internal and external awareness of the importance of equality between men and women.

8 DECENT WORK AND ECONOMIC GROWTH — Contributes to the economic and social development of the communities in which it operates, promoting social inclusion and employment as essential conditions for the reduction of poverty, respecting fundamental principles and rights at the workplace.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS — Respects the principles of its Code of Ethics, which it reviews from time to time, wherever FCC operates, extending compliance to its supply chain.

Smart services

6 CLEAN WATER AND SANITATION — Provides integral water management services, favouring the human right to water and sanitation, ensuring the availability of this resource, especially in zones suffering hydric stress.

7 AFFORDABLE AND CLEAN ENERGY — Works to look for non-polluting energy solutions to obtain biofuels that are not harmful to the environment.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE — Uses innovative technologies and contributes to the growth and development of society by building infrastructure guaranteeing resilience, reliability and sustainability.

11 SUSTAINABLE CITIES AND COMMUNITIES — Contributes, via investments, to innovation in water and waste management and in infrastructure for the creation or re-planning of the cities of the future.

13 CLIMATE ACTION — Monitors, reduces and reports its carbon footprint and redesigns the services it provides, adapting them to resist the effects of climate change.

15 LIFE ON LAND — Sustainable management of the projects it carries out to prevent land spoilage and to curb the loss of biodiversity.

Connecting citizens

1 NO POVERTY — Contributes to relive poverty levels among the population by creating local employment in the communities where it operates, fostering a stronger business fabric and regenerating the economic conditions of the zone.

10 REDUCED INEQUALITIES — Contributes to reducing inequalities in communities, guaranteeing employability through decent wages, professional training and fostering equal opportunities.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — Fosters the efficient use of resources and provides services to reduce the amount of waste generated through reuse and recovery, advancing towards a more sustainable economic model.

17 PARTNERSHIPS FOR THE GOALS — Collaborates and participates with several entities (companies, universities and technology centres) to carry out dissemination, training and technology innovation projects.

06

Connecting citizens

Providing value in communities

As a result of its own mission as a company, FCC is committed to the priority goal of working on the well-being and development of the communities where it offers and provides its services. FCC's activity is inconceivable without a constant link with citizens, which facilitates a better understanding and connection with their real needs and expectations. This interaction allows the company to lead changes in cities in the specific areas FCC specialises in.

The development of new technologies is considered key to this essential interaction and dialogue between people and the provider of urban sanitation, the care of parks and gardens, waste management and water infrastructure development, among others.

In addition, social involvement historically shown by FCC in the communities where it works has also materialised for its employees, families and other groups through the different projects the company implements yearly in each business, worksite, construction site or contract.

In addition to the dialogue with people, FCC works in order to maximise its activities' positive impact on the community. And, to do this, measuring it is considered crucial. The company is working on the development and application of methodologies and systems to measure, assess and mitigate the impacts that the activity may have on people or the environment.

Communication with stakeholders

Companies must be aware their proximity to stakeholders, to the trends in digital transformation or to the growing demand for transparency demanded by modern society. FCC uses the latest communication tools to meet not only its commitments to accountability, but especially to strengthen its proximity to people, one of itsmost characteristic values, together with technical quality and commitment.

FCC's communication strategy enables it to be accountable, transparent with its management and the company's activities. This communication takes place through different platforms and channels through which FCC interacts with all its stakeholders. In 2016, FCC's web pages were updated to improve access to the information that any stakeholder might wish to know about FCC.

In recent years, FCC's company website has established itself as the channel most used to disseminate information to stakeholders.

New FCC website image

FCC is in the middle of a digital transformation process through the renovation of all its digital channels as part of its objectives of transparency and proximity. This will enable the company to save costs and time, increase communication resources, reveal synergies and improve its online reputation and image.

FCC's digital transformation process, driven by the Corporate Marketing and Brand and Information Technology departments, is primarily aimed at joinging forces to unify the company's image, improve users' browsing experience, offer a broad range of new features and optimise performance. FCC has made its new portals more modern, visual and multi-device-friendly (PC, tablet and mobile).

FCC's efforts to improve its websites has been a global success story in the LifeRay Forum.

In order to ensure accessibility to their content, all the websites have been published using LifeRay(1) technology, which has been developed in compliance with Level AA in accordance with the UNE 139803:2004 standard which, in turn, is based on Accessibility Guidelines for W3C Web Content Accessibility Guidelines 1.0.

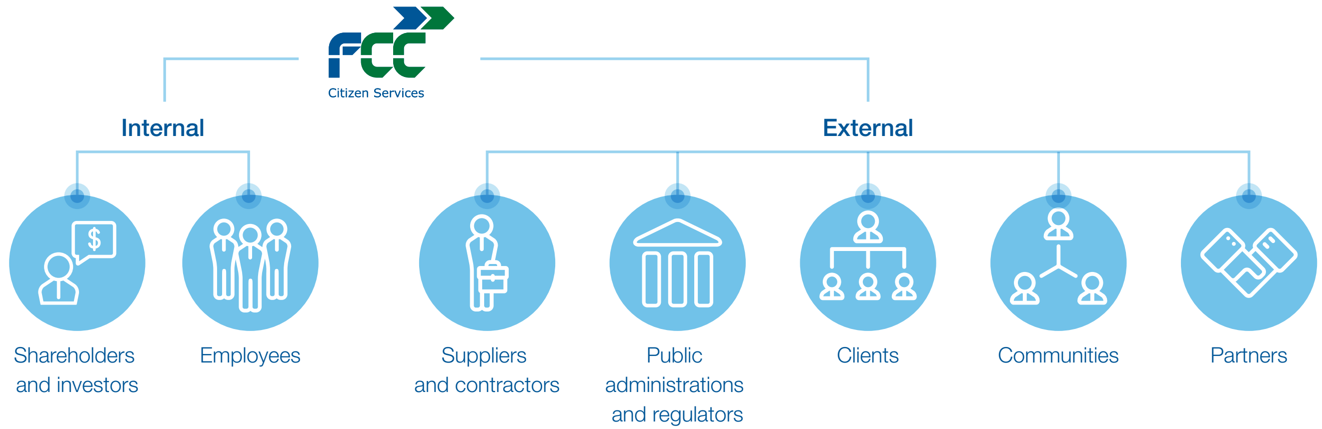
In particular, attention has been given to the presence of the Construction division in communication channels such as YouTube, the FCCCo Live blog and Instagram. In 2016, the division has increased visits to its different channels, and has registered over 2,600 users a month on its website and the number of minutes of its YouTube channel viewed has increased to 6,527,882, with 3,037 new subscribers during the year.

FCC committed to reporting and transparency

As a result of the transposition of EU Directive 2014/95/EU concerning the disclosure of non-financial information and diversity, the directive and its requirements were disseminated through a series of workshops for Spanish companies that were supported by the Club of Excellence in Sustainability and the Ministry of Employment and Social Security. FCC took part in these learning sessions as a company with experience in corporate reporting, through presentations by the Group's director

of Corporate Social Responsibility. The sessions took place in Madrid, Valencia, Seville, Barcelona and Bilbao. The non-financial reporting directive, whose transposition into Spanish legislation was on 6 December 2016, will enter into force in 2018 for the dissemination of information produced in 2017 and will apply to companies of public interest with more than 500 employees.

(1) Liferay is a provider of Open Source portals using open source code.



Shareholders and investors

FCC's Shareholders Office, which reports to the Capital Markets department, manages interaction with shareholders and investors. In 2016, 98 meetings held with investors.

With the aim to serving this stakeholder group's needs and interests for detailed information, there is a specific section on the company website that provides information on FCC's economic performance, market information and financial information along with relevant events, among other matters. FCC's website received 64,810 visits in 2016. To communicate important events, the company also has an investor's agenda.

Employees

For FCC, having effective and ongoing communication with employees is a priority. The company has a Strategic Plan for Corporate Marketing and Brand, which aims to promote communication that helps to encourage the productivity and professional development of company employees.

This strategy includes an Internal Communication Plan, which sets out actions and internal services, complementing other actions carried out by this area to encourage the flow of information, messages, policies and strategies related to the management of the company and the work environment.

Furthermore, with the aim of building a corporate culture as a hallmark, the Corporate Marketing and Brand department made great efforts in 2016 to improve and renew the internal channels capable of mobilising, motivating and engaging the people who make up FCC's professional team.

Tools for dialogue with FCC employees

FCC offers its employees many communication channels at corporate level:

- Corporate intranet, "FCC ONE": is the main communication channel within the company and acts as a tool to communicate relevant information to employees.
- Employee portal: contains specific information and provides a communication channel to facilitate dialogue between employees and the company.
- Regular group meetings: aimed to provide face-to-face information to employees on various issues of interest to them.
- Publication of the bimonthly online magazine "Red de Comunicación" (Communication network) : it includes relevant information related to the latest developments at FCC.
- Noticias de los viernes (Friday's news) : a weekly publication that includes the latest updated information on the company. Fifty-two issues were published in 2016.
- Cápsula informativa (News capsule): news flash with relevant information disseminated via mass mail.
- Awareness campaigns.
- Internal competitions to enhance the pride of being part of the company: Christmas drawing contest for employees' children.

Commitment to respect human rights

FCC is committed to respect human rights, and has signed up to various international standards in this field:

- UN Global Compact, the guiding principles of the policy includes the OECD Guidelines for Multinational Enterprises.
- Universal Declaration of Human Rights Framework, the Declaration of Rights of the Child and several ILO conventions.
- Negotiation of agreements with the Building and WoodWorker's International Federation in countries that have ratified the ILO conventions.

Each line of business makes use of its own internal communication tools. For example, FCC Aqualia has a news flash that it regularly sends its employees to offer a brief report to the entire organisation on the latest news and projects undertaken. A total of 185 news flashes were issued in 2016. In addition, a new communication channel called "Tu Flash" was created for workers without access to an email account. This is a printed newsletter that comes with their pay cheque and contains a summary of the month's main messages.

Suppliers and contractors

FCC extends the values and principles governing the company to its supplier via training sessions and awareness-raising campaigns to strengthen existing relationships and ensure the implementation of its policies and commitments.

It is compulsory for all FCC suppliers and subcontractors tp know and respect the content of its Code of Ethics as well as complying with the Ten Principles of the UN Global Compact.

Public administrations and regulators

The company voluntarily participates in industrial self-regulation initiatives and the development of legislation relating to its sector of activity. All FCC's business areas work to maintain the standards of production and service in the different areas of activity as well as for sustainability.

Clients

To meet the needs and demands of customers, government agencies, private institutions and individuals is essential to a citizen services company like FCC. With the aim of ensuring the best quality of products and services , all the lines of business are certified according to the ISO 9001 standard.

FCC has different channels of communication with its customers (phone, email, fax, internet, letters, invoices, or visits and face-to-face meetings with commercial departments) to find out exactly what their needs are and progressively improve the attention and services provided.

Personalised customer service for water management

Transparency and personalised customer service are priorities for the service provided by FCC Aqualia. company policy seeks to create better strategies for customer services in order to offer accessible services aligned to the needs of future customers (who manage things while in motion) by making the tools and resources necessary available to them to provide smoothly operating, fast, simple and effective customer services. In response to these requirements, in 2016 the company launched the App as one of its four cross-cutting channels of communication and one-stop customer services. The App lets people take part in any procedures they could do at an office (online or physical) or over the telephone. The company's four communication channels are updated in real time, and the user may start a procedure in one of the channels and finish it in a different one.

An additional feature is the repository of invoices, both at the office and online, created by the company, which allows the user to reivew past invoices for any service provided by FCC Aqualia.

Transparency and collaboration with FCC Construction's clients

Construction industry clients are becoming increasingly more demanding in terms of ethical and sustainable behaviour with requests for more information on the building work, in addition to technical queries, environmental issues, quality assurance or the safety and preventive measures taken. In order to meet clients' information needs and facilitate communication, FCC Construction has a client contact person, responsible for raising points of collaboration and addressing any suggestions received, as well as discussing the information gathered in meetings with clients and subsequently communicate the actions to be taken as a result of their suggestions. The company also handles clients personally, which allows it to identify opportunities and offer proposals for action.

Customer satisfaction

FCC conducts client satisfaction surveys for its various lines of business with the aim to understand their concerns and degree of satisfaction with the service provided and thus facilitate the improvement proposals by the company. FCC's diversity of activities and client types means that measuring client satisfaction is decentralised.

Because of its business activity, FCC Aqualia is the company's only business which is directly related to end users and consumers, and therefore the company directly manages dialogue and the measurement of satisfaction. The business area engaged in water management carries out biennial satisfaction surveys of end clients and institutional clients. The latest satisfaction survey was undertaken in December 2016 and its results are currently being processed for publication in 2017. These surveys are conducted over the telephone and online using a questionnaire with open and closed questions. The analysis of the results gives a unique value that measures client satisfaction through a multi-variant analysis. This value is calculated from:

- The clients' ratings of the various aspects measured in the survey.
- The impact or weight that these aspects have in terms of the composition of the global assessment given by the user.

In the case of FCC Construction, the company carries out client satisfaction surveys after completing each construction project. These so-called "End of construction work surveys" allow clients to evaluate the service provided by the company, measured in various attributes. In addition, FCC Construction uses a system to process the information on client satisfaction which includes processing complaints and claims, requests for information and the analysis of the information on measuring their satisfaction, in order to implement actions aimed at improvement and to verify they are followed up.

Communities

FCC's businesses promote dialogue with local communities affected by the activity in order to become familiar with their expectations and maximise the social benefits created by its projects. The company also creates platforms for dialogue in order to discover the trends and needs of the eco-efficient cities of the future and stay one step ahead of them.

Social management system in the Lima Metro (Peru), FCC Construction

All Construction area projects and work centres have a management system which identifies and assesses environmental and social aspects of relevance to the local communities they interact with. Especially in Latin America, citizen participation in projects is much more noteworthy, social actions programmes are defined that take into account issues such as community relations, the indigenous populations and the acceptance of the project, among others.

The social management system implemented in the Lima Metro is worth mentioning. It is based on comprehensive communication with the players involved, who are given information on specific actions that are being implemented based on the actual construction stage of the project. To reinforce communication, there are specific staff members that attend the communities in the area affected by the project in a personalised manner. The system includes programmes such as the handling and resolution of complaints, local employment, communications, social monitoring, management of social impacts and institutional alignment, among institutional alignment.

Promoting dialogue at FCC Aqualia

FCC Aqualia took part in Seville in the I Seminar on “Social Action Measures in the Water Sector”, organised by the Andalusian Employers Association ASA, in collaboration with the Andalusian Federation of Municipalities and Provinces (FAMP). The event brought together hundreds of representatives from public administrations, operators, consumer associations and social workers. One of the groups at this colloquium comprised water operators, and the one corresponding to Almeria outlined the social action measures applied in the Municipal Water

They highlighed actions such as freezing rates, over 500 personalised payment plans per year and coordination between different social stakeholders, like the City Council’s Social Affairs area, the Andalusian Housing and Rehabilitation Agency and organisations such as Caritas, the Red Cross and neighbourhood associations.

The company also offered a conference on “Water in the Balearic Islands. We’re all responsible” in Ibiza, which was dedicated to analysing the serious deficiencies in water suffered by the islands, especially in summer. Representatives from the company, the island’s central and local governments, the university and experts met to discuss proposals to educate locals and visitors, and to establish the necessary measures to meet the needs of the island in a sustainable way.

Furthermore, during 2016, as a sign of its concern for the views of the public, FCC Aqualia held in Seville, Toledo and Chiclana a conference on “Water to drive employment and sustainability”. The aim was to analyse the situation of the sector through several round tables which addressed issues such as management models, the sector’s legal and employment framework, collective bargaining and social sustainability.

Shareholders

For FCC Construction, collaboration with other companies is a strategic tool for the development of its activities. The company provides various communication channels with the goal to maintain ongoing dialogue and meeting their information needs, collaboration agreements, partnerships and sponsorships, business forums or seminars and publications.

Impact on the community and the creation of social value

FCC works each day to become an agent of change involved in the transformation of the societies where it is present.

The company facilitates the achievement of Sustainable Development Goals related to economic progress, the reduction of inequalities and the training of communities. FCC links its social action to the company's business strategy, contributing its knowledge to developing communities.

The Group focuses its efforts on integrating disadvantaged groups into the labour market by employing them in the company itself. In addition, it contributes to the social and economic progress of the communities where it operates. All these initiatives are classified into actions done for the community and actions aimed at the employees themselves (intra-company).

Intra-company actions

- Actions to integrate disadvantaged groups into society and help for employees' families[2]: activities in collaboration with organisations specialised in integrating disadvantaged groups into the labour market, like ONCE, or foundations, such as Integra or Adecco.
- Raising employees' environmental awareness: training initiatives on sustainability aimed at company employees with the aim of making them ambassadors on this matter.

Actions to integrate disadvantaged groups into society and help for employees' families: FCC and the Adecco Foundation.

In 2008, FCC Group and the Adecco Foundation signed a collaboration agreement to promote the social and labour integration of people with disabilities by organising training and employment guidance activities, along with employment programmes and roadmaps for the future incorporation of FCC employees' family members with disabilities into the labour market.

[2] For further information refer to details in the part on 'Equality and Diversity at FCC,' in the section Exemplary Behaviour.

For persons of working age, the training initiatives organised are focused on the development of social skills and abilities that facilitate access to employment, as well as information, advice and guidance in the search for jobs. However, for children, other types of alternative actions and leisure activities are organised, focused on the parallel development of social and relationship skills. Leisure activities aimed at making a positive contribution to the cognitive, physical, emotional, social and occupational development of employees' parents who have disabilities are also organised.

In 2016, more than 40 families made use of the therapies and the advice provided by staff specialised in functional diversity, thus expanding their social and employment opportunities.

Raising employees' environmental awareness

Aware of the role played that environmental education, involvement and commitment of the staff to sustainability, FCC works every year on raising employees' awareness and sensitivities to convert them into ambassadors of good social and environmental practices. The company's aim is to engage its employees in improving the sustainable development of cities so that they become leaders for the citizens themselves.

The priority objectives of the training activity are as follows:

- To identify and become familiar with the positive and negative impacts of the professional activities related to the environment.
- To belong to a team that is aware of the issue, sharing common goals and general interest.
- To contribute and share suggestions as a result of the professional experience
- To evaluate and periodically assess the payback of the good and best practices suggested.
- To convey exemplary behaviour to people.
- To participate in the dissemination and demonstration of responsible actions.

Actions in the community

FCC cooperates with the communities where it works on various projects aimed at the most disadvantaged groups. These activities are grouped into the following lines:

- **Social inclusion and access to basic services:** initiatives that promote the social development and the reduction of inequalities in the communities where it operates.
- **Creating value in the communities**: actions related to the growth of the business fabric in the geographical areas where the company is located.
- **Cooperation in education and environmental awareness**: partnerships with educational institutions for dissemination and awareness-raising on issues related to sustainability and on the business itself in the communities.

6.67 million euros in investment allocated to **social action**

- **Assessment of the social and environmental impact of the operations:** analysis of the impacts produced by the company on the communities where it operates, identifying their main concerns with the objective of implementing whatever actions best meet their needs.
- **Corporate volunteering:** collaboration by FCC employees on social action projects promoted by the company.

The investment allocated to social action amounted to 6.67 million euros in 2016.

Social inclusion and access to basic services

The company engages in socially responsible actions that contribute to the social development of the population, thereby reducing social inequalities and providing opportunities to the most disadvantaged groups.

1 NO POVERTY

FCC contributes to the eradication of poverty through activities that promote the social and economic development of the communities where it operates.

10 REDUCED INEQUALITIES

FCC carries out initiatives to promote the equality of people through the promotion of access to water and other initiatives.

Social integration at FCC Environment (UK): Abacus Furniture

Abacus Furniture Project, which is part of the West Kent Extra NGO, has a partnership agreement with FCC Environment (UK) to recover waste and integrate people at risk of social exclusion by collecting bicycles from urban waste recycling centers where the company operates.

Abacus Furniture Project is responsible for taking this waste to Rochester Prison so prisoners can repair them. As many as 10 prisoners work with an officer in a workshop designed specifically for restoring these bicycles, which are subsequently sold at Abacus's shops at reduced prices.

Some prisoners work with Abacus in its shops selling the bikes in order to get work experience.

FCC Aqualia, reducing inequalities and promoting access to water

As a company engaged in managing a public asset like water, FCC has an added responsibility to society. For instance, it entered into an agreement with the Vigo City Council in collaboration with Social Services aimed at helping families with limited economic resources to prevent getting their water service cut off. The initiative allows the city's water supply service, which is operated by FCC Aqualia, to recognise real cases where people cannot pay and look for the most effective way to solve them, while at the same time it allows the City Council to uphold its commitment to promoting social equity and cohesion.

In addition, the company provides advice to other city councils on facilitating access to water services to people with financial difficulties. In addition, the company employees who attend the customer services telephone lines are particularly sensitive to social inclusion, and refer some cases to the city councils' Social Services department.

Social contributions at FCC Environment (UK): the WREN Foundation and its FCC Community Action Fund and FCC Scottish Action Fund

WREN is a non-profit organisation that funds social-based community projects in the area of biodiversity and the protection of heritage using contributions made by FCC Environment.

Since it was founded in 1997, it has invested more than 200 million pounds in over 7,000 social and environmental projects in the United Kingdom.

WREN currently contributes and channels funds through two programmes:

FCC Community Action Fund, aimed at financing projects in England and Wales within a distance of 16 or less kilometres from FCC Environment landfill. Applications can now be made through its new online application system.

FCC Scottish Action Plan, for applicants in Scotland, has been in operation since 1 April 2015 when the tax on waste disposal generated in Scotland replaced the United Kingdom's system.

In 2016, the WREN Foundation allocated more than 8.7 million pounds to 208 social projects.

Creating value in communities

FCC, as a source of wealth and employment, has a positive effect on the socio-economic development of local communities through the services and infrastructure that it offers.

The company's activity means the creation of direct jobs, in addition to hiring of local subcontractors and suppliers. Local employment benefits both the community and the company itself; it not only represents a decent, good-quality and secure job, but the ongoing training it provides creates the groundwork so that these people can continue to develop careers inside or outside the company, and these local employees also provide FCC with a source of specific knowledge of the environment and the awareness necessary for the projects' success.

The services FCC offers: environmental, integrated water management and infrastructure services, serve to drive the progress for the societies where it operates, since the very purpose of the services provides local company users access to basis services such as drinking water, electricity, and sanitation, thereby helping to improve municipal services (waste management and street cleaning) and communication with other areas and promoting the economic development of its areas of influence.

Promoting local employment in the construction of the Panama Metro

During the construction of Panama Metro Line 1 and Line 2, which is scheduled to be completed by 2018.

FCC's construction area contributes to the improvement of the quality of life of the population living in Panama City. Specifically, it is estimated that Line 2 will benefit more than 500,000 Panamanians, saving them from one to two hours of time in each trip.

In addition, during the construction works, the communities or neighbourhoods where the metro passes through are also benefitting, since currently over 50% of the workers contracted by the consortium belong to the communities close tothe project.

Cooperation on education and environmental awareness-raising

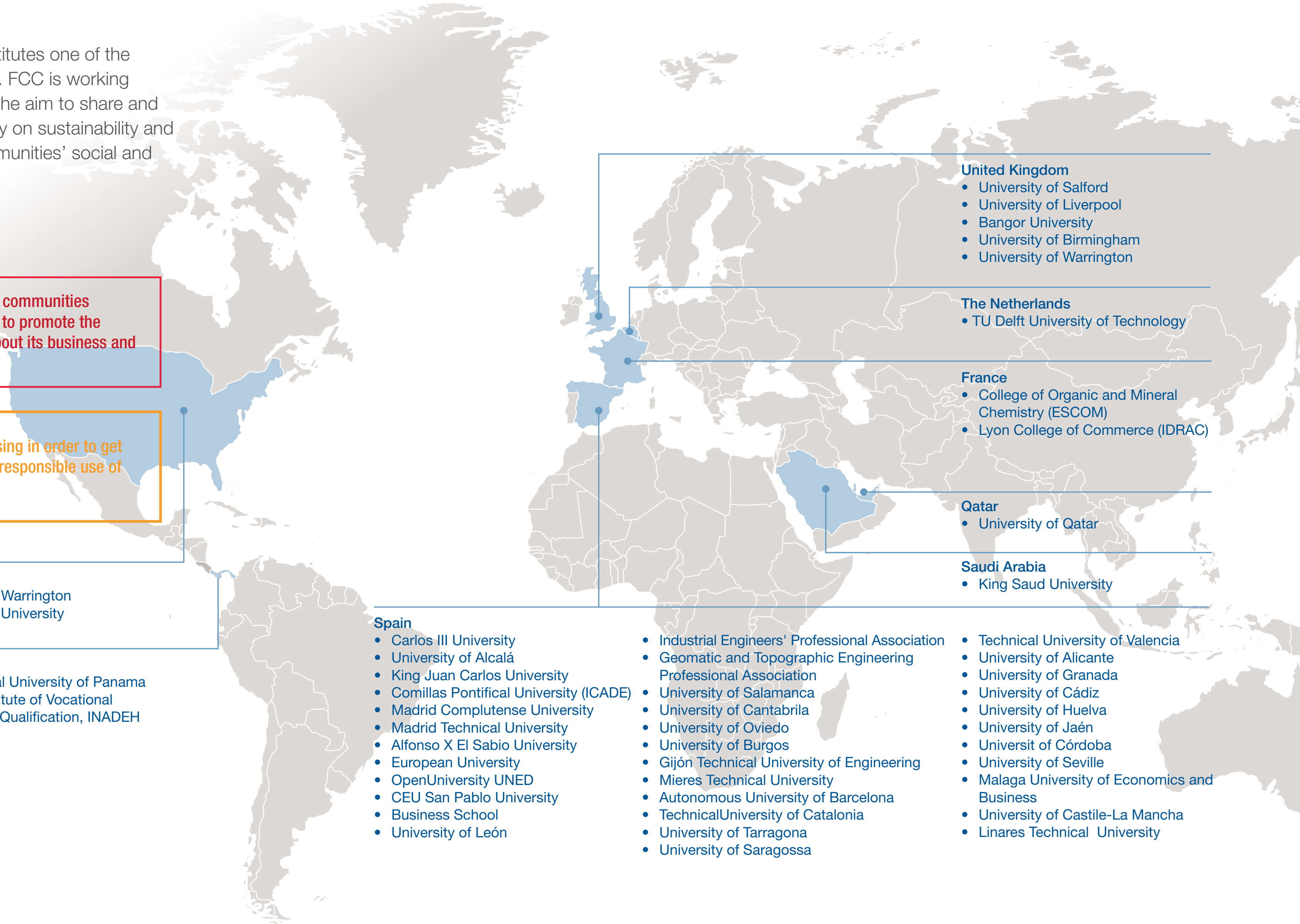
Cooperation in the field of education constitutes one of the main lines of the company's social actions. FCC is working with different educational institutions with the aim to share and disseminate knowledge, focused especially on sustainability and the environment, to contribute to the communities' social and cultural development.

4 QUALITY EDUCATION

FCC promotes education in the communities where it operates with the aim to promote the dissemination of knowledge about its business and sustainability.

11 SUSTAINABLE CITIES AND COMMUNITIES

FCC carries out awareness-raising in order to get the community involved in the responsible use of resources.



United Kingdom
- University of Salford
- University of Liverpool
- Bangor University
- University of Birmingham
- University of Warrington

The Netherlands
- TU Delft University of Technology

France
- College of Organic and Mineral Chemistry (ESCOM)
- Lyon College of Commerce (IDRAC)

Qatar
- University of Qatar

Saudi Arabia
- King Saud University

United States
- University of Warrington
- Texas A & M University

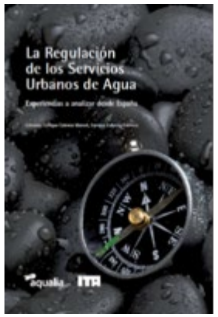
Panama
- Technological University of Panama
- National Institute of Vocational Training and Qualification, INADEH

Spain
- Carlos III University
- University of Alcalá
- King Juan Carlos University
- Comillas Pontifical University (ICADE)
- Madrid Complutense University
- Madrid Technical University
- Alfonso X El Sabio University
- European University
- OpenUniversity UNED
- CEU San Pablo University
- Business School
- University of León
- Industrial Engineers' Professional Association
- Geomatic and Topographic Engineering Professional Association
- University of Salamanca
- University of Cantabria
- University of Oviedo
- University of Burgos
- Gijón Technical University of Engineering
- Mieres Technical University
- Autonomous University of Barcelona
- TechnicalUniversity of Catalonia
- University of Tarragona
- University of Saragossa
- Technical University of Valencia
- University of Alicante
- University of Granada
- University of Cádiz
- University of Huelva
- University of Jaén
- Universit of Córdoba
- University of Seville
- Malaga University of Economics and Business
- University of Castile-La Mancha
- Linares Technical University

FCC Aqualia is working with the United Nations on efficient water management

FCC Aqualia has cooperated with the UNECE Regional Committee (UN) on its "International Centre of Excellence on PPPs (ICoE) programme in Spain, at the IESE business school. The company shares its knowledge in the area of water management, contributing its extensive experience to the development of PPP projects.

Furthermore, the company has participated in the publication of the book "La Regulación delos Servicios Urbanos de Agua. Experiencias a analizar desde España" (The Regulation of Urban Water Services in Spain), which analyses the experience and the efforts of various countries to regulate urban water services.



FCC Construction is helping to develop training in Panama

In 2016, FCC has served over 20 years in Panama. During this time, since it started the company has carried out many projects that have directly influenced the development of the country. Listed below are different actions performed, aimed at generating social developing through training and qualification:

- The "My First School" programme seeks to offer Panama's students a better education. The project is the result of the cooperation agreement signed between FCC and the Department of Economic Affairs and Competitiveness of the Ministry of the Presidency of Panama. The aim is to recover, renovate, extend and equip over 3,000 official schools in the country, with a view to providing students with a better education. The refurbishment work amounts to three million dollars.
- Handicraft and dressmaking courses, in partnership with the National Proffesional Training and Human Development Institute (INADEH), which seeks to promote the participation of the the inhabitants of La Valdeza, 19 Abril and El Coco, through initiatives aimed at promoting capabilities and developing creative skills.
- Training on heavy equipment for 120 INADEH students, where they could carry out practical training in the field on heavy equipment at the La Valdeza quarry. FCC offered the space and the construction equipment necessary to the students to practise what they had learned in the classroom.

Education for sustainable development

FCC carries out dissemination and awareness-raising campaigns on aspects related to sustainability and the responsible use of resources. Its goal is to get society to become familiar with the activities that FCC performs and thus help to include sustainable habits in their daily lives.

Collaboration with FLACEMA CPV in the “Sustainable Development: Everyone’s responsibility?”

For the eighth consecutive year FLACEMA (Andalusian Environment and Cement Workers’ Foundation) launched the “Sustainable Development: Everyone’s responsibility?” environmental awareness-raising campaign aimed at secondary school students in the areas around Andalusia’s cement factories.

In the 2016 campaign, the main goal was to educate young people about the importance of sustainable development, current environmental problems and the main solutions they can contribute during their daily lives.

At these seminars, managers from the various cement manufacturers -including CPV- explained to the students the importance of sustainable development for the cement sector in Andalusia, as well as various environmentally-friendly efforts, investments and actions carried out in every factory.

This activity has been carried out since 2009, a total of 48 workshops have been held, and in 2016 they were conducted in cement factories in Seville, Cordoba and Malaga.

In addition, in 2016 the company organised (in collaboration with FLACEMA) a seminar on the environment and sustainability for the students at the Ángeles Martín Mateo Infant and Primary School in Alcalá de Guadaíra (Seville). At this seminar, students calculated their ecological footprints and received tips on how to minimise them as much as possible. They also were told about the serious problem wastes poses for our society, as well as the importance of managing them in an efficient and eco-friendly way.

Promoting knowledge of the integrated water cycle by FCC Aqualia

The seventh edition of the drawing contest organised by FCC Aqualia was aimed at encouraging young people to discover, in a fun way, the management of the integrated water cycle through a story that recreates a great adventure in a digital environment. The 2016 Little Artist contest has exceeded previous participation records, with a total of 178 children from five to fourteen years old (children, nephews, nieces and grandchildren of FCC workers).

The prizes for the winners were Samsung Galaxy tablets and digital aquatic cameras for the five finalists in each category (children and teenagers). It should be noted that children from Spain, Portugal and Uruguay took part in the initiative this year.

In addition, with the aim of educating and raising awareness about the importance of caring for the surroundings and the environment, in 2016 FCC Aqualia held more than 100 seminars with different groups, such as housewives, pensioners and journalists, and over 50 visits to facilities were made by 15,000 students. Visitors were explained how the integrated water management cycle process is carried out and trained in the proper use of the resource; responsible consumption, use of toilets, managing oils, etc.

Dissemination of knowledge through "green" classrooms by FCC Ámbito

Many of the FCC Ámbito's facilities have "green" classrooms or training rooms with AV resources and explanatory panels that facilitate communication about the company's activities (industrial waste management and recovery and soil decontamination). These classrooms provide theoretical training on how the facilities operate and the importance of activities for promoting the circular economy. Each year, the facilities are visited by different groups and stakeholders, like those belonging to the educational community, neighbourhood associations and environmental protection organisations, among others.

Ecology as an integral part of education, by FCC Environment

FCC Environment (CEE) wants to be part of the daily lives of individuals and companies and increase their environmental awareness, especially in terms of the younger generations. For this reason, it has developed training modules in ecological awareness that are taught in communities where they offer services. They show children how to use resources efficiently.

Environmental awareness for protecting the aquatic environment

The construction of the project to upgrade the hydraulic dam on the River Bogotá, in Colombia, offers numerous benefits for the municipalities nearby and for the quality of life of their citizens, since it means the mitigation of the risk of floods for the inhabitants. This project has also improved the river's environmental situation, as it was very polluted, due to the large amount of rubbish and the discharge of urban wastewaste from the nearby municipalities, as well as wastewater from industrial waste, mining and building debris.

With the aim to create local awareness, encouraging eco-friendly behaviour and preventing these situations from happening in the future, FCC Construction Colombia, from the start of the project, developed an environmental training programme focused on local communities:

- Implementation of environmental campaigns with the community and project officials. Specifically, the "Sowing water, harvesting life" campaign was aimed at reminding people of the importance of preserving watersheds and getting local communities involved in the conservation project.
- Development of environmental workshops with various local schools. Almost 2,000 schoolchildren have participated in the tree planting exercise organised.
- Celebration of special dates with the community.
- Hand-out leaflets in various areas, aimed at informing about the benefits for the Community of environmentally protecting the river.
- Creation of oversight committees in the municipalities close to the project, so that the different organisations and local communities that are interested could find out about the progress of the construction Works and the benefits of the project.

With the implementation of the measures aimed at increasing environmental awareness, there has been greater environmental awareness, especially among the local young people, who developed a lasting awareness related to the preservation of the environment in the river's corridor.

Assessment of the social and environmental impact of operations

The company assesses the contribution it makes to communities and their environment, and analyses the problems in the environment that can be caused by its activities. FCC's businesses meet the conditions established in the Environmental Impact Statements of the projects it implements with the objective of preventing impacts and mitigating any it may have caused.

In 2016, more than 40 families are making use of the therapies and the advice provided by staff specialising in functional diversity, thus expanding their social and employment opportunities.

Social and environmental responsibility in FCC Construction's projects

FCC Construction has a metric for assessing the social and environmental sustainability in the tenders it submits. In addition, it has designed and maintained a database to analyse the results obtained through its own computer tool.

Specifically, the metric assesses whether the project being tendered entails relocation of individuals or communities, whether it negatively affects any unique heritage element and whether it has an environmental impact study or any type of provision for the prediction and mitigation of impacts, whether the construction project means increased access to basic provisions (water, communication, electricity, etc.) for the people, whether citizen participation has been included at any time and whether the project has a specific and well-known social response.

The classification of the project by defining whether its environmental and social risk is high, average or minimum, allows for the early identification of relevant requirements when it comes time to submit the tender, assess and audit the project. Of the 399 projects tendered and studied in 2016, 63% had minimal or no environmental and social risks; 37% an average associated risk and 0% had a high risk.

This new metric joins the "Initial Risk Report", which analyses the construction project's contractual risks, its financial, insurance and tax risks, and its technical and economic risks. The results of both analyses provides complete information on all areas of sustainability, which helps the company in its decision-making process regarding whether or not to submit a bid.

In 2016, the company reviewed its management system, comparing it to the International Finance Corporation's guidelines and guides and also drafted a basic handbook, which explains how construction projects works should act in the event of them impacting on local communities, including the case of indigenous peoples.

Corporate Volunteering

Volunteer programs are an opportunity to promote, among employees, the benefits of participating in corporate citizenship projects, thereby supporting the company's mission to create value for society and contribute to people's well-being. Volunteer projects are implemented in the fields of cooperation, environmental education and humanitarian aid in emergency cases.

FCC and its businesses areas encourage employees' participation in achieving the company's objectives related to the community. The volunteer programme helps projects from the Esther Koplowitz Foundation, a leader in Spain in the provision of assistance to the most disadvantaged people.

"FCC Volunteers, with you, more people are involved"

This project focused on the cognitive stimulation of people at risk of exclusion, is mainly aimed at helping to improve the well-being and quality of life of older persons without resources through the stimulation of their cognitive state, the main cause of their fragility and dependence.

The activities carried out are mainly of two types: lectures on cultural, medical or recreational topics, which generates a transmission of knowledge from the volunteers to the residents of old-age people homes, but which also encourages active participation or debate by residents; and music and dance related activities that stimulate senior citizens' physically and psychologically.

The programme, which currently covers a total of 347 people, is aimed mainly at residents of old-age people facilities without resources and day care centres at the Nuestra Casa residential home in Collado Villalba (Madrid) and the Nostra Casa residential home in Fort Pienc (Barcelona). Both facilities were built and subsequently donated to the local administration by the Esther Koplowitz Foundation.

Through this project, FCC increases its relationship with its employees, while these latter channel their desire to make a social contribution and build emotional bonds among themselves, with the facilities' residents and with the company.

07

Smart services

A sustainable company that pursues efficiency and innovation

Efficiency and environmental protection are strategic business priorities for FCC. Combating climate change, efficient management of resources, and the mitigation of issues are present from the project planning stage to their delivery and subsequent management.

The provision of services for the operation of urban communities presents new challenges in terms of the incorporation of technology, the relationship with the end user and the consideration of the life-cycle of products and services, as well as great opportunities in the newly coined concept of the circular economy.

Citizens are the backbone of all FCC activities and their needs shape the Group's corporate strategy. The trends that are transforming the way in which the population evolves are those on which the company must base its innovation efforts in order to adapt to the future challenges of cities.

Climate change, a challenge for all of us

Climate change is one of the challenges that has generated the greatest response on the part of authorities and governments, developing a set of regulations, commitments and market-based instruments which businesses should take into account.

Since 2011, FCC has included this concern for climate change among its commitments and its management systems. After the achievement of recent global milestones such as the agreements reached at the Conference of the Parties held in Paris in 2015 (COP21), the company is reforming its policy and objectives to transfer them to the businesses and to align them with local agendas where it performs its operations.

The European Union developed the strategy for adapting to climate change, which includes measures to be integrated into national plans such as efficiency in water use and adaptation of the construction sector, areas that undeniably have strategic importance for FCC businesses. This EU mitigation strategy seeks to contribute to the global goal of halting the increase in greenhouse gas emissions (GHG) before 2020 and reducing them to 60% of the 2010 figure before 2050.

FCC's response to this transition to a low carbon economy, which, moreover, does not affect its growth rate, should be the adoption of innovations in processes, operational efficiency to reduce resource consumption, and, across all businesses, the implementation of its climate change strategy.

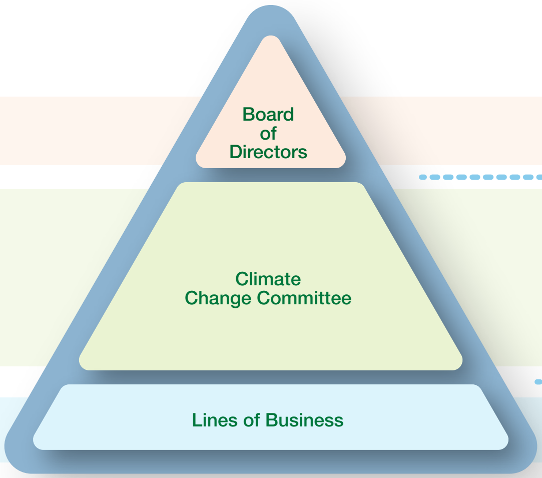
FCC's climate change strategy

The Climate Change Strategy was approved by the Board of Directors in 2011. The ultimate responsibility for overseeing this strategy and the monitoring of the risks presented, lies in FCC's Climate Change Committee, comprising representatives of the business divisions and the Group's Corporate Responsibility role. Its specific function is to coordinate the implementation of the strategy in the company.

13 CLIMATE ACTION

FCC, through its Climate Change Strategy and related commitments, contributes to the reduction of GHG and to improving process efficiency.

Responsibility for the Climate Change Strategy of FCC Group



Functions

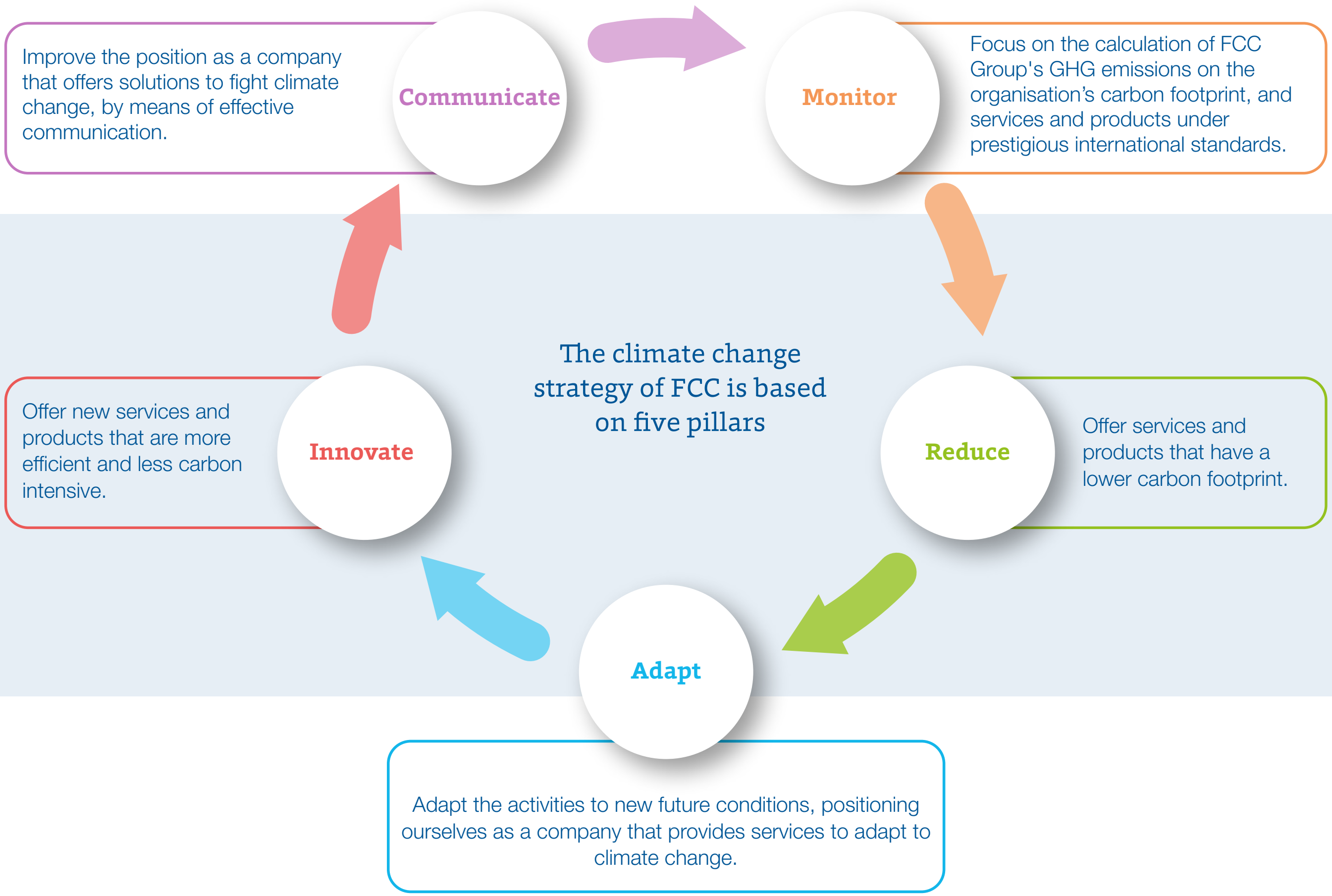
- Adoption of the Strategy.

- Monitoring the inventory of FCC's GHG emissions.
- Analysis of risks and new opportunities in the face of climate change.
- Company's position regarding the adaptation and mitigation of climate change.
- Preparation of responses to requests from external stakeholders.
- Main prescriber within the Group for aspects related to climate change.

- Adaptation of the Group's Climate Change Strategy to each sector.

The pillars of the strategy

FCC faces the fight against climate change from a dual perspective, mitigating the risks related to global warming, and exploiting the associated business opportunities, focusing on designing efficient products and services that contribute to mitigation and the adaptation of the consequences of climate change.



The challenges and opportunities for adaptation to climate change

FCC environmental services

Impacts on the activity	Associated challenges	Potential opportunities
• Faults and interruptions in the operation and maintenance of the equipment and risk in the integrity of the infrastructure. • Risk in the availability of water resources. • Stricter regulation regarding the use of resources necessary for the activity of the companies (particularly water). • Risk associated with the vulnerability of the urban plant heritage.	• Management of the faults in the operation processes, together with downtime or interruptions generated. • Ensure the integrity of the infrastructure and equipment. • Reduce health risks to personnel. • Condition facilities to minimise impacts. • Implement best practices in the management of urban services to reduce water consumption. • Develop services and best practices for the protection of urban biodiversity and promote eco-systemic services.	• Projects to improve the waste management infrastructure in developing countries. • Renovation of infrastructure as a means to manage extreme post-event situations. • Financing of international projects in vulnerable countries within the framework of multilateral banking initiatives. • Organisation of cleaning crews in suburban zones to minimise. fire risks in collaboration with civil protection, fire prevention and extinguishing services.

FCC water

Impacts on the activity	Associated challenges	Potential opportunities
• Restriction in the availability of necessary resources. • Risks associated to the integrity of company assets. • Increases in operating and maintenance costs in the facilities due to changes in the characteristics of the resource (water) or changes in the operating conditions.	• Response to increases in demand in a scenario of greater shortages of resources. • Adjustment to a more restrictive future regulatory framework for the use of water. • Increased risk of conflict as a result of water usage. • Ensuring maximum efficiency in the processes of distribution, supply and consumption of water.	• Development of new products and services; development of monitoring systems and water management, consumer-level training. • R&D&I in the sphere of water management and saving. • Collaboration with the Administration to integrate climatic change into the development of the sector, and cooperation with other water consumer sectors in order to harmonise the activity of the sector with sustainable use of the water. • Financing of international projects in vulnerable countries within the framework of multilateral banking initiatives.

The challenges and opportunities for adaptation to climate change (continuation)

INFRASTRUCTURE

FCC Construction

Impacts on the activity	Associated challenges	Potential opportunities
• Increase in the costs of the production, operation and maintenance processes. • Legal or reputational risks. • Restriction in the availability of resources. • Incorporation of climate criteria in the regulation of the sector. • Loss of competitiveness due to the effects of climatic impacts. • Risk to the integrity and physical characteristics of the assets, products or projects.	• Stagnation in the activity of the sector in historic markets. • More situations of reputational or legal damage. • Incorporating climate criteria into the activity of the companies. • Adjusting to a new regulatory framework of greater environmental pressure. • Ensure the economic viability in the face of increased costs.	• Opening of new markets, the need for short-term adaptation mechanisms. • Development of more sustainable new products/services. • Improvement as a company committed to environmental aspects. • Collaboration with the Administration in the integration of climate change in the development of the sector. • Financing of international projects in vulnerable countries within the framework of multilateral banking initiatives.

Cementos Portland Valderrivas

Impacts on the activity	Associated challenges	Potential opportunities
• Restriction of activity according to climatic criteria in the regulation of the sector. • Increased costs of production, operation and maintenance due to rates. • Environmental penalties. • Legal or reputational risks. • The need for investment to adapt the product to the characteristics required by customers (due to the need for infrastructure resilience).	• A higher frequency of legal or reputational damage situations. • Incorporation of climatic criteria in the activity of companies, such as the reduction of emissions in the grinding and firing process of limestone. • Ensuring economic viability in the face of increased costs.	• Research to encourage the use of new raw materials that reduce the emission ratio due to the chemical reaction in decarbonation. • Use of biomass as fuel: agricultural, forestry or sawmill waste. • Regeneration and recovery of hazardous waste such as solvents and mineral oils. • Collaboration with the Administration in the integration of climate change in the development of the sector.

Reduction of GHG emissions as a priority objective

In its Climate Change Strategy FCC sets out quantitative targets for the reduction of emissions in each one of the company's lines of business and performs the periodic measurement and monitoring of greenhouse gas emissions (GHG).

The company aims to reduce 360,000 tonnes of CO_2 equivalent, so that in 2020 an Mt CO_2eq ratio/millions of euros of turnover achieves 3% lower than at present, through the promotion of initiatives related to energy efficiency, sustainable mobility, recovery and recycling and waste management.

During 2016, the direct emissions of greenhouse gases have remained constant with respect to the previous year. The slight increase of 0.75% was mainly due to the increase in production of Cementos Portland Valderrivas.

FCC's Climate Change Strategy sets the goal for the upcoming years of quantifying scope 3[(1)] emissions in each of the company's businesses, to help create specific action plans for their reduction.

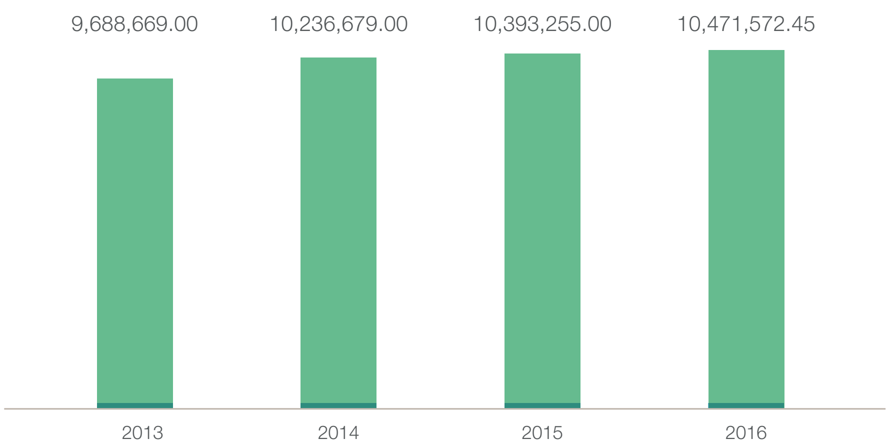
Emissions reduction and energy production through waste recovery

FCC develops innovative solutions in treatment and recovery plants belonging to FCC's Environment division to generate energy from biogas and to maximize the performance of co-generation, making the most of the energy potential of this gas which is generated during the treatment of urban waste. In 2016, 43,168 GJ of energy was generated from biogas energy recovery from biomethanization and biogas from landfill sites.

7 AFFORDABLE AND CLEAN ENERGY

FCC promotes the generation of energy from renewable sources, such as energy from waste, solar and wind energy

FCC Group's direct and indirect GHG emissions (Scopes 1 & 2) (tCO_2 eq/year)



[(1)] Scope 1: Direct emissions generated at sources owned by the company or under their management.

Scope 2: Emissions from the generation of electricity consumed by the company.

Scope 3: Indirect emissions due to the activity of the company but in sources that are not owned or under FCC management.

FCC energy consumption

In 2016, the levels of energy consumption remain stable, compared to 2014 and 2015[2], an increase of 3.2% in 2016, reaching 37,053,856 GJ.

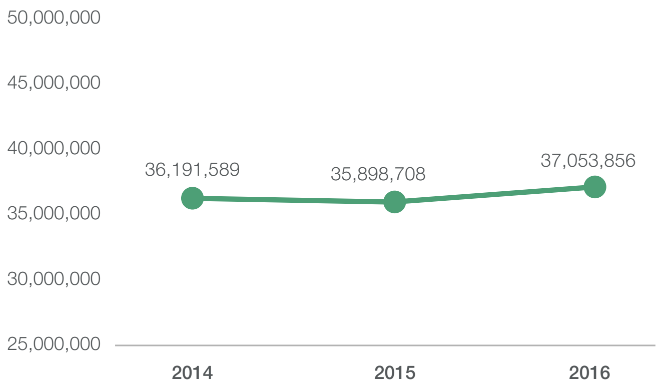
FCC uses the Technical Guide for Energy Efficiency which promotes energy savings in its corporate facilities and the reduction of emissions, significantly improving efficiency.

FCC is making progress in the implementation of the Energy Management System in accordance with UNE-EN ISO 50001:2011, achieving certification in FCC Aqualia and FCC Environment in 2016 in Spain and in the corporate headquarters of FCC and its businesses. This certification guarantees the continuous and systematic improvement of the company's performance in terms of efficiency and contributes not only to cost efficiency, but also to the reduction of greenhouse gas emissions.

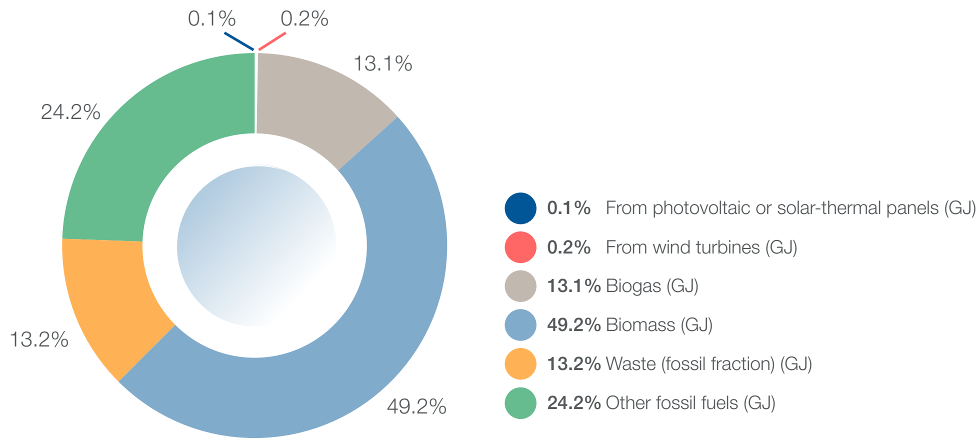
In addition, FCC promotes the use of other renewable sources for energy generation, including solar and wind power.

Solar thermal power plant in Villena, Alicante (Spain).

Total energy consumption (GJ)



Consumption of self-produced energy



(2) The total consumption of energy has been calculated by updating the CPV and A.S.A data.

The consumption of renewable fuels has increased with respect to 2015 by 11.8%, mainly due to an increase in the consumption of biomass of 22.2% with respect to 2015. The consumption of non-renewable fuels has increased by 7% compared to 2015.

Consumption of renewable fuels acquired from third parties according to business divisions (GJ)

Fuels	Environmental Services	Water	Construction	CPV	Total
Bioethanol	1,278.3	–	–	–	1,278.3
Biodiesel	280,242.8	–	–	–	280,242.8
Biogas	142,595.8	71,341.0	–	–	213,936.8
Biomass	64,561.0	–	–	837,406.0	901,967.0

Consumption of non-renewable fuels acquired from third parties according to business divisions (GJ)

Fuels	Environmental Services	Water	Construction	CPV	Total
Natural gas	591,920.7	21,808.0	1,045.0	238,379.0	853,152.7
Petrol	57,514.3	824.0	21,127.1	857.0	80,322.4
Diesel	2,589,884.5	114,836.0	1,127,609.8	151,889.6	3,984,219.9
Fuel oil	5,565.2	–	132,509.1	1,776.0	139,850.3
Propane and butane	1,854.0	–	–	2,441.0	4,295.0
Conventional fossil fuels in clinker kilns		2,349.0	–	22,209,799.0	22,212,148.0
Alternative fossil fuels in clinker kilns			–	2,155,493.0	2,155,493.0

Guzman solar thermal power plant, Palma del Río, Córdoba (Spain).

FCC Environment's fight against climate change

FCC Environment works continuously on the implementation of best practices that focus on the fight against climate change and contribute year after year to reducing greenhouse gas emissions and the achievement of Sustainable Development Goals and the targets set around them for 2030.

Strategy for the reduction of FCC Environment's carbon footprint

From 2011, FCC's Environment division has calculated the carbon footprint of the organization and monitors its evolution year after year to assess the benefits and the return of the low-carbon policy undertaken in the management of its services and facilities. This promotes the improvement of efficiency in the use of resources and mitigates the diffuse emissions of GHG emissions.

In 2016, there has been a reduction of 26.25% of diffuse emissions of GHG emissions from landfills, thereby exceeding the reduction target set in 2013 of 16%.

The measurement of the footprint allows the division to identify the sources of GHG emissions on which it must act to reduce it. Thus, during 2016, emissions from the energy consumption of the vehicle fleet has been the main source of Scope-1 energy consumption emissions[(3)]; therefore, in the next reduction plan the division will focus on reducing emissions from this source.

In 2016, and for the third consecutive year, FCC Environment has recorded the calculation of the organisation's carbon footprint in the Register at the Spanish Climate Change Office (OECC Spanish acronym) within the Ministry of Agriculture and Fisheries, Food and the Environment, and has submitted the process to external verification by an independent third party based on the GHG Protocol.

In 2016 FCC Environment completed the certification of its Energy Management System in the 17 offices in Spain in accordance with UNE-EN ISO 50001:2011. This system allows FCC Environment to understand how energy is being consumed in the provision of services and to implement efficiency measures, such as:

- Use of high-energy efficiency vehicles, hybrid vehicles or 100% electric vehicles, or vehicles that use alternative fuels (Natural Gas). These eco-friendly vehicles now total 1,740 units.
- Use of renewable energy on-site.
- Eco-efficient driving training for workers.
- Replacement of energy-consuming equipment for other more efficient equipment such as lighting, electric motors, etc.
- Route optimisation systems.

Emission reduction plans in FCC Environment (UK)

Each year FCC Environment (UK) measures its carbon footprint so that it can plan its targets to reduce emissions for the year 2020. The company sets emission reduction plans on-site, and monitors their progress, and has it an Emissions and Sustainability Policy in order to promote them.

These measures help to strengthen the positioning of FCC Environment and its commitment to the environment, while improving the competitiveness of the company in tenders and bids.

(3) Scope 1: Direct emissions generated at sources owned by the company or under their management.
Scope 2: Emissions from the generation of electricity consumed by the company.
Scope 3: Indirect emissions due to the activity of the company but in sources that are not owned or under the management of FCC.

FCC Aqualia's fight against climate change

FCC Aqualia integrates the minimisation of the environmental impact in its activity through the inclusion of improvements in processes and an efficient management of resources. FCC Aqualia carries out various initiatives that favour the reduction of greenhouse gases and that are translated into a progressive decrease in the carbon footprint.

Strategy for the reduction of FCC Aqualia's carbon footprint

In 2015 FCC Aqualia calculated the carbon footprint for all its activities relating to the management of the integrated water cycle in Spain. The calculation was verified by AENOR and listed on the register which the MAPAMA[4] has for that purpose. In 2016, the Carbon Footprint in the Czech Republic was also verified, and in 2017 the Carbon Footprint of the activity in Portugal will also be verified.

FCC Aqualia facilitates, with the publication of the Carbon Footprint reports, the verification of the inventory of GHG emissions and promotes transparency with its stakeholders.

[4] Ministry of Agriculture and Fisheries, Food and the Environment.

Energy certification of FCC Aqualia's domestic activities

The Water division of FCC has implemented and certified an Energy Management System throughout the division (according to that established in ISO 50001), which has allowed it to comply with Royal Decree 56/2016. The company had already opted for this solution in 2015 trying to pre-empt the adaptation to the European standards for energy efficiency.

Historically FCC Aqualia has managed energy as one of the key aspects from the point of view of production and economic management, linking the management to the control of production, to maintenance and to compliance with ISO 9001. In 2010, the Energy Management System certification was initiated through a pilot project for the implementation of UNE-EN 16001. In 2011, FCC Aqualia adapted to ISO 50001, expanding the scope in 2015 to all FCC Aqualia contracts lasting over than 2 years. In 2016, and in compliance with RD 56/2016, the company proceeded to inform the different autonomous communities in which it operates, representing 85% of their total energy consumption.

The main initiatives taken by FCC Aqualia in contracts are the following:

- Improved measurements by acquiring process, energy and maintenance equipment.
- Calculation of energy performance of pumps.
- Optimisation and improvement of processes, facilities and production equipment.
- Purchase of equipment with greater energy efficiency.
- Optimization of the procurement of energy through power.
- Infrastructure maintenance.
- Improvement of the hydraulic performance of the network - since lower water consumption contributes to lower energy consumption.

Furthermore, in a general way, FCC Aqualia has proceeded to the centralized management of energy purchases and the performance of innovation projects to improve efficiency.

The benefits of the implementation and certification of the Energy Management System not only imply greater production and economic efficiency, but they are also associated with clear environmental benefits such as the reduction of the carbon footprint, since the indirect emissions resulting from energy consumption account for more than 60% of same.

FCC Construction's fight against climate change

Initiatives undertaken by FCC Construction for mitigation and adaptation to climate change are aligned with the challenges arising from the COP21 conference held in Paris and COP22 held in Marrakech.

COP 21 - Climate change conference, Paris	MEASURES. Mitigation and Adaptation to Climate Change
Identifying risks and opportunities Assume the potential impacts that climate change could have on our value chain.	• Study our value chain, identifying potential impacts. • Preparation and verification of annual inventory reports on emissions according to the GHG Protocol, ISO 14064 and ENCORD industry protocol.
Transparency Address emissions reduction and reporting emissions, as well as performing the carbon footprint calculation.	• Registration of our Carbon Footprint in public records, demonstrating the FCC's commitment to the climate change problem and the vulnerability of the environment (CDP Climate Change Program, Registration of the Carbon Footprint at the MAGRAMA). • AENOR Carbon Footprint Certificate "CO_2 Environment Verified" (since 2012).
Commitment to the national objectives of the countries in reducing emissions (INDC) Prevent the global warming increase above 2°C.	• Implementation of good environmental practices in order to avoid greenhouse gas emissions, with the annual target of reducing these emissions by 5%.
Individual strategic actions Development and communication the company's clear positioning on climate change.	• Drafting sustainability reports with specific strategies for mitigation and adaptation to climate change. • Training employees on waste management and energy efficiency in order to minimise the impact on the environment. • Innovation in materials, technologies and construction methods that are more environmentally-friendly.
Risks regarding the integrity of the products or company project acting on climate impacts: • Incentives for companies committed to redirecting their investments to countries that establish emissions reduction targets. • Strengthen the capacity of countries to recover from the impacts of climate change.	• Ensure economic viability considering increased costs as a result of acting on climatic impacts. • Promote innovation projects to mitigate the effects of climate change and promote adaptation to same. – Use of drone technology for planning and monitoring works. – Road markings with photosensitive painting that illuminates the road at night and is recharged during the day with sunlight. – 3D printing of structures: extends the life of materials and recycles old structures. – Evaluation of the influence of meteo-oceanographic climate on the behaviour of marine works. – New restoration techniques and environmental recovery of spaces affected by large movements of earth.

In 2016 FCC Construction joined the so called #PorElClima community launched after the Paris Agreement, in which the Organization establishes commitments to reduce its GHG emissions.

17 PARTNERSHIPS FOR THE GOALS

FCC subscribes to initiatives and participates in forums to help to achieve the goals related to the fight against climate change.

Strategy to reduce FCC Construction's carbon footprint

Since 2011, FCC Construction has verified its greenhouse gas emissions and has had its Carbon Footprint certified since 2012 by AENOR with the "CO_2 Environment Verified" stamp. In addition, FCC Construction has registered its carbon footprints for the years 2012, 2013, 2014 and 2015 in the register of carbon footprint, compensation and absorption projects, created in 2014 by the Ministry of Agriculture, Livestock and Environment, and was the first construction company to appear on that public list.

In 2016, the company obtained the "calculate and reduce" stamp, one of 19 companies out of more than 360 that are part of the Registry, that has achieved this distinction that accredits emission reduction.

In order to measure the carbon footprint, FCC Construction identifies the main sources of greenhouse gas emissions of its works and permanent work centres, defines the boundaries of the organisation and operational limits, and collects and transmits activity data from the work site to the corporate level. FCC Construction quantifies the emissions of scope 1, 2 and 3[(5)].

For the calculation of the inventory of greenhouse gases, a centralised approach is used, integrating activity data received from each of the work sites and permanent work centres, and quantifying the emissions at the corporate level.

In addition, the company also carries out awareness-raising initiatives for employees, suppliers, and subcontractors, with the aim to reduce their emissions of scope-3 greenhouse gases, contributing to the fight against climate change.

(5) Scope 1: Direct emissions generated at sources owned by the company or under their management.
Scope 2: Emissions from the generation of electricity consumed by the company.
Scope 3: Indirect emissions due to the activity of the company but in sources that are not owned or under the management of FCC.

Cementos Portland Valderrivas's fight against climate change

CO_2 emissions in the cement industry are produced during the decarbonation of limestone process and in the combustion in the fossil fuel furnace. Given the nature of its business, CPV's strategy against climate change focuses on mitigating these CO_2 emissions through the replacement of natural raw materials with other decarbonated substances, and by replacing fossil fuels with alternative fuels from biomass.

Cementos Portland Valderrivas

47,246.6 tons of CO_2 avoided in **2016**

The objectives of Cement Portland Valderrivas to mitigate climate change are aimed at a gradual approach to the European benchmark value of CO_2 emission per tonne of clinker (766 kg of CO_2/tonne of clinker) known as the CO_2 emission factor (a value calculated based on 10% of the most efficient cement production factories in Europe).

Direct emissions of CO_2 in 2016 reached 5,678,982 tonnes, assuming an increase of 4.2% compared with the previous year.

The division has fostered the responsible use of fossil fuels and has opted for biomass as an alternative fuel, leading to 47,246.6 tonnes of CO_2 being avoided in 2016.

Adaptation to the circular economy

The linear production model, the common element of the evolution of the global economy, is now limited by the shortage, depletion of raw materials and the degradation of the environment, forcing us to rethink the model of productive growth that has dominated since the industrial revolution.

The evolution towards a circular economy is put forward as a viable solution to achieve efficient production models that contribute to smart, sustainable and inclusive growth[6] of economies, and the protection of resources, reducing environmental impacts and the fight against climate change, while at the same time the competitiveness of production models is promoted and new opportunities for job creation arise.

Given this new cycle, FCC is committed to transforming its activities and changing its business model, based on the principle of "closing the life cycle" of products, services, waste, materials, water and energy; strengthened through public-private partnerships, focusing on the city of the future and the welfare of citizens.

Direct contribution of FCC to the circular economy, through the management, treatment and recovery of waste

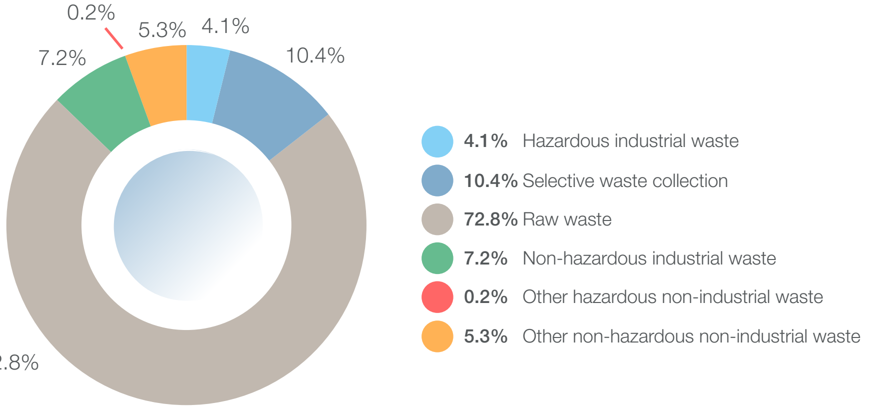
FCC Environment contributes to fulfilling the objectives of preparation for re-use and recycling established by PEMAR[7].

FCC contributes to responsible production and consumption, extending the waste it manages and by improving process efficiency.

FCC contributes to reducing greenhouse gases via its efficient waste management business.

FCC has a line of business that specialises in integrated waste management, which contributes 52.6% of the Group's EBITDA, with a collection volume of more than 5.6 million tonnes of different types of waste in 2016 (industrial, commercial and urban, hazardous and non-hazardous waste).

The following chart shows the percentages of waste collected by type in 2016.



[6] According to what was stated in the Circular Economy Package and the "Europe 2020" growth strategy for "a resource efficient Europe".

[7] Framework of the Spanish Waste Management Plan.

FCC also maintains facilities for the treatment of all types of waste. Among the various processes performed are those of recovery, disposal in controlled landfills, deposits in slag tips and stabilisation. In 2016 the company treated 11,492,809 tonnes of waste at its facilities[8].

Waste treatment: % of the total treated at FCC facilities

Recovery in sorting and classification plants	9.2%
Recovery by biological treatment	7.6%
Recovery by heat treatment	7.6%
Elimination in controlled landfill	47.8%
Deposits in slag tips	1.1%
Recovery by recycling	0.3%
Recovery by physical-chemical treatment	6.4%
Stabilisation	1.5%
Transfer to an end manager	18.5%

[8] Data corresponding to the facilities where FCC has operational control.

Only in Spain, and thanks to the recovery of materials at FCC's treatment plants, has it been possible to manage to avoid the emission of 272,639 tonnes of CO_2e (after opting for the treatment in place of its disposal in a landfill), and 42,987 tonnes of CO_2e (a result of the recovery of materials and their reintegration in the productive process as raw materials).

Best practices that promote the circular economy

In addition to contributing to the transformation of the production model from its own activity, FCC Environment carries out initiatives and best practices that are aligned with the principles of the circular economy in its day-to-day running of its facilities.

7 AFFORDABLE AND CLEAN ENERGY

FCC promotes the generation of energy from renewable sources, especially from waste.

Collection of waste at recycling centres

Establishing best practices in the collection of waste, allowing, for example, in the recycling centres of Valdemoro, Pozuelo and Galapagar, wood recovery, the recycling of 3,700 tonnes of this material, thus avoiding 6,600 tonnes of CO_2.

Selective collection line

Awareness-raising campaigns and awareness to improve the separation of waste at source and citizen participation.

Waste recovery

Promotion of the recovery of materials through the expansion, automation and reorganisation of the classification lines, which has allowed a higher volume of materials to be recovered in the Cartagena waste treatment plant avoiding 24,239 tonnes of CO_2.

Generating energy from waste

43,168 GJ of electric energy has been generated from the biogas from biomethanisation and from the landfills where the Division operates, thus being able to avoid 3,058 tonnes* of CO_2 equivalent.

(*) The emissions factor in the report, CO_2 Emissions from Fuel Combustion 2016 by the IEA (International Energy Agency), has been used for the calculation of emissions avoided in the generation of energ.

Monitoring the savings generated

FCC Ámbito, through recycling and recovery, contributes to the circular economy model, extending the life of the waste by returning it to the productive cycle. The management of these wastes can generate a positive impact by saving resources such as water or electricity. Below are some estimated examples [9] of savings that could be obtained on the basis of waste management in 2016:

- Recycling more than 190,000 tonnes of paper and cardboard could prevent the emission of up to 170,000 tonnes of CO_2 into the atmosphere, potentially achieving savings in electricity consumption of up to 600,000 MWh, and savings in water consumption of more than 3,000,000 m^3.
- Recycling more than 125,000 tonnes of glass that has saved 1% of energy for every 4% of cullet, which could result in a reduction of 45% of CO_2 emissions in the manufacturing of new glass when using 90% recycled glass.
- The recovery of 87.32% of the total weight of electrical and electronic equipment which entered the facility, equivalent to around 122,000 tonnes of CO_2.
- Recovery of 5,142.88 tonnes of oil residues, selling 1,237.56 tonnes of alternative fuel oil.
- The recovery of 658 tonnes of fuel oil recovered from the separation line of the phases of water with hydrocarbons, equivalent to almost 7,000 MW of electricity and 2,000 tonnes CO_2 e.
- Recovery of 13,079 tonnes of waste derived fuel (WDF) and ferrous metals from waste disposed in the recovery processes of paper, cardboard and plastic.

[9] Sources consulted to estimate the savings for the different wastes treated were:

Paper: Aspapel.

Water and electricity: Bureau International Recycling.
Glass: European Federation of Glass Recyclers y Ecovidrio.
Waste electrical and electronic equipment: Catalan Climate Change Office.

FCC Environment (United Kingdom) committed to energy recovery from waste

In recent years FCC's UK division has carried out a business transformation process towards a model based on recycling and the energy recovery from waste, moving away from the disposal in landfills model. The company operates in three energy recovery facilities - Energy from Waste (EfW) - in Nottingham, Kent and Lincoln, and in 2016, it initiated the installation of power generation from waste "Energy from Waste", in Greatmoor, near Calvert, which is a step forward in the transformation of business models towards the circular economy based on extracting the maximum value from waste, responding also to customer requirements. In 2016, considering that the activity began in June of that year, the facility received a total of 188,601.84 tonnes of waste from which 128,149.51 MW were generated.

FCC is building small wind turbines in recovered areas of landfill and has been granted permission for the construction of wind turbines on old landfills. It also has 20 energy crop plantations at their own facilities. This way some of the fossil fuel used in power stations will be replaced and eventually used at the company's anaerobic digestion facilities.

Environmental awareness to create a culture towards a circular economy

FCC Environment participated in the European Week for Waste Prevention 2016, whose objective is the promotion and implementation of awareness-raising actions on sustainable resource and waste management directed towards a circular economy.

FCC Environment launched, in collaboration with charitable entities, the ATHOS® project (everyone moving toward sustainable objectives). During the implementation of the initiative, recycling bins were placed in 19 workplaces in 16 Spanish cities, which were subsequently collected for reuse by charitable associations.

This initiative was promoted by the company for its workers to become ambassadors of best practices that benefit society.

The company also launched a quarterly-based environmental awareness campaign, aligned with the SDOs at all its facilities. The aim of the campaign was to raise awareness among employees about the efficient use of energy, water and fuel, efficiency in driving and the importance of the three Rs of the circular economy, "reduce, reuse and recycle".

ATHOS®
(everyone moving towards sustainable goals)

Efficiency in the integrated water cycle

6 CLEAN WATER AND SANITATION

FCC contributes to guaranteeing the availability and the sustainable management of water and its sanitation.

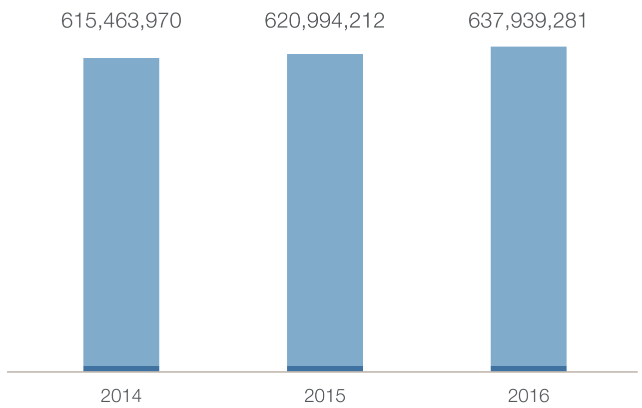
Water is essential for the development of life and human activities. Factors such as global warming heighten water stress and alter the availability of water resources around the globe. For this reason that the management of this resource should be approached from the perspective of efficiency and sustainability, to ensure its availability in the future.

FCC Aqualia is the business engaged in activities ranging from the collection, treatment and distribution of water, to the debugging, design and construction of the necessary infrastructure, with experience in projects in geographical environments and which have very different resource availability.

Specialised in integrated water cycle management, it is aware of its role in water management, and works to alleviate supply problems which may result in increased water demand worldwide, by incorporating innovative technology that allows greater efficiencies and reduced leakage, and through educating users towards responsible consumption.

The automation of this activity and innovation applied to operations have allowed projects such as the reuse of waste water which help to preserve the resource; the implementation of the remote-reading system (4,469 meters) which records and sends the customers' consumption details; the new cleaning vehicles that minimise acoustic effects by up to 35%; and the conditioning of neighbourhood collectors for incorporation into the sewage network.

Volume of captured water for management (m^3)



The total volume of captured water by FCC Aqualia in 2016 and its management was 637,939,281 cubic metres. By doing this, the capture levels remain relatively stable with a minimum increase of 2.7% over the previous period.

FCC Aqualia contributes, moreover, to the circular economy and eco-efficiency in its processes through sustainable practices at its facilities and investments in innovation projects to find new solutions that promote the reuse and recovery of waste. With the INCOVER project, which has been financed by the European Union within the H2020 programme, and which has a budget of 8,431,385 euros, FCC Aqualia uses waste water treatment technology to convert waste water treatment plants into factories of ecological value. In the waste water treatment plant (WWTP) El Torno, in Cádiz, through the treatment and purification of waste water, it is expected to obtain bioplastics, biomethane and, finally, reclaimed water.

Reuse of recycled material resources in construction activity

By the very nature of its work, the construction sector is especially intensive in the consumption of natural resources, considering both the ground where the works are located and the materials needed for their execution, water and energy. In the paradigm of the circular economy, the management of FCC Construction has continued to make progress towards a rational and more efficient consumption of resources, minimising consumption by adjusting the need for water, energy and materials of each project to the availability of resources, as well as seeking efficiency in their use and consumption.

One of the main challenges of the projects is the reduction of resources used and the reduced waste taken to landfill, since FCC Construction works with very high volumes of earth, and despite not being hazardous waste it can have a significant environmental impact, as well as the loss of an opportunity to utilise a material that is potentially useful for business. For this reason, it reuses surplus land excavation earth as filler material in the project itself, provided that it is permissible, or it seeks possible alternatives to sending it to landfill, thus reducing consumption of land from loans and the overexploitation of natural resources.

Regarding the use of water, an element that, although not used in especially high amounts, it is essential in construction, FCC chooses responsible consumption, giving priority to the recirculation and reuse of certain process water used on site, as long as the levels of quality required for different activities allow it.

Reuse of construction and demolition waste in the Port of Açu (Brazil) breakwater

The amount of construction waste generated in the Port of Açu building works, located on the northern coast of Rio de Janeiro in Brazil, especially the concrete and aggregates which exceeded 80,000 m^3, led FCC Construction and the client to consider the possibility of using this material for the construction of the breakwater, rather than eliminating it in a landfill.

Much of the waste material was used to prepare the sloping breakwater foundation bed and to fill the caissons, providing an environmentally friendly and economic alternative for the work.

This measure allowed to:

- Reuse of a volume of material considered to be an environmental liability, preventing the inert material from being deposited in another location which undoubtedly would have had a greater environmental impact.
- Avoid the production and acquisition of equivalent rock volume for the execution of the sloping breakwater.
- Reduce costs associated to the disposal of waste material, such as transport costs and the final disposal of waste.
- Reduce the costs associated with filling the caissons, using the waste material instead of sand dredging.

Recovery in the Cementos Portland Valderrivas business

In the cement and concrete industry, 100% recyclable material, contributes directly to the application of the principles of the circular economy.

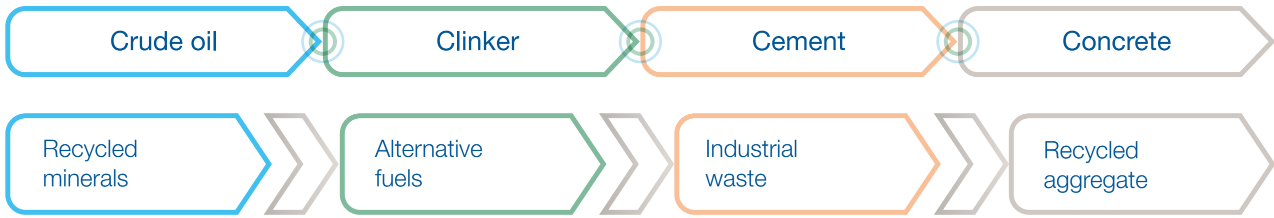
CPV carries out waste energy recovery actions as a priority option, supplementary to recycling, compared to landfill or disposal.

The highest performance in thermal recovery has taken place in the factories based in the US, reaching a ratio of 24%. The Harleyville factory leads the use of alternative fuels recovering 50% in 2016.

The main recovered wastes was: MBM, coffee grounds, cocoa husk, waste from the breaking up of old vehicles, solvents, sewage sludge, garden waste and plant biomass, and industrial waste.

In addition, the company performs the following actions to help increase the life of the materials required for its production processes:

- Consumption of raw materials such as limestone, marl, aggregates, etc., abundant in nature.
- Recovery and recycling of materials. In 2016, 64.46% of CPV waste was recycled.
- Promotion of material recovery, replacing the clinker part of cement manufacture with industrial by-products. In 2016, 26.02% of CPV waste was recovered.



Alternative fuel production

The Cement division has a significant stake in two US facilities, one in South Carolina (GRR Sumter) and another in Alabama (GRR Attalla), where waste is received and treated to prepare it as alternative fuel, which is later supplied to cement plants for energy recovery.

At the Sumter plant there are hazardous and non-hazardous waste in liquid, semi-liquid and solid state. These wastes are prepared for conversion to alternative fuels depending on their characteristics. The process may include mixing, storage or processing of waste for reuse as alternative fuels.

At the Attalla plant, hazardous waste is mixed and/or stored and processed before being sent for reuse or disposal. The purpose of this process is the creation of reusable alternative fuels. Mainly used solvents are received with which alternative fuels are prepared for industrial boilers and furnaces. Some of these hazardous wastes are packaged and prepared as alternative fuels used in cement factories. GRR Attalla has both a storage unit and a recycling unit that processes 36.2 tonnes of aerosols per day. The plant has its own laboratory that deals with the control of the physical and chemical parameters of the waste and its processing.

FCC committed to environmental management

FCC integrates into its own business model the commitment to environmental protection and responsible resource management, establishing environmental impact reduction as an objective in the performance of its activities. The company formalises its commitment to the environment through its Environmental Policy, approved by the Board of Directors, based on the principle of continuous improvement, with the participation of all workers.

In each of its activities, the company keeps track of the processes carried out, trying to identify, characterise and assess the impacts of the facility, in order to take the necessary measures to minimise them.

FCC Environment: innovation that contributes to achieving the SDGs

11 SUSTAINABLE CITIES AND COMMUNITIES

FCC invests in innovation to accomplish new services focused on responding to the needs of the cities of the future.

In 2016, the Environment Division of FCC launched the initiative “Smart Human & Environmental Service”, a smart service that enables real-time monitoring of management indicators, contributing to the development of sustainable cities and communities, and reaching higher efficiency levels in pursuit of meeting the sustainable development objectives of the 2030 Agenda.

The new service is developed through sustainable objectives supported by interconnected technological devices that record and analyse the relevant parameters of the impacts related to economic, environmental and social performance of the activities provided. Based on the management of this collected and processed information, improvement measures are adopted which have a positive effect on the evolution of the KPIs established for each of the services provided. This is communicated to the stakeholders through information technology systems, made available to customers.

Currently, this service is in its pilot implementation phase in the contracts the division has for street cleaning services in San Sebastian, and for selective collection services in the San Marcos Community Association.

Street cleaning Services in San Sebastian

Selected Collection Services in the Community of San Marcos

Environmental management system

FCC has established the goal to certify 100% of its activity according to the certification of the Environmental Management System UNE-EN ISO 14001:2015. In 2016, the percentage of certified activity amounts to 84.5%.

In order to monitor the additional financial information from all lines of business, the company has a system to obtain and manage it called "Horizon". Horizonte has a total of 478 environmental indicators broken down by group, line of business and country. This system allows for a better understanding of the established improvement plans, monitoring the degree of compliance and corrective actions.

FCC's commitment to its responsibility to environmental protection goes beyond the requirements established by law.

Maternity and children's' hospital Virgen de la Arrixaca, Murcia (Spain).

Environmental risk management in works performed by FCC Construction

At FCC Construction, the management of the Environmental Plan of the various works and centres is carried out through a computer application which channels the flow of information generated in each project to a database that enables the interpretation, evaluation and control of the company's environmental performance. In addition, a system of controls and internal audits certifies the accuracy of the data.

In order to manage and monitor the risk that certain projects pose to FCC, risk assessments are performed on all works, giving each operation of said works a score of 1 to 6.

In cases of works with a high level of risk, or where applicable, due to the express decision of the General Manager, the company has an additional audit process called PETRA (Special Risk Treatment Plan) which is more comprehensive. This process analyses issues of technical risks in contract management, technical planning (deadlines and resources), and the effective submission of claims and tracking of penalties.

Furthermore, FCC Construction has its own risk matrix used to determine the risks of each project in the different countries in which the company operates.

SAMCEW, Sustainability Assessment Method for Civil Engineering Works

The FCC Construction division has a Sustainability Assessment Method for Civil Engineering Works (SAMCEW). This is a self-evaluation and rating system, which serves as an internal management programme to plan construction work, to identify required improvements and share advances in sustainable practices. This methodology allows designers and managers of the civil engineering works to demonstrate the sustainability of their projects to their customers, planners, and other interested parties.

Through this methodology, FCC Construction aims to align itself with the most sustainable trends in the construction sector, whose main objectives are to:

- Minimise the use of resources (materials, water and energy) through the proper management of raw materials, recycling and reuse.
- Minimise waste generation using recycled, reused materials and/or energy recovery.
- Minimise direct and indirect discharges to water, the air and soil, with particular attention to the emissions of greenhouse gases and their connection to climate change.
- Innovate and use alternative materials and energy.
- Analyse and minimize social impacts, both on the active and passive users of the infrastructure.
- Minimise the impact on biodiversity and ecosystems.
- Select the most beneficial alternative from an environmental and economic standpoint.
- Stimulate the market for sustainable practices and products.
- Save on energy-related investments, due to increased efficiency.

This initiative, awarded by the Madrid Civil Engineers Association in the category of Responsibility and Sustainability, is being disseminated internally and externally by the company, so that in the short to medium term it can start to be used for the works.

Participation and leadership of FCC Construction in technical committees in the construction sector

FCC Construction is actively involved in a number of working groups in the construction sector to work on issues related to sustainable construction. Some of the specific working groups in which it is involved are:

- “WG5 - Sustainability in Civil Engineering Works,” in the international technical committee ISO/TC-59/SC17 on “Building construction/sustainability in building construction”.
- AEN/CTN 198/SC2 “Sustainability in infrastructure”, of which it is the chair.

Almonte Viaduct, Caceres (Spain).

17 PARTNERSHIPS FOR THE GOALS

FCC Construction collaborates with industrial organisations, and participates actively in working groups focused on sustainable construction.

- CEN-TC 165 Wastewater Engineering.
- CEN / TC 350 “Sustainability of Construction Works”, where it chairs WG6.
- ISO/TC 207 “Environmental Management”.

Comprehensive Training Plan for the responsible management of the FCC Environment Division

In 2015, this division started the implementation of the "comprehensive training plan for sustainable environmental management" designed internally, in order to improve the capabilities and engagement with the environment of its employees that work on the streets 24 hours a day, 365 days a year, and turn them into ambassadors of good social and environmental practices. The aim is to involve employees as a reference to be followed by citizens whose environmental performance is key to enhancing the sustainable development of cities.

The development of this training initiative seeks to achieve the following goals:

- Identify and understand the positive and negative impacts of professional activities on the environment.
- Belong to a team that is aware, sharing common and general interest objectives.
- Contribute and share suggestions as a result of professional experiences.
- Periodically evaluate and analyse, over the life of the contract, the return effect of the improvements and good practices suggested.
- Transmit exemplary behaviour to citizens.
- Participate in the dissemination and demonstration of responsible actions.

In 2016 a training day was held prior to the launch of the 2nd phase of the Comprehensive Training Plan for

Street cleaning vehicle, Oviedo (Spain).

Efficient Environmental Management, directed at urban cleaning operators in San Sebastian. It was attended by 20 collaborators (technicians, managers, foremen and environmental observers) with the aim to identify and jointly establishing the "bad practices" that undermine efficient environmental management according to the defined topic (energy-emissions, water, waste) and consequently develop a list of recommendations and best practices.

The Training Plan has led to the reclassification of some of the jobs and the need for new professional profiles such as environmental observer, whose mission is to enhance the awareness of operators. These will be responsible for transmitting the contents in practical workshops which, included in the training activities of the Training Plan and its deployment, will be scheduled for 2017.

FCC Aqualia awarded for its efficient environmental management

Premio Gota de Agua ¡Porque cada gota cuenta! AESPE

The company has been recognised by the Spanish Association of Ecological Portable Toilets (AESPE) with the 'Gota de Oro' award, for its commitment to the environment and for carrying out initiatives to achieve a more efficient management of natural resources, a more rational energy consumption, and identifying the risks associated with the activity of the company in the town of Merida, Extremadura.

Environmental management in Cementos Portland Valderrivas

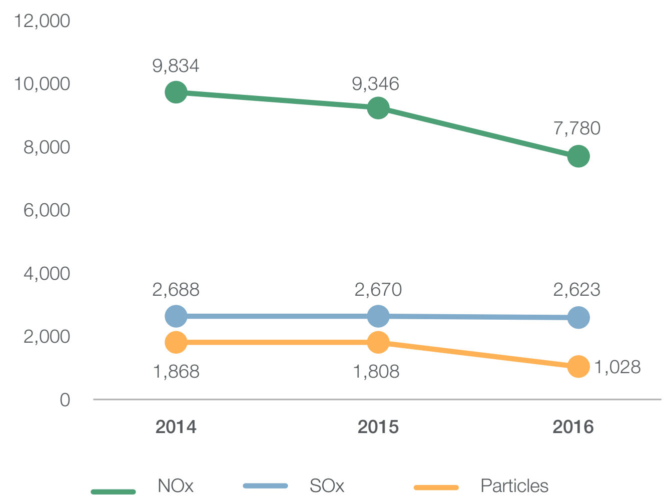
By applying the principles of the Environmental Policy of the company, CPV aims to minimise the environmental impacts associated with its operations in the extraction of natural resources from the quarries, as well as emissions into the atmosphere, the consumption of fossil fuels and electric energy, water consumption and waste generation.

CPV conducts its operations by applying an Environmental Management System ISO 14001 to all cement factories, which, in turn, are registered with EMAS (The European Eco-Management and Audit Scheme), a voluntary tool designed by the European Commission for registration and public recognition of those companies and organisations that have implemented an Environmental Management System that allows them to evaluate, manage and improve their environmental impacts.

Emissions of other polluting gases

The following chart shows the evolution of emissions of SOx, NOx and particles. There has been a significant reduction in NOx, of 16.8% compared to 2015, due to technical problems with the gas analysers in the CPV chimneys in Tunisia. Particulate emissions have decreased by 43.1% compared with the previous year, mainly due to the decreased activity of FCC Construction in Spain and Algeria. The SOx emissions have increased by 1.8% compared to 2015.

Emission of Sox, NOx and particles



Each one of FCC's business divisions carries out initiatives that contribute to the reduction of emissions associated with combustion, which directly lead to the reduction in particle emissions, NOx and SOx.

All FCC's centres subject to Integrated Environmental Authorisations (in accordance with Law IPPC 16/2002) have established atmospheric emissions' limitations for all their sources of emissions. In general, they all have gas cleaning and filtering systems that use different techniques depending on the characteristics of the process generating the emissions.

NOx emissions are critical to Cementos Portland Valderrivas' business

Nitrogen oxides (NOx) represent the most significant pollutant with respect to volume of emissions in FCC's cement area. The company monitors and periodically controls emissions of these gases through specialised measuring systems, present in all plants, such as:

- Analysers for the measurement of particles in the emission sources channelled from furnaces, cement mills, coal mills and clinker chillers.
- Multi-parameter gas analysers in furnaces for measuring NOx, SO_2, CO, HCl, HF, TOC and O_2.

Measures taken by FCC Construction to reduce the emission of particles

FCC Construction focuses its efforts on minimising the contamination associated to the generation of particles in the application of new technologies and the control of the machinery used.

Among the various initiatives that apply in the construction area, are the following:

- Reduction of dust by means spraying tracks and stockpiles with water.
- Use of additives in the irrigation water to create surface crusting, paving of the tracks, or other lasting dust-control practices.
- Use of screens against dust dispersal in located activities.
- Use of molecular action sprayers in dust generating facilities.
- Use of drilling machinery with dust humidifier systems.
- Preventive maintenance of the machinery used on the site.
- Employment of tubes for the disposal of debris from a height, and covering of the containers with tarpaulins.
- Control of vehicle speed on site.
- Proper location of machinery and dust emitting activities.
- Paving of the roads at the site.
- Reduction in the emission of exhaust gases from vehicles and machinery.

Responsible management of water consumption

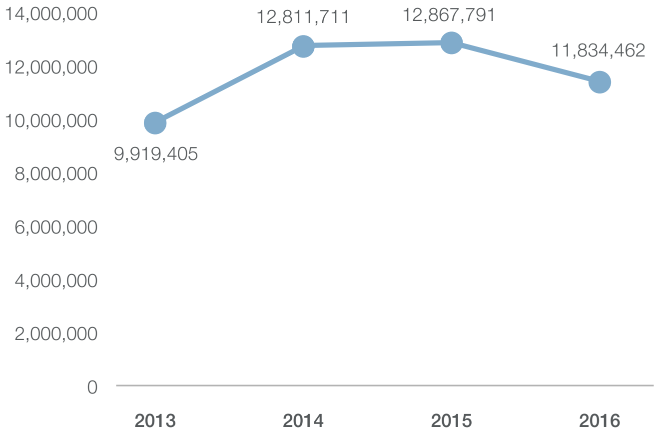
Population growth and climate change are two factors that threaten the availability of resources, especially water resources. In 2025, more than 1,800 million people will suffer water scarcity, and two-thirds of the population will live under conditions of water stress. FCC focuses its efforts on efficient resource management in different business divisions.

In 2016, FCC water consumption dropped to 11,834,462 cubic metres, a drop of 8.03% compared with the previous year. 54% of global consumption comes from municipal supplies.

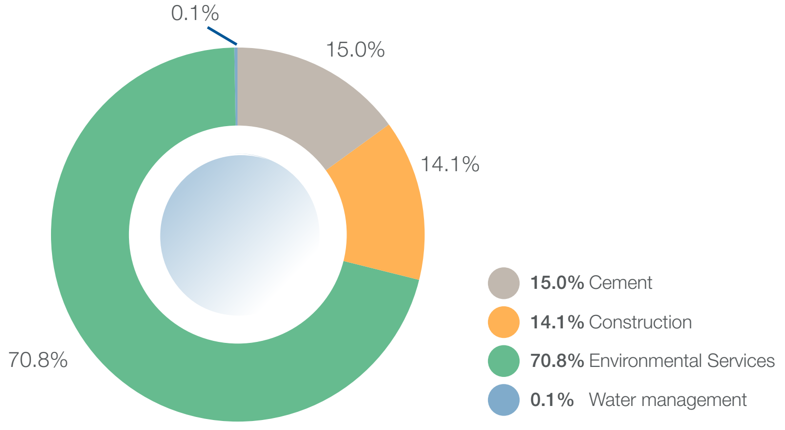
The following chart shows water consumption by business division. With respect to the previous year, the consumptions of the cement division shows a decline of 2.7% of the total water consumed. Meanwhile, the percentage of water consumed by the construction division has fallen by 20.6% compared to the previous year. The percentage of the total water consumed by FCC, corresponding to the Environmental Services division, has increased slightly from 68.7% to 70.8%. For its part, FCC's Water Management business has decreased the proportion of consumption with respect to FCC's total amount, by 91%, since in 2015 the FCC Aqualia infrastructure division was included.

FCC promotes efficient water resources management in each business area, focusing its attention on areas affected by water stress.

Water consumption (m^3)



Water consumption by business area (%)



FCC treats discharge water to return it to the environment in the best condition possible. FCC Aqualia also treats its customers' water.

Control of discharges and spills

FCC establishes demanding prevention and management procedures and protocols with certain conduct to be followed in the case of spillages or leakages in order to reduce the damage caused.

Wastewater produced by the company is subjected to different treatments before being returned to the environment, depending on the degree of contamination and its origin. In this way, FCC complies with the discharge limits established by the regulations and formalises its commitment to the environment.

Total volume of water discharged (cubic metres)

2014	2015	2016
164,708,144.1	447,300,323(*)	515,965,296

(*) The total volume of water discharged in 2015 has been recalculated based on the current scope of verification.

Volume treated at wastewater treatment stations and returned to the environment (cubic metres)

2014	2015	2016
525,723,447	418,228,303(*)	486,576,748

(*) The volume sanitised at purification stations in 2015 has been recalculated based on the current scope of verification.

Efficient management of waste generated

Waste generation in infrastructure and cement

Cementos Portland Valderrivas ensures the correct and responsible management of the waste generated by the operations and, therefore, selectively collects the waste from each of the work centres. The prevention and segregation of waste for storage and subsequent management with authorised managers, takes precedence over other options, in accordance with UNE-EN-ISO 14001:2015 and European Regulation 1221/2009 (EMAS). Prevention and the segregation of waste for storage and its subsequent management through authorised managers is a priority. The company prioritises the most suitable option between recycling, reuse and recovery, as opposed to disposal or sending to a landfill.

In addition, the Environmental Management System of FCC Construction has given special attention to the management of waste from works: earth, rocks, clean rubble, etc.

Waste generation in environmental services and integrated water management

The collection and treatment of waste represents the core strategy of FCC Environmental Services, therefore selection from source and development of new practices and technologies for reuse, recycling and more extensive and efficient recovery are part of the day-to-day practices of the division.

FCC Aqualia relies on innovation to identify more advanced methods to reduce waste produced by its operations in the integrated management of the water cycle. These investments in search of new technologies focus on two courses of action:

- Biogas from organic waste produced by bacteria present in the digester for use as fuel in boilers and in the generation of electricity.
- Recovery and recycling of the sludge from purification processes.

Waste management plans

The business divisions of FCC have waste management plans to manage the responsible use of resources and reduce the need for waste generation. That is why FCC seeks new technologies to increase efficiency and recovery of waste as an energy source.

The following graph shows the evolution of total waste generation. In 2016 the volume of waste generated increased by 9.5% compared with 2015, mainly due to increased activity of FCC Construction in Chile and Riyadh, which has resulted in an increased amount of non-hazardous waste generated.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

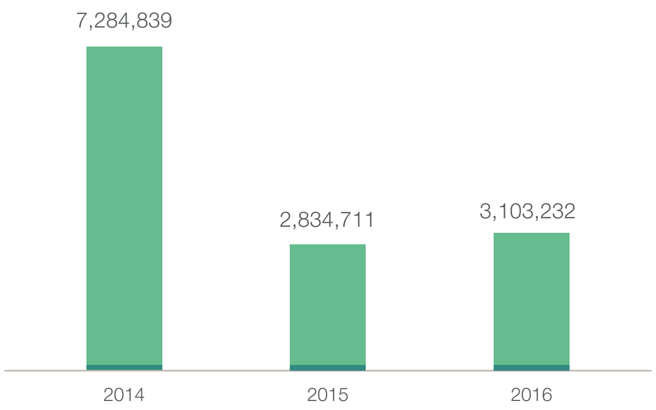
FCC through its waste management plans, works to increase the efficiency and the recovery of waste as a source of energy.

The following graph shows the ratio between non-hazardous and hazardous waste from FCC's businesses. The percentages of all divisions have remained stable over the previous year.

Joint waste management

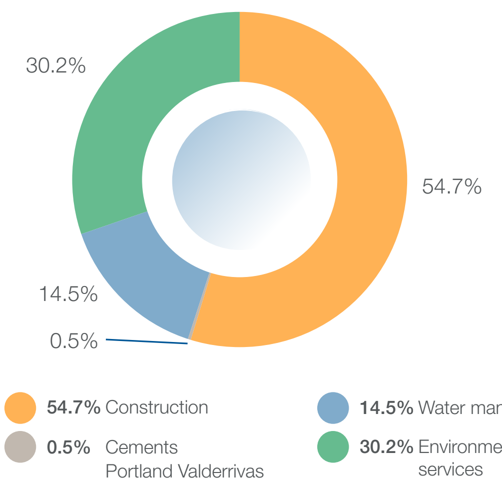
FCC Environment (UK) works in partnership with local authorities and charities to supply reusable object shops in urban waste recycling centres. The reusable objects are recovered from landfills and are put on the market for residents at affordable prices. The reusable objects shops are managed by charitable organisations, earning revenue for the development of their work.

Evolution of the total waste generated (t)(*)

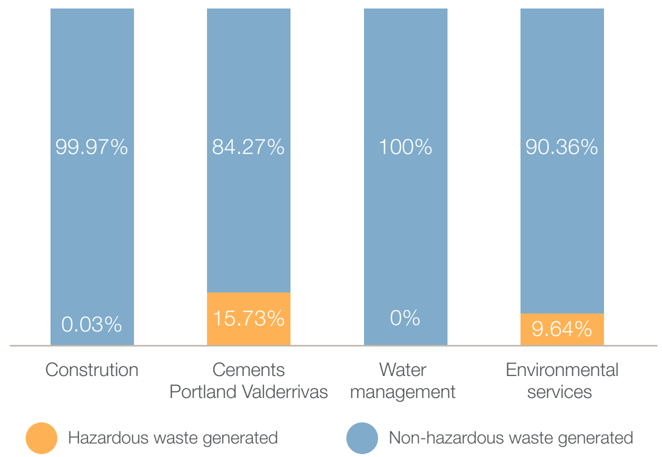


(*) The total waste generated in 2015 has been updated with data from FCC Construction in Chile, subsequent to the closing of the CSR Report.

Source of waste generated (%)



Ratio between non-hazardous and hazardous waste generated



Protecting biodiversity

15 LIFE ON LAND

FCC assesses and duly manages the impact of its activities and performs biodiversity protection measures to mitigate the effect produced.

The protection of biodiversity and the conservation of natural heritage for FCC are priorities in the performance of all its activities. To reduce or mitigate potential impacts caused, management criteria have been implemented to restore affected areas and to protect biodiversity. FCC also establishes guidelines for action that include the physical conditioning of the environment in which it operates to accommodate indigenous biodiversity, improving the conditions of biotopes and the eradication of invasive species with high ecological impact.

FCC, in 2013 subscribed to the Spanish Companies and Biodiversity Initiative (IEEB). This initiative, promoted by the Biodiversity Foundation at the Ministry of Agriculture, Food and Environment, aims to spread a vision of biodiversity as an important factor for strategic business decisions.

Within the company, the activity that can have the greatest effect on the natural environment is the infrastructure area, namely, operating quarries and gravel pits to obtain raw materials in the cement business.

To minimise the company's impact, restoration have been established, among which are:

- Transfer mining: this takes advantage of earthworks generated during the extraction process to restore other areas simultaneously.
- The benching down method, which allows previously exploited top banks to begin to be restored.

Furthermore, this division of FCC Construction carries out various measures to protect and restore ecosystems that have been altered by the company's activity, and on occasion making specific biodiversity plans. The company also performs other actions to protect the biodiversity of ecosystems such as the physical protection of species, transplants of plant species, the transfers of nests or animal species, the creation of wildlife refuges or, simply, the planning of the work in accordance with the life cycles of the species.

Protection of biodiversity in FCC's Environmental Services division

FCC's Environmental Services business is recognised for its involvement in the protection of biodiversity in the urban context through its maintenance activities and conservation of parks and gardens, as well as some specific initiatives in their industrial treatment facilities and disposal of municipal solid waste.

FCC Environment, in the Environment of its landfills, collaborates in processes of monitoring birds that are in danger of extinction, working in the prevention of the possible risks derived from the overpopulation of some opportunistic species and developing revegetation projects. In Cartagena, this commitment to biodiversity has led to the revegetation of more than 20 hectares of landfill with more than 20 different native species.

In addition, the division offers its collaborators exclusive training in biodiversity, included within the Comprehensive Training Plan for Responsible Management, notably the training provided to the operators of the street cleaning contract in San Sebastián, for the control and detection of invasive species such as the Asian hornet.

Innovation as the main tool for the development of services that benefit society

FCC develops its activity by focusing on the end-user, citizens, and satisfying their needs. To achieve this, the company makes an important innovative effort to improve processes that impact on an improved quality of service, incorporating technology, as well as the company's experience and local knowledge.

In a competitive environment with changing requirements on the part of citizens (users of the services) and the public administrations (main client), companies' efforts must be based on active listening and social dialogue in order to meet the new challenges, to provide the services that citizens need, minimizing the resources required for that objective (consumption of water, energy, etc.).

Technological advances, the centuries-old experience of FCC, local focus and innovation are key aspects in the final quality of the services offered by the company and form the basis for finding solutions to the new needs of the future.

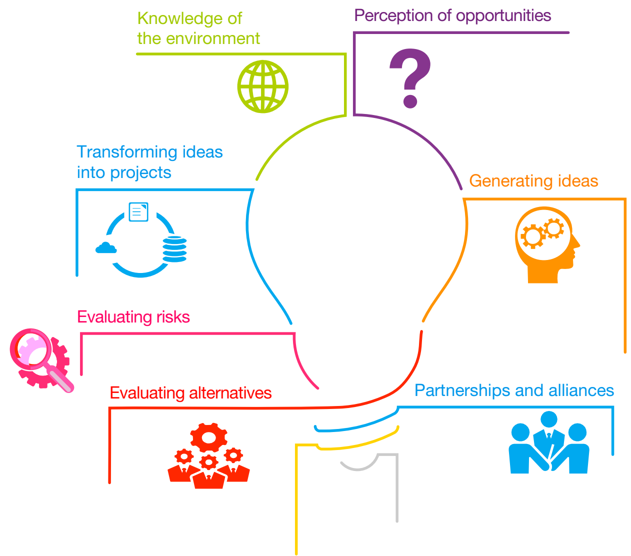
Observatory of eco-city trends

In 2014 FCC Group, as a sign of its commitment to identifying solutions for the cities of the future, signed an agreement with the State University Rey Juan Carlos, in Madrid, to create an observatory on eco-efficient services in cities. The objective of the project was to identify the big challenges that will confront the cities of the future in areas such as infrastructure, waste management, power consumption and energy efficiency, water use and sustainability.

After two years of work, the University Rey Juan Carlos, along with collaboration from the prestigious London School of Economics, produced a report of findings which identifies the social perceptions and needs demanded by society in the cities of the future, in order to subsequently design effective business actions that respond to these needs.

Innovation in FCC Group's businesses

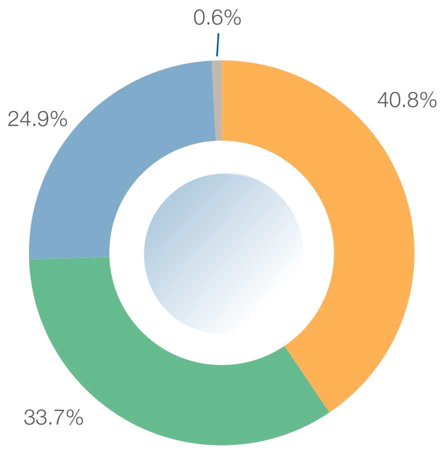
FCC takes on the challenges of the cities of the future through investment allocated to innovation. The company is committed to the use of advanced technologies and the development of new procedures and services to improve efficiency in its processes and promote economic development, transforming its business innovation into competitive advantages, thanks to the skills and abilities of the organisation in this area.



The innovation strategy is defined by each of the businesses (Environment, Water Management and Infrastructure) in accordance with the Group's strategic innovation objectives, such as the transition to a low carbon economy or the measurement of the impacts of energy consumption.

In 2016, the company invested 10,298,447 Euros in R&D&I.

Investment in R&D&I



- **40.8%** Construction
- **33.7%** Environmental Service
- **24.9%** Water Management
- **0.6%** Cementos Portland Valderrivas

Innovation in the area of Environmental Services

FCC Environment has historically invested in research, development and technological innovation to offer its customers attractive solutions and services to promote new forms of interaction between managers, customers and citizens, and to contribute to a new model through the "smart sustainable service" approach.

In 2016, the R&D&I projects, in their development or release phase, reached an investment of €3,472,552.37, pursuing goals towards greater eco-efficiency of processes in the following areas:

FCC Environment contributes to sustainable industrial development through innovation and the application of advanced technologies in its services.

FCC Environment offer sustainable services in cities to promote urban resilience.

FCC Environment contributes to the circular economy through sustainable management of the use of resources and the destination of waste.

Technological innovation in the electric automotive area for industrial vehicles

Collaboration with technology suppliers to reduce emissions and noise in the fleet to equal performances and efficiencies as vehicles equipped with internal combustion engines.

Efficient management and smart urban services

Methodology and ICT systems that monitor indicators for the eco-efficient management of the services provided.

Optimisation of biological treatment of urban waste processes

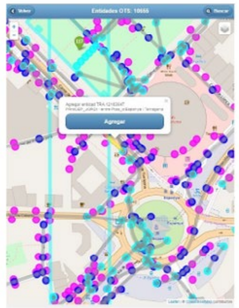
Introduction of technological improvements to enhance the productive performance and energy efficiency of the processes of FORM recovery.

Smart Maintenance Service for Sewer Network in Barcelona

The sewer maintenance contract of Barcelona has been a commitment with a strategic long-term vision on the part of FCC Environment. Innovation and efficiency in the provision of the service provide urban resilience to address and minimise the urban and human consequences of the climatic events linked to the torrential rains of the Mediterranean Arc and their possible aggravation due to climate change.

The service responds to the current requirements of public managers of the smart city of the future, ensuring greater productivity, based on innovative, efficient and interconnected technologies and sustainable results. Among the different eco-efficient solutions that the service offers are the following:

- A fleet of 56 vehicles, 100% electric, that can achieve zero emissions with the same performance and efficiency as older vehicles with combustion engines, as well as reduced noise pollution, with special emphasis on starting, braking and the use of the vehicle body. Furthermore, this equipment has batteries that are recharged using 82 high-power external batteries (of up to 120 Kw) and they are charged in a maximum time of two hours.
- The design of a drone called ARSI, which is an acronym of Aerial Robot for quicker and more precise Sewer Inspections, allowing places to be reached that are inaccessible to land vehicles, reducing the occupational risks arising from the maintenance of sewage.
- A new methodology to address the inspection and cleaning of sewers, with customsed software platforms and smart city interoperability. It also incorporates the ROSMIMAN® Platform as an integral management system in the SmartCloud to comply with the Cloud4Cities strategies of scalable and collaborative solutions. The teams are equipped with an innovative mobility off-line app with which to perform inventory updates, maintenance and operations, base mapping and to handle the linear network elements and the equipment on the mobile device. The municipal technical services of Environment Management and Urban Services of the Barcelona City Hall can monitor operations from the BCASA Operation and Control Centre, which coordinates all the service activities, emergency notifications and warnings, as well as the use of information through reports, dashboards and GIS consultations on the network within the territory.



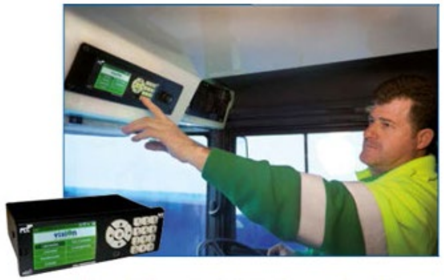
VISION platform "Advanced Platform for the global management of all the processes in FCC Environment's services"

vision
smart environmental services

FCC Environment has a smart platform for the Management of Citizen Services called VISION that allows the needs to be addressed of all the agents involved in the service provided: Client, company and citizens.

This global management platform, developed by the company, is a competitive advantage to operate in an increasingly high-tech and global environment. Continuous improvements are made to the monitoring and definition of processes in addition to maintaining the platform updated with the technologies deployed at present. This improvement and updating is fundamental to being able to meet the growing challenges that arise in the recruitment of new services.

The system is accessible from all the necessary environments: Web, mobile phones, onboard devices, etc. In order to obtain and use the information at the place and time required.



The main features of the platform are:

- Global platform: establishes a system to manage all the processes and agents involved in in the Environment contracts from one single environment.
- Flexibility of response, both in the design and in the realisation and deployment of the new requirements arising from the management of the business.
- Accessibility to the functionalities of the platform for the most favourable environment for each agent. Adapt technologies to both the situations and the people who use them.
- Georeferenced information that allows users to know where things happen, to analyse the information and present the results in different cartographies.
- Mobile apps. Own development for mobility, fully integrated with the platform.
- It allows the interconnection and integration between multiple devices and systems.
- Treatment, homogenisation, translation and storage system for the dynamic and efficient management of all the information received.
- Control and management of fleets and all associated functionalities.
- Management of documentation to manage the flow of documents that are generated in the organisation.

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VISION platform "Advanced Platform for the global management of all the processes in FCC Environment's services"

Following on from previous page

Within the global platform, access is personalised in interconnected modules adapted to the specific needs of each user. The main modules deployed are:

- Material resources: Facilities, vehicles and machinery.
- Human Resources: Relations, statuses, absenteeism, presence control, episodes.
- Organising the service: Planning, programming and delivery.
- Fleet Control: Vehicle tracking and activity control.
- Machinery maintenance: Legal, preventive, corrective.
- Consumption: Source inventory, consumption control, energy efficiency.
- Applications and incidents: Registration, assignment, follow-up and resolution.
- Waste: Inventory of containers, elevations, maintenance, recycling centres, transfer plants, landfills.
- Inspections: Service monitoring, execution and analysis.
- Inventories: Gardens, bins, containers, sewage.
- Communication with customers: Automated services via web services, exports, etc.

The following diagram shows an overall image of what the system intends to cover:

Continues on next page

VISION platform "Advanced Platform for the global management of all the processes in FCC Environment's services"

Following on from previous page

In 2016, within the continuous evolution, a further step was taken with the implementation of new aspects:

- Management of gardens: Inventory of elements and trees, scheduling activities, control of pruning works, monitoring of schedules.
- Recycling centres: Control of incoming data, waste provided, identification to reward recycling, WEEE waste registration, waste output register.
- Global system to supply fuel to vehicles: System of global points for refuelling, connection with supply posts, electrical refuelling systems and external systems (SOLRED, DISESELPLUS, etc.), distribution of consumptions to outsourced companies, controls of tanks, invoicing costs.
- Energy efficiency: Technological support for obtaining the ISO 50001 certificate in all Group companies, integration of data for the presentation of documentation in the different administrations.
- Mobilisation of processes: Development and deployment of the APPVision for the on-site management of different aspects: Inventories, inspections, gardens, recycling centres, incidents, container management, bins, identification of elements, etc.
- Electric vehicles: Control of the loading and unloading cycle: defining recharge time curves, availability control panels for the service, monitoring of the status of the batteries.
- Waste treatment: Controlling scales at the entrance of transfer and landfills sites, control of waste transport between plants, monitoring of the production in the treatment and disposal process.
- Inspecting gardens Madrid: Integrated system for reception, transmission and undertaking of inspections to be carried out on a daily basis via web services, mobile applications and digital signature and data control systems.
- Definition and monitoring of waste collection routes: Inventory of locations, assigning routes, calculating efficient routes, tracking and comparing routes carried out.

Acces webpage to VISION platform is *https://visiondoc.fccma.com/index.html*

Integrated and inclusive system for an efficient environmental management of urban services

FCC Environment is implementing a system based on ICTs, for innovative and inclusive monitoring, calculation and communication of environmental information called SEEEUS® (Evaluation System for Environmental Efficiency of Urban Services). Within an open digital environment (free software and open data) this tool allows:

- Support for the environmental advisory service based on a verified methodology and coupled to the various stages of contract management, from the design phase (supply) to the implementation and daily operation of the service.
- Communication to our stakeholders regarding relevant indicators in terms of energy efficiency, saving water and reducing GHG emissions through systems that are compatible and interconnectible with the Smart City platforms promoted and implemented by our clients.
- Establishment of indicators to support decisions (KPIs) that allow the manager and local entities to share and have the relevant information available to undertake plans to improve efficiency in managing the use of energy and water resources and minimise GHG emissions for a sustainable environmental management of the services provided.

The attached graphic shows the process of eco-efficient environmental management applied to the selective collection service of the San Marcos Community Association (Guipuzcoa).

SICCAR® Project (Service to promote Responsible Environmental Behaviour on the part of the Citizen)

FCC and Tecnalia have come together in a collaborative partnership to implement a pilot demonstration project developed in a digital environment within the Smartkalea initiative of Fomento de San Sebastián, which aims to promote environmental sustainability, energy efficiency, citizen participation and transparency using advanced technology, bringing into effect different innovative actions in Calle Mayor, one of the main streets of the Old Quarter of San Sebastián.

The SICCAR project aims to detect and measure the possibilities and limits to promote changes in the behaviour of citizens through awareness campaigns, as well as through participation and measuring of the perception of citizens which can influence both the improvement of the environmental quality of the city and the efficiency of the street cleaning services.

The development of an app is expected which will be adaptable to the different areas of urban services that operate in the city of San Sebastian and which will be transferable to other municipalities. This new app will allow, on the one hand, the control and management of the services in real-time, involving all the staff that work on them, and on the other hand, it will be possible to quantify their environmental performance. It also aims to facilitate the interaction of all the agents involved in the urban cleaning, such as: City council, management company, hoteliers and users.

Technological innovation in the automotive area

In 2016, technological innovation in the automotive area focused on the definition, design and development of electric prototypes that provide municipal services within the framework of the following projects:

- **The VEMTESU Project "Development of vehicular, modular and self-supporting platforms of high efficiency electric traction for urban services" (2014-17)**

IVECO · Joremar · FCC · tecnalia · INSIA · Jema · Irizar

- **"Development of national cleaning trucks, 100%-electric, for multi-service use (2015-16)".**

The following advantages can be highlighted from the projects:

- Reduction or elimination of greenhouse gas emissions (GHG) in urban areas with equal conditions, in terms of performance and efficiency, as current vehicles equipped with internal combustion engines.
- Minimum GHG emissions outside the city and zero in the urban area (VEMTESU project). Hybrid vehicle series.
- Zero GHG emissions throughout its scope of work (project that develops national cleaning trucks, 100%-electric). 100%-electric vehicle.
- Reduction of noise emissions.
- Vehicle maintenance savings by eliminating the current mechanical transmission, very costly in urban applications, especially in urban waste collection.
- Communication system capable of collecting data, transforming them and managing them in a smart way in order to increase the efficiency of the service in each truck in real time.

Heavy truck prototype 100%-electric

These new technological prototypes could be added in the future to the 540 electric and hybrid vehicles in the service vehicles fleet of the FCC Environment division which already has 14.3% vehicles running on alternative energy.

Innovation in FCC Ámbito

FCC Ámbito, the Industrial Waste division of FCC, aims to anticipate the regulatory development in terms of the environment through its investment in innovation. Within FCC Ámbito's strategies the following lines of R&D&I are a priority:

FCC Ámbito, in its quest to achieve greater added value and improved competitiveness, has developed new lines of waste recovery. Furthermore, this area has as its objective the development of bioremediation technologies for the decontamination of sites. In this regard, the approved investment for the incorporation of the latest technological advances in the treatment plant of refrigerators and cooling devices can be highlighted, as well as the pioneer plant in the decontamination of soils affected by low radioactivity.

Research

Research of emerging sectors to develop new treatment technologies suitable for new waste.

Research into CO_2 capturing processes through waste recovery.

Development of solutions

Development of solutions that allow the use of resources contained in waste, promoting reuse, recovery and recycling.

Technological Surveillance

Technological Surveillance for the optimisation of the treatment processes through the application of best available techniques to meet the environmental objectives.

Design

Design of specific solutions to environmental challenges: for example, the treatment of soils contaminated with Hg.

TRISA, a subsidiary of FCC Ámbito, takes part in SEAT's Ecomotive Factory Day

TRISA (Treatments and Industrial Recoveries) performs the comprehensive management of hazardous, non-hazardous and non-metallic industrial waste, generated by SEAT at its plants in Martorell, Barcelona and El Prat de Llobregat. The company collaborates with SEAT in the recovery of waste and supports its environmental policy by participating in the Ecomotive Factory Day, an internal event for the internal promotion of sustainability applied to the automotive industry.

Innovation in integrated water management

FCC Aqualia's innovation is part of the culture of the employees and is integrated in all processes, from the identification of opportunities and areas for improvement, to the implementation of its own projects. The division also collaborates with different associations, universities and research centres to develop innovation projects. The selected projects are primarily aimed at improving performance and efficiency, and revolve around four research areas:

6 CLEAN WATER AND SANITATION

FCC Aqualia invests in improving access to supply networks and in the sustainable management of water and its sanitation.

17 PARTNERSHIPS FOR THE GOALS

FCC Aqualia collaborates with organisation to develop innovation projects, aimed at achieving a sustainable development of the business.

Quality

Standard indicators of drinking water, water reuse, desalination and analytical measurements.

Sustainability

Reduction of energy consumption and emissions, use of wastewater and waste as resources and alternative technologies.

Eco-efficiency

Use of electricity from renewable sources, innovation for the creation of new environmentally friendly fuels.

Smart management

Management systems, optimisation of water resources and information and communication technologies.

FCC Aqualia has a system certified by AENOR in accordance with the requirements of UNE Standard 166002:2006 that allows the control of the resources and the continuous monitoring of the results obtained. Investment in R&D&I projects in 2016 was 2,563,376 euros.

The activity of FCC Aqualia in innovation projects has been consolidated during 2015, adding new European projects in each of the four areas of development. In total, in 2016, FCC Aqualia launched six new projects:

- **Incover:** project led by the Aimen Technology Centre to expand the use of algal biomass in higher-value products, biofertilizers and bioplastics, etc.
- **Sabana:** led by the University of Almeria to find new biofertilizers and biopesticides, as alternatives to chemicals, by using microalgae.
- **Pioneer project:** within the European ERA-NET Cofund Water Works Program within the JPI WATER Initiative, led by the USC, FCC Aqualia, along with a network of recognised universities (Verona/IT, DTU/DK and KTH/SE), will improve the elimination of micropollutants and reduce the environmental impact of purification.

- **Medrar:** aims to improve purification in small towns, developing compact and automated modules with minimal impact and cost.
- **H2020 Mides project:** aims to demonstrate the technical and economic feasibility of a new integrated treatment with a positive energy balance, which will allow simultaneous desalination to obtain drinking water and water purification for reuse.
- **Life-Answer Project:** the project is led by the brewery Mahou and aims to demonstrate the purification technology of microbial cells in the brewing plant in Guadalajara.

Optimisation of water treatment

FCC Aqualia and IBM Research have teamed up to develop a solution to reduce energy consumption and maximise resources recovered during wastewater treatment. This is a cognitive system that consolidates data from numerous sources and sensors in order to predict the dynamic behaviour of purification.

The project has been launched at a wastewater treatment plant in Lerida, which has a capacity of 96,000 cubic metres per day. Results have been achieved such as reducing waste by 17%, electricity saving of 13.5%, the use of 14% fewer chemical products, and the improvement of nitrogen removal by up to 20%.

SMART Green Gas

FCC Aqualia and SEAT are working to develop an innovative project based on obtaining a renewable biofuel of 100% Spanish origin. This will come from wastewater, for use in vehicles using compressed natural gas (CNG). In October 2016, both companies started pilot tests on the wastewater treatment plant in Jerez de la Frontera (Cadiz). To achieve this, SEAT delivered two León TGI vehicles to FCC Aqualia, on which to perform the necessary tests with the biomethane from wastewater and thus confirm and check the entire production chain up to the point of obtaining and using the fuel.

This joint project represents a step forward in the development of a circular economy and in the construction of resilient cities.

LIFE METHAmorphosis project

FCC Aqualia leads a consortium of 6 entities (The Metropolitan Area of Barcelona, FCC S.A., Gas Natural, Icaen and Seat). The main objective of this research is the enrichment of biogas and biomethane purification, demonstrating both its technical and economic viability as well as its use in the automotive sector, in light and heavy vehicles. This is intended to reduce GHG emissions, to promote alternative, renewable and indigenous fuels. It also aims to demonstrate the feasibility of its injection into the distribution network.

Improvement in the control of emerging contaminants

The Centre for the Development of Industrial Technology (CDTI) has successfully certified the first milestone of the MOTREM project, selected from over 500 proposals in the European Joint Programme Initiative (JPI) WATER. The project is led by the University Rey Juan Carlos in Madrid, along with three other universities in Finland, Italy and Germany, and evaluates new technology for the control and treatment of emerging contaminants (EC) in the municipal wastewater treatment plants current line, with special emphasis on the reuse of water. After analysing the waters of the WWTPs of Merida, Toledo and Tortosa, the project plans to continue the study at the WWTP in Estiviel (Toledo) with the demonstration of innovative technologies.

Conversion of organic matter to biogas

The Life Memory project has launched a $50m^3$ reactor in Alcázar de San Juan, demonstrating the technical and economic feasibility of an innovative technology, an Anaerobic Membrane Bioreactor (AnMBR), which allows the conversion of the organic matter contained in wastewater, directly into biogas. Without the conventional aerobic stage, the reduction of energy consumption and CO_2 emissions is achieved by up to 80%, as well as a 25% reduction in space requirements and a reduction of around 50% in sludge production.

Participation in congresses and scientific events

The Water division has presented the results of its research in several relevant national and international congresses. It is worth noting the IWA Leading Edge Technology event, in Jerez de la Frontera, in June 2016, which was attended by 450 participants from 45 countries. In the programme, several FCC Aqualia managers played an active part in presenting the progress of their work.

Throughout 2016, FCC Aqualia's team of researchers obtained two new patents on the production and refining of biogas:

- EP 14382399.5 on powering a UASB anaerobic reactor.
- EP 15382087.3 on biogas washing and the elimination of H2S and CO_2.

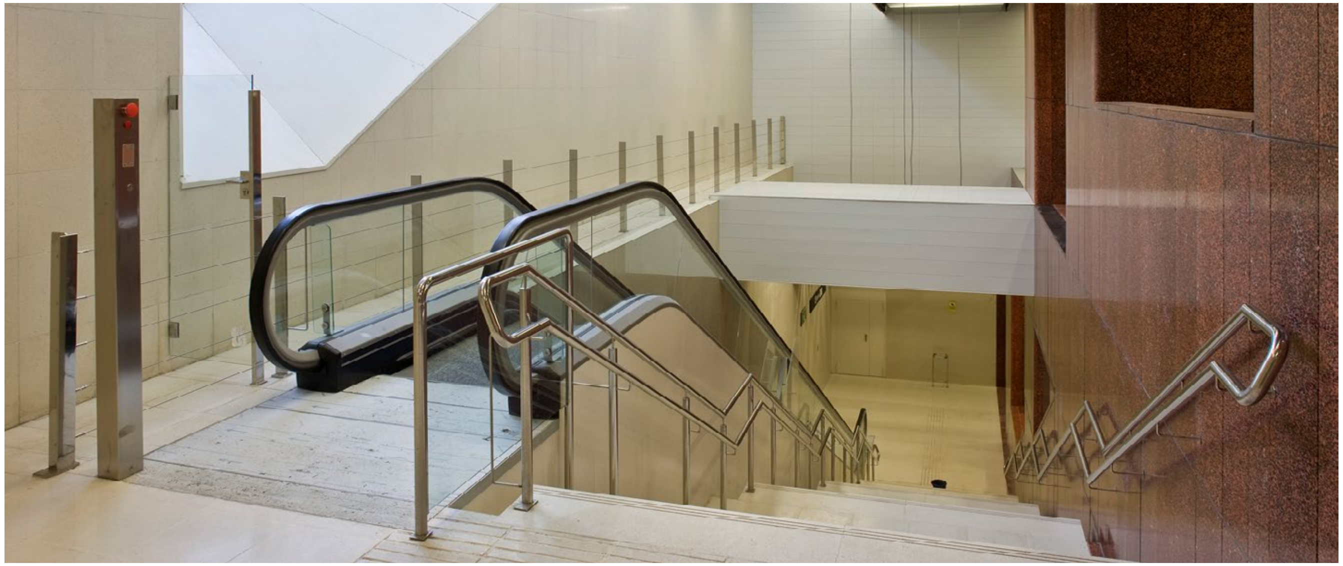
During the year, five patents have also been applied for on different technologies under demonstration, such as ELAN, AnMBR, MDC, MFC and struvite crystallisation.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

FCC Construction supplies infrastructures that are resilient, inclusive, sustainable and quality, committed to the adoption of innovative technology.

17 PARTNERSHIPS FOR THE GOALS

FCC collaborates with industry organisations specialising in sustainable construction and in the cities of the future.



Barcelona's underground.

Innovation in the Infrastructure area

The innovative activity at FCC Construction follows a policy of active promotion that promotes the continuous development of technology and the encourages its application to new infrastructure projects, trying to ensure that FCC is a benchmark in its sector. The company is involved in various R&D&I initiatives and innovation programmes of national and international scope.

The development and use of innovative technologies to perform the works represent an important contribution of added value and is a differentiating factor in the current highly competitive and internationalised market. The priority lines of R&D&I are the following:

The company has revalidated the R&D&I management system Certificate: Requirements of the R&D management system according to UNE Standard 166002.2014 issued by AENOR. The R&D investment in infrastructure projects in 2016 was 4,262,519 Euros, excluding investment in innovation at Cementos Portland Valderrivas.

The company has an active presence in different R&D&I organisations such as the following:

Spanish Construction Technology Platform (PTEC)

Participates on the Board of Governors of the PTEC Foundation, on the Standing Committee and its working groups and subgroups (Internationalisation, Promoting Innovation, Transport Infrastructure, City of the Future, Construction Processes, Environment and Sustainability and Security). PTEC combines the efforts of companies, technology and research centres and universities in research, development and technological innovation in the construction industry, with the aim of having construction play a key role in the R&D&I in line with its economic and labour importance.

European Construction Technology Platform (ECTP).

It is located within the High Level Group 2014-2015, participation in the General Assembly, the Working Group for the transformation of the ECTP and the reFINE initiative (Research for future Infrastructure Networks in Europe).

European Construction Technology Platform (ECTP)

Participation in the first Steering Committee of the new organisation ECTP Innovative Built Environment, arising from the union of the ECTP-E2BA Association.

ENCORD network (European network of construction companies for R&D activities)

It actively participates in the Council and the working groups on Environment and Health and Safety, coordinated with the Quality Management and CSR, and other organisations within the company.

SEOPAN R&D&I Commission

FCC Construction is a founder member of the SEOPAN R&D&I Committee. It has been a member of the Committee since 2012.

CEOE

FCC Construction participates in the R&D&I Committee, the Internationalisation Committee and the Digital Society Committee.

AENOR

FCC Construction participates in the AENOR Forum of Standards for Connected Industry 4.0. It is an initiative to respond to the strategic area 4.2. Regulatory framework and standardisation of the Connected Industry initiative 4.0. of the Ministry of Industry, Energy and Tourism.

Adif Railway Technology Centre

FCC Construction has an active presence at the Adif Railway Technology Centre, located in the Andalusia Technological Park in Malaga.

BIM Committee (Executive Committee of the BIM National Implementation Strategy)

The committee participates in the BIM committee's working groups coordinated by the Ministry of Development.

Project IN2RAIL (Innovative Intelligent Rail)

The project, led by Network Rail, aims to lay the foundations to create a flexible, homogeneous, profitable, high-capacity and digitised European rail network. Innovative technologies will be studied for a comprehensive approach covering smart infrastructure, smart mobility management (I2M), new power supplies for railways and energy management. The results of this project will contribute to the Shift2rail initiative, a public-private partnership dedicated to rail and framed within Horizon 2020, whose objective is to advance the implementation of the single railway area.

SORT-i Project

A project led by GEOCISA whose main objective is the development of tools based on optical systems and new technologies for the identification, monitoring and management of structural risks in buildings and infrastructures in a smart, automatic and telemetric way, as a means to maximise safety and minimise the risks of physical damage in situations of high potential for structural collapse.

“ROBIM” project

The project is part of the CIEN programme and is led by Euroestudios. Its objective is the research of autonomous robotics for the inspection and evaluation of existing buildings with BIM integration through the development of an automated, active and multidisciplinary technology for inspection, evaluation and diagnosis of the composition and conservation status and energy efficiency of built heritage enclosures, that facilitates obtaining correct and sufficiently detailed information on the building systems and pathologies, as well as a comprehensive analysis of the building.

DOVICAIM project

The project is led by FCC Construction, in collaboration with the Institute of Environmental Hydraulics “IH Cantabria”, and its objective is to develop an integrated methodology and the necessary tools to support the entire life cycle of the construction of vertical dams using prefabricated floating caissons, including design, optimisation, construction, installation and operation. Namely, it is a project directly focused on FCC Construction clear strategic priority for international development.

Improvement in the efficiency of extinguishing forest fires

Matinsa, a subsidiary of FCC Construction, is developing an innovative project that responds to the challenge of improving the efficiency of infrastructure and information/communication networks in a strategic sector such as the extinguishing of forest fires in Spain.

At present, the operations to extinguish forest fires in Spain do not have a system for personal communication and effective localisation on an individual basis. The communication technology that they use (via GPRS or radio) does not solve the problems of reception in rugged forest areas, where the most devastating fires occur, it being also necessary to have a precise location of the individual. The existing satellite communication equipment is large in size and has limited autonomy, which prevents its use in the conditions in which forest fires develop.

The project aims to achieve the development of communication technology and efficient and accurate personnel localisation via satellite for fire-fighting teams.

Innovation at Cementos Portland Valderrivas

The Cementos Portland Valderrivas Innovation Strategy, since it was established in 2009, aims to create value inside and outside the company through the development of new products aligned with sustainability and respect for the environment. Likewise, it is committed to researching new technologies and products that ensure sustainable urban development.

The strategic R&D&I plan mainly comprises the following objectives:

- Be a leader in the cement manufacturing industry.
- Deal with the mitigation of climate change through the investigation of new cementitious materials with special functionalities, lower emissions and improved processes from the point of view of energy.
- Develop new, more efficient and sustainable technologies for the use in concrete works.

Investment in CPV R&D&I projects in 2016 was 61,331 euros

The company continues to focus on providing advice to customers, through R&D. To do this it has a qualified team and two laboratories equipped with scientific and technological resources accredited in testing cement, aggregates and concrete.

In 2016, the main R&D&I activities performed in the laboratories focused on the quality of the cement and the improvement of its applications through durability behaviour studies in reinforced concrete structures and the expansion of the portfolio of special products.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Cementos Portland Valderrivas develops new technologies that are more efficient and sustainable and reduce CO_2 emissions.

11 SUSTAINABLE CITIES AND COMMUNITIES

Cementos Portland Valderrivas contributes to improving the resistance of its materials, making them more resilient for the cities of the future.

Merlín project

In 2016, the MERLIN project (MINECO- IMPACT) was successfully justified and completed. One of the solutions that was investigated in the MERLIN project is road rehabilitation by means of a layer of concrete reinforcement on the road surface in bad condition, a technique known as Whitetopping. It is an economical and sustainable technique which has a number of advantages compared to asphalt mixtures:

- It contributes to the reduction of the “heat island” effect due to the clear colour of the concrete versus the black of the asphalt, which results in an increase in the albedo index (10-15%), the percentage of radiation that any surface reflects with respect to the radiation to which it itself is exposed, with a higher reflectance achieving a decrease in temperature in our cities of between 1 and 3ºC.
- It favours the preservation of scarce fossil natural resources like oil, as they are not used.
- The concrete pavements are a high-durability solution, that have a maintenance requirement up to 10 times lower than traditional asphalt roads.

It has lower rolling resistance which results in a potential reduction of fuel consumption of up to 4% with the consequent saving of CO_2 emissions.

Participation in events for the dissemination and promotion of knowledge

FCC participates in forums and events with the objective of disseminating and transmitting the knowledge obtained by the company's extensive experience in the different areas in which it operates, and to promote the design of the cities of the future. Among the relevant events in the sector, the following stand out:

Participation in forums and events

Association of Public Cleaning Companies

FCC Environment has participated in the work meetings held with the member companies.

Workshop "Future quality, Risk management"

FCC Construction has participated actively in the workshop organised by the Spanish Association for Quality (AEC).

Seminar on "Sustainability: Products, DAPs, Tools, Databases and Examples"

Contribution of knowledge through the participation of FCC Construction in the seminar organised by the Eduardo Torroja Institute to assess sustainability in civil engineering.

Spanish Association of Park and Garden Companies

FCC Environment is part of ASEJA, an Employers' Association which ensures the conservation and implementation of green areas in Spain.

Forum for Waste Energy Generators

FCC Environment participated in 2016, with the objective of sharing knowledge about energy production from waste between companies in the sector.

Association of Companies for the Recovery and Selection of Municipal Waste Containers (ASPLARSEM)

FCC Environment participated in the forum with the objective of sharing experiences and knowledge in order to improve the functioning of plants, their economic balance and the rates of recycling and recovery.

Technical Association for Waste Management and the Environment (ATEGRUS)

FCC Environment collaborated with the Association, whose purpose is to serve as a meeting point between institutions, companies and technicians in Spain and Latin America, to facilitate the achievement of the sustainable development of cleaning, urban cleaning and waste treatment technologies and processes.

Technical Seminar on "Adaptation and resilience to climate change and risk management: business opportunities"

FCC Construction participated and contributed knowledge in the seminar organised by ICEX España Exportación e Inversiones that had the objective of sharing experiences in integrating adaptation to climate change in business strategies.

2016 Swiss Tunnel Congress

FCC Construction attended the 2016 Swiss Tunnel Congress and was a speaker at the session "The first line of the Panama City Transit System".

Seminar I, "Social Action measures in the Water Sector"

FCC Aqualia participated in the forum organised by the Andalusian association ASA in collaboration with the Andalusian Federation of Municipalities and Provinces (FAMP). The company participated in one of the colloquium meetings that discussed the social action measures that are applied in the Municipal Water Service of the capital of Almeria.

Saudi Water Electricity Forum 2016

FCC Aqualia participated in the forum, whose focus is exchanging ideas to develop and identify new opportunities and innovations that may exist within the water and electricity sectors.

Oman Energy and Water 2016

FCC Aqualia's first participation in the event, whose main objective was to create a discussion platform in which stakeholders discussed the real problems and solutions to the energy and water challenges in Oman.

Leading Edge Technology Conference (LET)

FCC Aqualia participated in one of the most important international events in the water sector, which discusses the main scientific challenges of the sector and technological and scientific innovations.

Latin American Congress on Desalination and Water Reuse (DESAL)

FCC Aqualia has met with different professionals to discuss innovations and the latest developments related to desalination.

XIII ATYPC Technical Conference of Young Professionals

FCC Construction participated in the seminars, organised by the Technical Association of Ports and Coasts (ATYPC), Port Authority of Seville.

International Bridge Conference 2016

Meeting organised by the Engineers' Society of Western Pennsylvania in Washington attended by FCC Construction, where it received the prestigious Gustav Lindenthal Medal, awarded annually by the Executive Committee of the International Bridge Conference (IBC) for the work on the Almonte viaduct (Caceres).

Technical conference on reinforced concrete pipes

FCC Construction attended the event organised by the Gomez Pardo Foundation - ANDECE and shared its knowledge on the technological evolution of concrete pipes.

Smart Energy Cluster in San Sebastian

FCC Environment belongs to this renewable energies and energy efficiency cluster created by Fomento de San Sebastián in 2008.

Environmental Forum Foundation

FCC Environment collaborates with the Foundation to achieve a more sustainable development model and participates in dialogue with other companies, administrations and the rest of society.

Club "Meetings with the local Agenda 21 in Zaragoza"

FCC Environment participates along with other companies in the Club, focusing on working with the City Council to achieve sustainable development of the city.

08

Exemplary commitment

Integrity and Ethics Framework

In order to cover the criminal liability of the legal person under article 31 bis of the Spanish Penal Code and in response to the CSR policy approved by the Board of Directors, FCC reinforces its commitment to ethics and due dilligence in the prevention, detection and eradication of illegal behaviour.

The elements of FCC's integrity and compliance framework comprise the Code of Ethics, adopted by the Board of Directors in 2008, which will be updated and approved in 2017, the Crime Prevention and Response Manual, the Tax Code of Conduct, the Corporate Social Responsibility Policy itself, the Protocol for the Prevention of Occupational and Sexual Harassment situations in FCC Group, and the acceptance of the regulations on these matters by the employees of the company.

In addition, the Board of Directors of FCC, S.A. adopted the decision to adhere to the FCC Code of Good Tax Practices on July 28, 2010. FCC complies every year, effectively, with the obligations arising from this Code of Good Tax Practices, and formalises its commitments in the Tax Code of Conduct.

The Response Committee has begun work on a reformulation of the Code of Ethics the FCC Group for the Board of Directors, which is effectively adapted to the amendment of the 2015 Spanish Criminal Code.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

FCC has an Ethics Code hat presents the ethical and responsible principles that govern the company.

FCC's Due Diligence: The Code of Ethics, its policies and procedures

The standards of conduct that guide the actions and the behaviour of FCC professionals in ethical, social and environmental matters are reflected in the current Code of Ethics. It includes, among other issues, those related to human rights, corruption, bribery, health and safety, and the application of these by FCC personnel and in their relations with third parties. The ethical principles contained in the Code affect all the company employees and are mandatory.

As part of the criminal prevention model, FCC also has an Internal Code of Conduct in the Securities Market and a Crime Prevention and Response Manual. The latter includes a control system, structured in different phases and responsibilities, with the aim of reducing and obstructing cases in which a crime could be committed on behalf of the company. The Manual incorporates procedures for the identification of behaviours that pose a risk, as well as a response protocol to mitigate them.

Responsibility of Integrity and Ethics at FCC

The Audit and Control Committee, as the body responsible for supporting the Board in its monitoring duties, oversees and analyses the effectiveness of the company's internal control, which includes the evaluation of risks related to Ethics, Integrity and Compliance and the integration of these into the company's risk management and control system.

For its part, the FCC Response Committee is the body for the prevention, detection and response to crime within the company, and is also responsible for disseminating and promoting the implementation of the Code of Ethics.

It is a collegiate body approved by the Board of Directors and composed of the General Manager of Internal Auditing, Risk Management and Compliance; the General Manager of Legal Counsel, the Corporate Director of Hiring, Training and Labour Relations; and the Director of Corporate Responsibility.

This Committee is in charge of supervising the communication of incidents regarding criminal offences and breaches of the Code of Ethics, as well as their training or record keeping, and the proposal of penalties, where applicable.

Control mechanisms: The Ethical Channel and the Harassment Protocol

FCC provides all Group employees with an internal communication channel to report possible breaches of the Code of Ethics. To this end, it provides employees with an email address (comitederespuesta@fcc.es), as well as a postal address addressed to the attention of the Chairman of the Response Committee.

The Group also has a Protocol for the Prevention of Sexual and Occupational Harassment situations, whose purpose is to prevent, avoid, resolve and punish any cases of occupational or sexual harassment that may occur. The protocol includes guidelines of behaviours to ensure the dignity, integrity and equality of treatment and opportunity for all people, and is mandatory. In addition, a mailbox has been set up for this sole purpose and a confidential on-line complaint form.

Communication and training on the Code of Ethics

In addition to the approval of the current Code of Ethics, last year FCC already implemented a communication and training plan so that all employees of the company know, understand and apply the principles and reference behaviours formulated in the FCC in the Code of Ethics.

The main channels available for communication and training on ethical issues of the company with the employees are the website itself, the corporate intranet, the internal magazine, the welcome kit for new employees and the screens in the lifts at headquarters, as well as printed posters for communication with employees without PC access.

Incidents received

In 2016 the FCC Response Committee received a total of 20 communications, through their complaint channels, mostly concerning incidents in the areas of: respect among people, equal opportunities and non-discrimination.

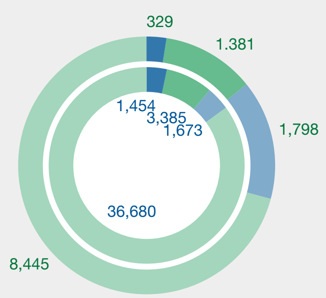
FCC's team of employees

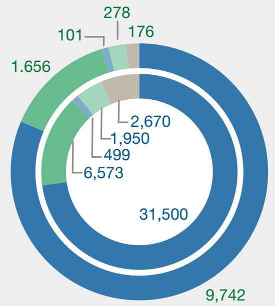
2015

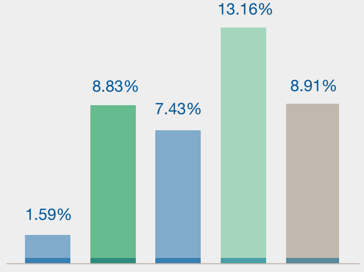
55,145 employees

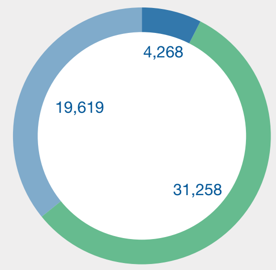
78% of the total
76% Executives

22% of the total
24% Executives









Staff by gender and group

Executives and degree holders · Administrative staff · Technicians and diploma holders · Others

Distribution by gender and geographical area

Spain · Latin America · Rest of the EU · Other · USA and Canada

Average rotation by geographic area

Spain · Latin America · Rest of the EU · Other · USA and Canada

Distribution by age range

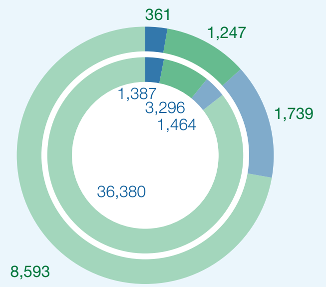
<30 years old · <30-50 years old · <50 years old

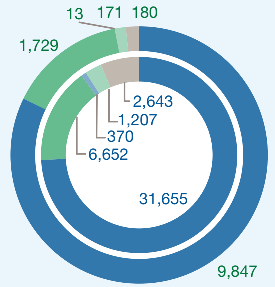
2016

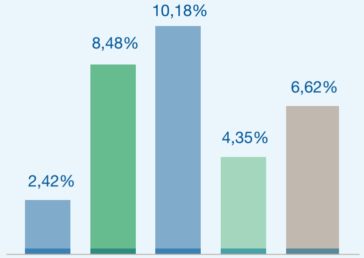
54,467 employees

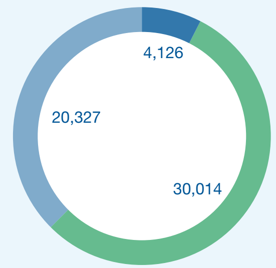
78% of the total
79% Executives

22% of the total
21% Executives

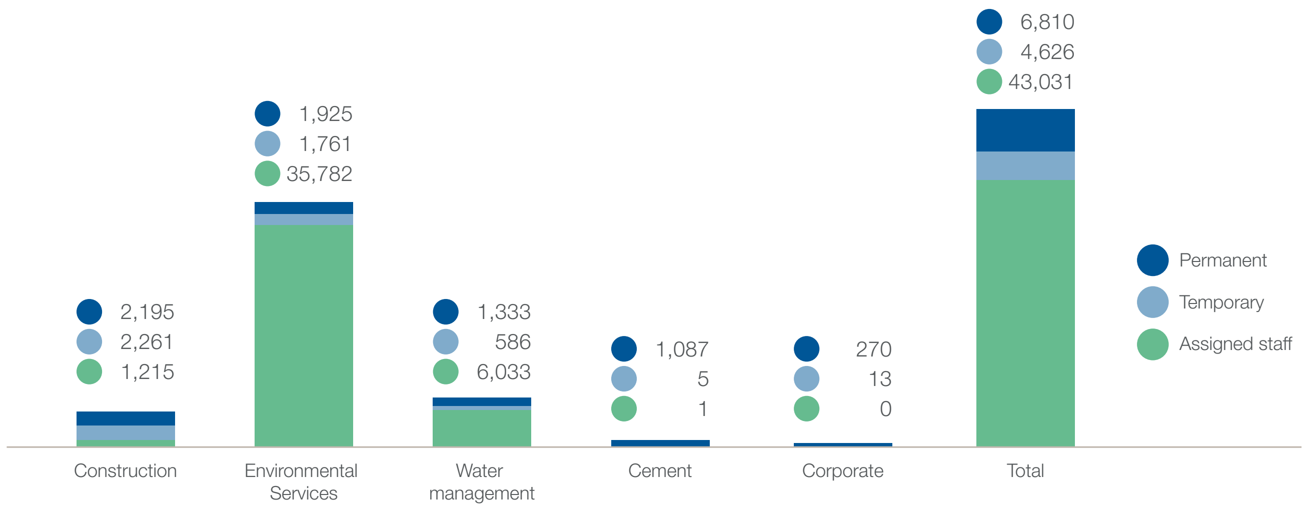








Staff by type of contract and business area (1)



(1) 79% are personnel assigned to works or services (contracts) in the case of stable employment, the majority being subject to compulsory subrogation.

Behind every major FCC project is a team of people who can successfully make it happen.

The Human Resources Policy

Behind every major FCC project is a team of people who can successfully make it happen.

FCC's Human Resources Policy aims at excellence in performance and commitment to employees, fostering a healthy and discrimination-free environment in which to attract and nurture talent with a long-term vision.

From the perspective of the selection and promotion of workers, decisions are based on merit and on the objective and transparent circumstances and assessments, giving priority to the professional qualifications and capacity of the candidates. In addition, local policies are applied to promote inclusion, diversity and equal opportunities in access to jobs, career development and internal promotions.

Training is a fundamental pillar of FCC's business strategy, as it forms the basis of the company's performance and its ability to face challenges. FCC invests in the training of its workers with the aim to continuously promote the better performance of their duties and to encourage new opportunities for employees' self-development throughout their careers.

In FCC, diversity and equality are the focal points for growth and social progress that structure the corporate philosophy. The company is committed to the creation of ethical principles and values for the promotion of equal opportunities in all aspects of people management. In addition, it has implemented programmes, internal procedures and actions aimed at creating a work environment that fosters diversity and is free of any type of discrimination.

Finally, we highlight occupational health and safety that are regarded as fundamental values and pillars in the management of the FCC activities. Therefore, the continual improvement of systems, procedures and resources is a constant concern, addressed from a preventive organization focused on present internal needs and in contact externally with the main entities and public or private organizations concerned in the matter.

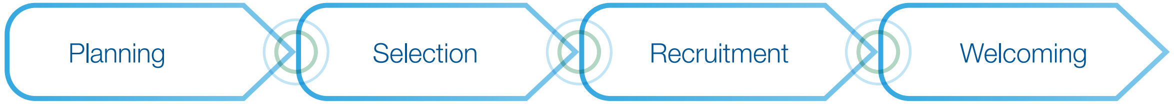
The talent of FCC employees

FCC focuses its efforts on creating an ideal environment to attract, motivate, develop and retain the best professionals.

Selection process

The selection process for employees generally consists of the evaluation of the candidates who put themselves forward for a job, based on previously defined elements in the required profile.

Phases of the selection process



Although the most common source of selection is internal tools, FCC also draws on outside sources of recruitment such as LinkedIn, Infojobs, public employment service web sites, or universities and professional associations, which offer a large number of potential candidates and bring greater visibility to FCC as an employer.

Internal mobility

FCC's internal mobility programmes offer professionals new opportunities for development and facilitate mobility between businesses and countries, improving informal networks, cross-communication, increasing synergies and transferring knowledge between businesses.

Employees who wish to do so can access the new on-line application through the intranet, which publishes the vacancies available worldwide. The internal mobility policy guarantees transparency and confidentiality throughout the process.

Training

FCC's training programmes are designed to meet the strategic needs of the company, but also to respond to the demand of FCC professionals, thus linking the professional development and performance of the Group.

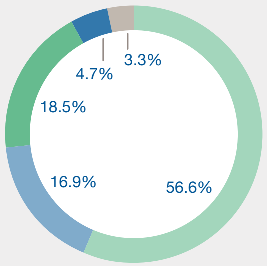
The training catalogue is offered both on-site and on-line, seeking maximum efficiency, and ensuring that training takes place in most cases within the working day.

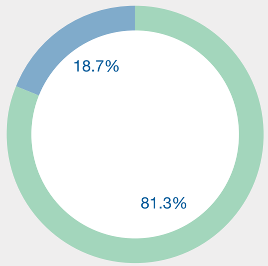
Training

2015

43,035
participants

434,297
hours of training





Hours of training by business

Environmental services · Cements · Integrated water management · Central services · Construction

Participants by gender

Men · Women

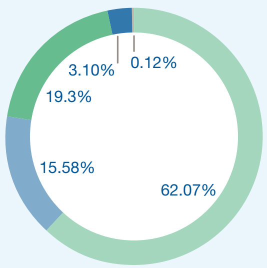
Hours of training by professional category

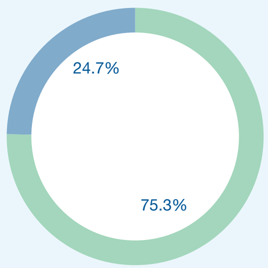
Category 1 · Category 3 · Category 2 · Category 4

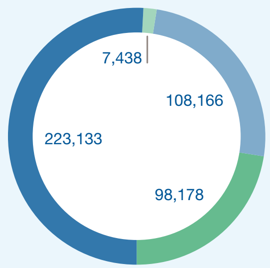
2016

46,279
participants

436,916
hours of training







In 2016, the following initiatives were noteworthy:

1. **Training assistance for employees:** FCC invests in the training of its workers with the aim to continuously promote the better exercise of their functions and encouraging new development opportunities for employees throughout their careers, developing their full potential, taking into account individual capabilities and aspirations as well as business requirements. The training contributes to broadening the overall vision of the business and, depending on the type of programme, goes much further in addressing critical aspects related to the area of people's activities. Depending on the performance evaluation and the potential of the candidates, the management of each area choose to subsidise, in whole or in part, certain training programmes.

   In relation to 2016, it is of interest to point out the collaboration of FCC in the training of certain employees in the following programmes:

   - Advanced HR management programme.
   - Postgraduate course specialising in law for technical staff and managers of occupational risk prevention.
   - Diploma for International Taxation Expert.
   - Executive Master's degree in labour relations.

2. **International Programme for Young Engineers:** The programme aims to boost the development of recent graduates, to ensure a correct succession of key positions in the company and it is developed by FCC Construction and subsequently implemented in other areas such as Environment and Central Services. This programme lasts between six and nine months and consists of two phases:

   - Corporate theoretical training on different areas of the organisation.
   - Practical training in different national and international projects under the supervision and support of a tutor, who in addition to helping them, evaluates their performance.

   At the end of the programme, each engineer is assigned a position, in the international field, to retain the trained personnel and personnel that can contribute to the strategic objectives of the company.

3. **Commitment to equality and diversity:** Two training initiatives have been developed to promote gender balance in middle management.

   - FCC has participated in the Development Programme at the School of Industrial Organisation (EOI) aimed at women with high potential since 2011. This comprehensive programme is designed to provide participants with managerial responsibilities with a multidisciplinary perspective. In 2016 eight women were trained, making a total of 36 women from different business areas since the outset.
   - The company has participated in 3 editions of the "Promociona Project", specialized in the training of women to gain access to senior management and boards positions (the last one was in 2016). The "Promociona Project", coordinated and co-financed by the CEOE, is participated by the Ministry of Health, Social Services and Equality and ESADE business school also collaborates. In total, 5 FCC employees have participated as students in the project and 5 people as mentors.

4. **Otto Walter method of FCC Aqualia:** In 2016, the third edition of the Otto Walter Cycle was held, a programme directed to middle managers, with the objective to continue with the transformation of Aqualia's leadership style and to moving towards a more participatory model of leadership, a catalyst for talent that reinforces the cohesion of the team, backed by a common language for all.

Internships

FCC has collaboration agreements with the most prestigious universities in Spain to contribute, from the business, to the training and acquisition of professional experience of the students, while receiving financial assistance for carrying out work experience and an evaluation report from their tutor once they have finished.

The main objective of the work experience is to assure that the student can apply the knowledge acquired in the university stage.

The group of interns includes university students, graduates and postgraduates, and vocational training students who want to carry out their training in an international company such as FCC.

4 QUALITY EDUCATION

FCC promotes education in the communities in which it operates to help promote and disseminate information abouts its business and sustainability.

FCC Environment and FCC Aqualia are present at numerous negotiating tables

In 2016, the Environmental and Water Services divisions were present at numerous negotiating tables for agreements and collective contract agreements and work centres, as well as participation in the negotiation of collective bargaining agreements for specific activities at the provincial and national level, participating in over one hundred collective agreements negotiation processes, the vast majority of them in Spain.

Worthy of mention is FCC Environment's attending as a guest at the inaugural Congress of the new federations of the General Union of Workers, as well as the special intervention at the Congress of the Federation of Public Service Employees of the General Union of Workers of the Community of Valencia, with the express objective of emphasizing the contribution of the private sector, and in particular that of FCC, to the efficient management of public services.

Labour relations

The FCC applies the policy of social dialogue and dialogue with its workers, legal representatives of workers, unions and other social agents to promote agreements, through collective bargaining and in the various collective processes that are carried out with transparency, constituting monitoring committees and providing employees and workers' representatives with all the information necessary. This desire for dialogue has also been reflected in the reduction of conflict.

The role of Labour Relations is engaged in the monitoring of collective procedures, collective bargaining and social dialogue (which is the main tool to identify the needs and sensitivities of the different stakeholders) by defining the general criteria of performance, monitoring and coordination of the plans and distinctions of equality and diversity and disability management.

Collective bargaining

All FCC staff in Spain are covered by a collective agreement, regardless of the scope of activity. In the areas of Environmental Services and Water, in addition to the sectoral agreements, the company and work centre agreements have special relevance, since the company negotiates directly, and for itself, multiple collective agreements with the representatives of the workers of the different companies and work centres.

In the areas of Construction and Cement, collective bargaining is mostly channelled through sectoral agreements (state and provincial agreements). It also participates through different business associations in the negotiation of different collective sectoral agreements, within the different areas and activities of FCC.

Restructuring processes

In 2016, a collective dismissal procedure was prepared at FCC Construction. This procedure was concluded in agreement with the workers, agreeing on measures to avoid, as far as possible, the impact on those affected, such as the assignment of partial retirement measures or contract suspension prior to partial retirement, and signing up to voluntary redundancy schemes, as well as the subscirbing to external relocation programmes that are better than those required by law. Finally, in 2016, 649 workers left this division, with 472 corresponding to the collective dismissal procedure.

Employment-Legal Counsel

In 2016, 1,369 legal and employment proceedings were processed, with payment claims being the most frequent type. It is noteworthy that on many occasions the above mentioned payment claims are based on third party companies claims (subcontractors), claiming FCC jointly liable for the payment, as the main company. Other recurring reasons are the files derived from the Labour Inspectorate's activities.

Equality and Diversity in FCC

Equal opportunities

For FCC the principle of equal opportunities is a commitment to action that cannot be waived, as set out in its Code of Ethics, which reflects FCC's responsibility in this area.

In this regard, it is worth highlighting different commitments assumed by FCC:

- FCC adheres to the principles of the United Nations Global Compact[2], which help companies to review their policies and practices in the field of women's empowerment.
- The main FCC divisions, which are FCC Construction and FCC Aqualia, have signed an agreement with the Ministry of Health, Social Services and Equality to increase the presence of women in management positions.
- The different equality plans the FCC Companies, support the company's commitment to equal opportunities, through specific measures adapted to the reality of its businesses and to the peculiarities of its sectors of activity. These plans have the corresponding monitoring bodies, composed in equal numbers with business and trade union representation, which promote the development and integration of the different subjects and measures referred to in the plans.

[2] In 2016 FCC continued to strongly support the Ten Principles of the Global Compact, principles relating to human rights, labour rights, environmental protection and corruption.

FCC Aqualia's Mentoring Programme

The Mentoring Programme, initiated in 2014, is an annual programme aimed at promoting female talent through the advice, teachings and guidance of more experienced people, the mentors assigned to each of the participants (mentees). With this initiative, FCC Aqualia seeks a cultural change in the company that is committed to gender equality, guiding and facilitating the professional careers of women in the company. In addition, the programme recognizes the talent of the mentors who put their experience and knowledge to the service of the mentees.

FCC's Equality Plans

At FCC, women represent 21.92% of the company's overall workforce and women's leadership is very much present, with an important commitment to progressively increasing the number of women in positions of responsibility. In 2016, four women were members of the Board of Directors, representing 26.6% of the Board.

On 31 December 2016, Fomento de Construcciones y Contratas, FCC Construction, FCC Aqualia, FCC Industrial e Infraestructuras Energéticas, FCC Environment and Servicios Especiales de Limpieza have their own equality plans. In addition, Group companies that have not subscribed to their own equality plan are covered by the equality plans of the parent company or of the leader of the division to which they belong.

The equality plans promote the implementation of measures that allow the achievement of the objectives established on matters such as access to employment, promotion and training, pay, commitment against gender violence, work, personal and family conciliation, and co-responsibility between men and women, occupational health and communication, as well as the prevention of sexual harassment and harassment on the basis of gender.

FCC Aqualia is committed to conciliation

The company works to offer people a working environment compatible with their personal and family life. Currently a diagnosis is being carried out to initiate measures to improve the conciliation of employees. The drafting of the diagnosis is the first step to obtain the certificate for being a Family Responsible Company issued by the Masfamilia Foundation.

Thanks to the application of policies of equality and diversity in FCC, four companies of the Group (Fomento de Construcciones y Contratas, FCC Construction, FCC Industrial and FCC Aqualia) have the hallmark 'Equality in the company "DIE", a brand of excellence granted by the Ministry of Health, Social Services and Equality, which recognises companies that stand out in the implementation of policies for equal opportunities between women and men in the workplace.

Commitment against gender violence

FCC maintains a public and ongoing commitment against gender violence that is based on two fundamental principles, zero tolerance and support for the social and professional integration of the victims.

The company maintains collaboration with the network of "Enterprises for a Society Free of Gender Violence" in its work, spreading and raising awareness, as well as supporting the job placement of the victims.

FCC also collaborates with various foundations and entities to promote the placement and labour integration of female victims of gender violence, such as the Integra Foundation, which has managed up to 107 employment contracts for the company in the last two years, and the Spanish Red Cross, which through its CRE Employment Plan, has incorporated a total of 40 female victims of gender violence into the FCC staff.

International Day for the Eradication of Violence against Women

Every 25 of November, FCC makes an appeal within the company to remember its principles and report on its commitment and vision: zero tolerance of gender violence and the promotion of social and professional integration of female victims.

FCC joined the United Nations global campaign "Paint your world orange" with voluntary actions in all the countries where the company is present. The campaign was translated into fourteen languages and various activities were carried out, including photography exhibitions, video projections, handing out orange bows, mailings to all employees, and the dissemination of the hashtag #orangetheworld on social media networks. In addition, the different intranets provided updated information related to this day, including news, videos and photographs.

At FCC's corporate headquarters in Las Tablas, a round table seminar was held to discuss gender-based violence. In the debate, besides FCC workers, representatives participated from some of the foundations and associations with which the company collaborated for the job placement of the victims, such as the Integra Foundation, the Red Cross and the ONCE Foundation. As a sign of involvement and support, and within the framework of the fight to eliminate this social scourge, the employees of the headquarters in Las Tablas formed a human bow.

FCC Environment goes beyond protecting women

FCC Environment, committed to the protection and integration of women who have suffered or do suffer any type of violence, in 2016 signed two agreements with religious congregations:

- Agreement with the Oblate Sisters to hire female victims of human trafficking.
- Agreement with the Esperanza congregation to integrate women who have been victims and have precautionary restraining orders.

Integration for people with disabilities

FCC shows a clear commitment to the integration of people with disabilities into the labour market, as a key element for social integration and personal improvement.

At present, FCC has 929 workers with a minimum disability of 33% recognised in Spain, which represents 2.2% of its workforce in Spain.

The company actively collaborates with specialized organizations that advise on recruitment management and employment support for people with disabilities for their incorporation into FCC. Their advice facilitates the understanding of the appropriate profiles for each position and simplifies the process of standard integration into the company. The main organizations are the following:

1. **ONCE Foundation (Inserta Programme):** FCC supports different projects and encourages social and labour inclusion through workshops, training courses and other activities, such as awareness campaigns. It also participates in programmes that promote the work of integrating functional diversity and improving the quality of life of people with disabilities.
2. **Adecco Foundation (Family Plan):** This plan consists of an activities programme focused on increasing the autonomy, integration and subsequent access to the labour market of family members with disabilities.
3. **Prevent Foundation (Learning and Entrepreneurship Programme):** FCC has participated again this year, both in Madrid and Barcelona, in a training and mentoring programme in collaboration with the ESADE business school and which offers knowledge and preparation to entrepreneurs with disabilities. From this programme, students acquire the knowledge to start up their business plan, using entrepreneurial initiatives to gain real life and professional experiences. In addition to sponsoring it, the company participates in the workshops and in the preparing the course subjects.

FCC Environment recognised for its integration work

FCC Medio Ambiente has been recognisedd by the Integra Foundation for its commitment to the work placement of people at risk of social exclusion, with a special mention to the work of the HR team.

FCC Equal CEE

One of the most outstanding projects in the field of labour integration of people with disabilities is FCC EQUAL CEE, promoted by the FCC's Environment division.

FCC EQUAL is a Special Employment Centre in which 30 people with severe disabilities already work. In this way, not only do we seek to offer employment opportunities for people with disabilities, but we also seek to provide them with skills, abilities and the capacity for their professional development within the company. In 2017, the centre will be extended to the Community of Valencia.

FCC is aware of the benefits that the incorporation of people with disabilities into the workforce provides to the business, and so understands that the best way of getting closer to communities is to offer opportunities for labour integration for people at risk of exclusion. These people, in turn, are an example for the rest of the workforce favouring the effort of values such as responsibility, overcoming challenges and resilience.

Occupational health and safety

Occupational health and safety is a fundamental value in the daily life of FCC, which maintains a preventive culture approach to occupational hazards in favour of efficiency and effectiveness in caring for the health and safety of workers, through establishing joint prevention services in each of the business areas.

Preventive management at FCC

The systems for the management of occupational risk prevention implemented in each business division are developed according to the essential guidelines of the Health and Safety Policy, bringing together the responsibilities, criteria and procedures that guarantee health and safety in FCC's activities, in line with the main recognised international standards. In this sense, the systems of all the business divisions are certified according to OHSAS 18001, both nationally and, since 2014, internationally, covering almost 100% of the workforce.

The joint prevention services of the different business divisions have the human and material resources necessary to cover the needs of preventive management, covering the legal disciplines of safety in the workplace, industrial hygiene, ergonomics and applied psycho-sociology, in addition to monitoring health through FCC's Medical Services.

In addition to internal management, FCC participates in and benefits from external initiatives, of an official nature, in matters of Health and Safety. Thus, during 2016, the company continued its membership of the initiatives developed and disseminated by the European Agency for Occupational Health and Safety, such as the "Healthy work at every age" campaign, which is currently being developed by that organisation and which incorporates the age factor into the management of Health and Safety with the aim of promoting sustainable work and healthy ageing from the very beginning of working life.

3 GOOD HEALTH AND WELL-BEING

FCC promotes the management of occupational risk prevention and health in the work environment as strategic issues.

Publication of the report on FCC Construction's Good Health and Safety Practices

For FCC Construction the prevention of occupational risks constitutes the main axis of its day-to-day business. As one of the initiatives framed within the objectives of prevention and continuous improvement of the division, in 2016 the Report on Good Health and Safety Practices was published. The report contains the best practices implemented in the procedures and in the preventive management of the work centres, in an effort to disseminate them for their subsequent application.

Certain best practices from one year have been established as an objective for the following year, for example the identification of tubular scaffolding was a good practice in 2016, so it was established as an objective for 2017.

Medical Services at FCC

FCC's Medical Services develop their core activities for the monitoring of health and profesional contingency management in close collaboration with each of the company's business divisions.

Since its establishment, the Medical Services represent a social benefit for workers, and a way of preventing absenteeism due to common illnesses, a fundamental element in the management of Occupational Health and Safety, while positively impacting the company, which has healthier and safer workers, avoiding economic costs and improving the state of mind of its workers, with the consequent improvement in their quality of life.

In 2016, Medical Services reinforced their work in the monitoring and protection of workers:

- Promoting and maintaining optimal physical, mental and social well-being.
- Preventing the damage caused by the conditions of their professional environment.
- Protecting health risks caused by external agents in their work environment.
- Improving the physical conditions for the new adaptation to the job after occupational accidents.

Road safety

FCC's Strategic Road Safety Plan contributes to reducing traffic accidents and pollution, raising awareness of the environment, promoting the rules of the road, as well as their respect and compliance, and to providing education on values of coexistence, solidarity and courtesy.

The Strategic Plan for Road Safety 2010-2015 closed with a very positive balance. Among the actions carried out it is worth mentioning the development of action plans for road safety in all divisions of FCC's business, which have led to the implementation of numerous initiatives such as training activities, agreements and conventions, working groups, communication initiatives (FCC Road Safety portal) and regular campaigns.

The strategic plan for the period 2017-2022 is currently being renewed, with the objective of maintaining and promoting the work carried out and establishing new strategic lines for the future. The new plan will be articulated along the following axes:

- Standardisation of road safety training on two levels: professional drivers and private drivers.
- Progressive implementation of new technologies applied to driving safety.
- Review of the mobility plans at centres of reference.
- Renewal of external agreements and participation in technical working groups (FESVIAL, DGT and DISEV commission).
- Complete characterisation of the risk factors in different groups within FCC.

FCC actively participates in different forums, conferences and other events to share experiences, best practices and progress achieved in the area of Health and Safety. It is important to highlight the commitment and participation, in 2016, in the European Road Safety Charter, the Higher Council on Road Safety and the DISEV Commission (Guidelines and indicators on road safety at work) promoted by the State Traffic Department (DGT) and participation in the Praise International Seminar on Road Safety at Work, promoted by the Mapfre Foundation and PRL Innovación.

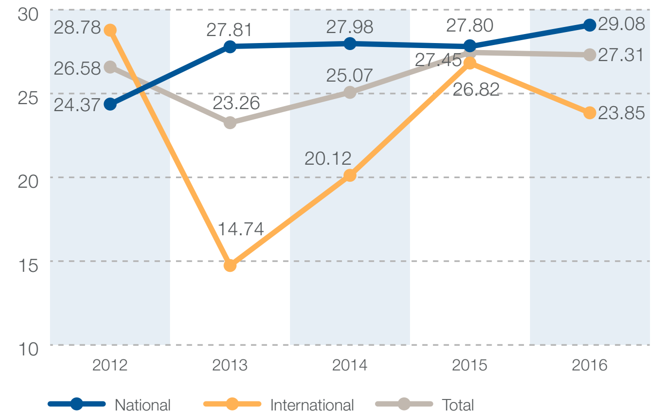
Accident rate

With respect to the previous year, in absolute terms of occupational accident rates, in 2016, 121 fewer cases of sick leave have been registered than in 2015. In relative terms, the frequency index (amount of sick leave due to occupational accidents per 10 6 hours worked) has increased to 0.91 similar to the general pattern for Spain after the most intense years of the crisis, as a readjustment of the retracting effect the crisis has caused.

FCC accident rates in 2016:

Evolution of global indices

IF Total Evolution FCC 2012 - 2016



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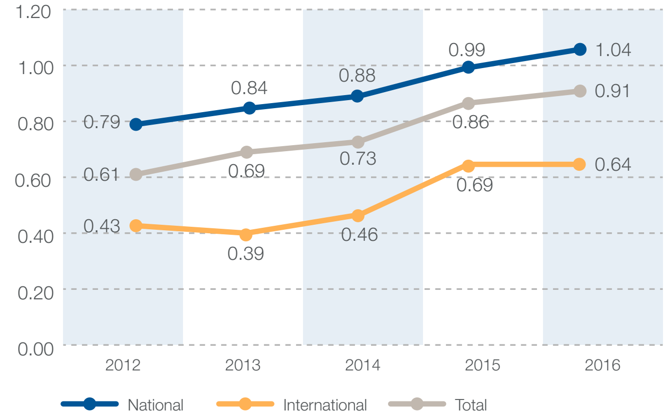
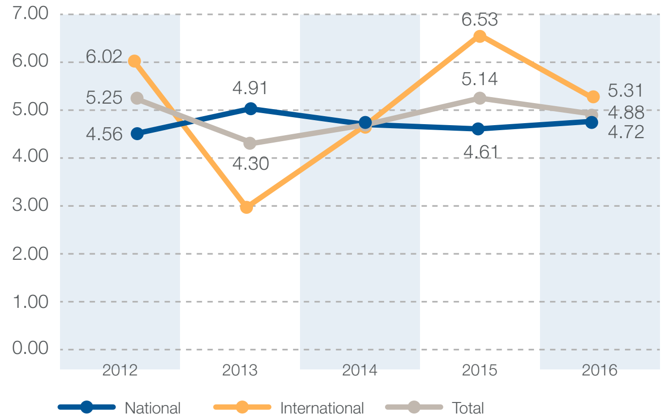


II Total Evolution FCC 2012 - 2016

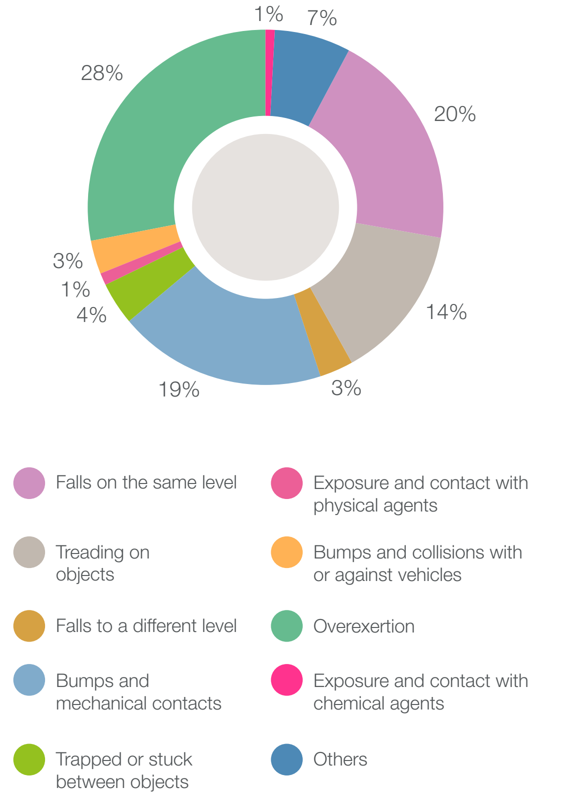


Frequency indices

Division	2012	2013	2014	2015	2016	Cobertura
FCC Environment	28.46	32.40	34.46	33.33	34.82	Spain
	21.31	25.64	32.03	35.61	32.10	International
	26.25	30.42	33.69	34.09	33.93	Total
FCC Industrial Waste	26.76	6.99	25.99	28.70	29.12	Spain
	4.15	17.05	0.00	0.00	12.57	International
	16.81	14.70	24.69	26.04	25.93	Total
FCC Aqualia	10.26	12.06	12.29	13.55	14.77	Spain
	6.08	3.59	7.98	7.10	5.99	International
	9.05	8.84	11.13	11.56	12.05	Total
FCC Construction[3]	17.11	19.33	19.54	21.88	17.79	Spain
	32.47	2.58	6.77	20.50	10.44	International
	29.54	10.55	11.82	21.17	14.65	Total
Cement	13.19	5.80	2.94	4.41	7.64	Spain
	7.72	10.22	6.41	3.16	4.76	International
	11.12	17.05	5.02	3.68	5.94	Total
Central Services	-	-	0.00	0.00	0.00	Spain
	-	-	0.00	0.00	0.00	International
	-	-	0.00	0.00	0.00	Total
FCC Total	**24.37**	**27.81**	**27.98**	**27.80**	**29.08**	**Spain**
	28.78	**14.74**	**20.12**	**26.82**	**23.85**	**International**
	26.58	**23.26**	**25.07**	**27.45**	**27.31**	**Total**

[3] Construction data include industrial and infrastructure maintenance activities.

Distribution by type of work with sick leave



Excellence in the management of the prevention and reduction of accidents

In 2016 FCC Environment, FCC Aqualia and FCC Industrial were awarded the Occupational Health and Safety Prize, by Asepeyo and the Community of Madrid, which recognises their work and their contribution to the prevention and reduction of occupational accidents, through quantifiable investments and the implementation of measures, policies and preventive practices at all levels of the organisation.

FCC Environment with health and safety

FCC Environment in the UK annually conducts the Health and Safety campaign, "Don't Gamble with your Health and Safety". In the last few years this campaign has positively contributed to reducing the number of accidents and injuries in the workplace, and has significantly improved the Health and Safety culture.

As a new feature, in 2016, a plan for the 2020 horizon was defined, which aims at the continuous improvement of results in the management of the company's Health and Safety, and different systems to improve the campaign have been implemented:

- Incident reporting system to promote proactive and timely information.
- Proximity warning system to improve the safety of the facility.
- Accident review panels and Health and Safety meetings.
- Safe Conduct Programme.

Promoting healthy living

During the year 2016, the Healthy Company project has been progressively consolidated in the different businesses. An example of this is the numerous initiatives implemented in the area of Environmental Services, which has led to the AENOR certification as a Healthy Company in 8 of the 17 branch offices of the division.

This year, as a fundamental action in the promotion of health, several campaigns have been carried out in different areas (corporate areas, Environmental and Construction Services), which will be repeated annually to promote carrying out periodic medical examinations as a fundamental tool for the evaluation and improvement of health conditions.

In this sense, the health services in the Las Tablas and Federico Salmón buildings in Madrid (which are the ones with the largest number of workers) have also been recognised, incorporating an on-duty nurse during specific times, installing defibrillators, carrying out a periodic review of first aid kits, as well as the definition of action protocols in the case of a healthcare emergency and the renewal of FCC's Health and Safety Portal, available to everyone in the company through the new corporate intranet.

Health and Safety Awards

Improving the safety, health and well-being of people in the workplace is a fundamental pillar of the organization and aims to be a differentiating value in the development of FCC activities. The effort of each person is of vital importance for everyone, as individuals and for the competitiveness and sustainability of the company.

These awards aim to recognize and value this effort and reward both the initiatives and the personal trajectories that best represent the commitment to the prevention of occupational risks and the promotion of health.

In the 3rd Edition, held in 2016, and involving more than 26 projects, the prize evaluation committee (made up of executives, trade union representatives, INSHT representatives and other recognized entities) highlighted the quality and innovation of all the applications submitted in the different categories.

The awards given in the different categories were as follows:

1. The award in the category of Occupational Risk Prevention (technical measures): significant milestones and processes implemented that improve the control of occupational risks, went to FCC Environment for the "Mobile Plant Pedestrian System (PWS)".

2. The award in the category of Occupational Risk Prevention (strategic measures): entrepreneurial initiatives and any other factor that has favoured the control of risks and strategic focus projects, which contribute to the progress of Health and Safety conditions, went to the application presented by FCC Aqualia: project to improve a preventive culture.

Preventive culture at FCC Aqualia

Since 2015 this division has been developing the Preventive Culture Improvement Plan 2015-2018, led by the Health and Safety Department, which aims to improve the preventive climate of the organisation, in harmony with FCC Aqualia's philosophy.

In 2016 the Plan was implemented through four actions: safety visits by managers, refresher training on workplace hazards, safety observations and safety talks.

As a long-term goal, FCC Aqualia is working on preventive climate measurement through the NOSAQ50 tool, developed by the Nordic network of researchers in Occupational Safety, that serves to diagnose the climate of occupational safety, as well as to evaluate the safety interventions of the company.

3. The award in the category of Health Promotion: the recognition of innovative alternatives for a healthier working environment was shared between the offices of FCC Environment Andalusia II, for "Andalucía II Delegación Saludable", and Aragón La Rioja, for the "Promotion of cardiovascular health and road safety".

Training programmes in corporate areas

Occupational Health and Safety are considered as a priority pillar in the management of FCC activities, and that is why two training initiatives that support this value have been implemented:

- Experiential learning workshops, combining theoretical knowledge, given by specialists in the field of Occupational Health and Safety, with practices guided by a physiotherapist. The training activity responds to the need for workers to be aware of the health risks they are exposed to in their jobs, and the existing measures and resources to mitigate or control those risks.
- Mindfulness workshops, within the company's policy of improving the quality of life of its employees, aiming to influence stress reduction, improving problem-solving abilities and increasing well-being and productivity.

4. Four awards were also given for personal recognition of the promotion of healthy values, habits and practices.

Principles in supply chain management and efficiency in the procurement function

Aligned with the strategic axis of the business, which reinforces the search for synergies and maximises operational efficiency, the procurement function is managed centrally and is governed by the principles set out in the Procurement Policy, common throughout the whole company: transparency, competitiveness and objectivity. This comprehensive approach, adopted as a strategic measure to reduce operating leverage, enables the standardisation of supplier management and the optimisation of operational efficiency.

In order to transfer FCC's ethical, social and environmental principles to its suppliers, the company has a clause in the signed contracts that obliges the supplier to declare its knowledge of, and commitment to, FCC's Code of Ethics and the Ten Principles of the United Nations Global Compact, thus allowing the alignment of the suppliers' principles with those of the company.

As a sign of its commitment to excellence in management, each year FCC certifies the procurement management model according to the UNE-CWA 15896 Added Value Procurement Management standard. To further ensure the due diligence in the processes of the division, it has quality objectives that it disseminates among the procurement managers as a measure to assure it is achieved:

Total cost

Centralized management allows the needs to be brought together and the negotiation of a more strategic position, generating and avoiding risks that could be derived from choosing the wrong supplier.

Internal customer satisfaction

The end result of the choice of supplier and purchase must meet the needs of the end user division of that purchase. It is important to know the end satisfaction.

Supplier quality

The centralised management and compliance with the basis of the model, ensure that the quality of the contracted suppliers is kept to the highest standards, helping to improve the service received.

Organisational structure of the Procurement function

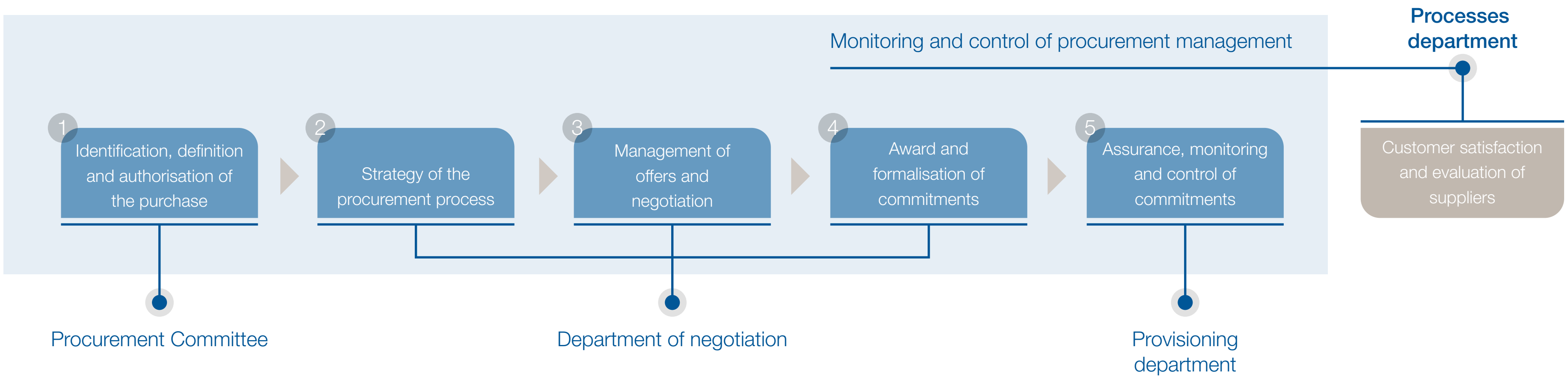
In February 2015, the FCC Board of Directors approved the creation of a global procurement and business centre, where negotiations, procurement and purchase control of materials and services are carried out, seeking at all times the best conditions for the company and optimizing the planning of the works and/or contracts, the resources, and controlling the budgets and the results. Since 2016, the procurement function reports to the General Administration and Finance Department.

In this centralized model, the procurement managers of the businesses are involved, and are coordinated with each other to take advantage of synergies and improve overall management. The purchasing process is structured in five stages, managed and supervised by the Procurement Committees of the businesses and each one of the areas in the Procurement Department (Negotiation, Procurement and Processes).

The Procurement Committee analyses all offers and helps to make the decision regarding the best offer, according to the economic criteria of quality and reliability.

The Negotiation Department leads and coordinates the negotiation processes of the purchase once it has been authorised. The negotiation team analyses the offers received, reviewing all aspects (economic, commercial and technical) and proposes a negotiation and awarding strategy to the members of the procurement committees.

The Provisioning and Purchase Control department is responsible for the coordination, management and planning of the requests for purchase orders, as well as monitoring and controlling compliance with commitments made to suppliers.



The Procurement Process department monitors and controls the purchase management, reviewing each of the stages of the process. In addition, it coordinates the procurement committees to ensure compliance with regulations and unanimity in decision-making. This department is also responsible for evaluating suppliers and the monitoring internal customer satisfaction with the management carried out by the procurement department.

To maximise the potential and commitment of those involved in decisión-making, incentives are aligned with results. In addition, the purchasing activity report is prepared periodically for the management.

Innovative management tools

In 2016, the implementation of the company's electronic tool to manage procurement began, jointly with a specialized supplier. In 2016, efforts were focused on the analysis of the needs to be covered by this tool and on the adaptation of the agreement to these requirements. The implementation will initially be limited to the activity in Spain and in the future will be implemented at an international level. In 2016, the first steps were taken for its implementation in the FCC Environment subsidiary in the United Kingdom.

In Spain, FCC works on document management and legality through Obralia, a platform specializing in the Construction sector, in which all suppliers must be registered to work. The medium-term objective is to migrate to a global platform that includes all suppliers.

Risk assessment of the supply chain

FCC identifies and evaluates the environmental, social or economic risks associated with the supply chain through an analysis that is performed on all new suppliers, before the contract is formalized. This analysis includes visits to its facilities, personal interviews with the management or the request for relevant information, among other actions.

The evaluation of suppliers is done through a classification of suppliers according to the portfolio of products of the three main divisions of the company and Central Services.

The classification of suppliers is established through satisfaction surveys sent to the users, making a detailed investigation of those with considerably low scores.

In 2016, 64% of the winning suppliers were evaluated, from which responses were received from 47% of the respondents; showing a result of 97% as Satisfactory or Very Satisfactory.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

FCC has a Code of Ethics that presents the responsible principles that govern the company.

09

Triple bottom line 2016

	Units	2016	2015	2014	Externally verified indicators
Economic indicators					
Net turnover	Millions of Euros	5,951.6	6,476.0	6,334.0	
Gross operating profit EBITDA	Millions of Euros	833.7	814.6	804.0	
Net operating profit, EBIT	Millions of Euros	93.6	323.8	(345.6)	
Operating cash flow	Millions of Euros	1,024.9	600.3	608.9	
Cash flow from investments	Millions of Euros	(94.7)	(412.6)	(167.2)	
Orderbook	Millions of Euros	30,589.9	32,499.7	32,996.5	
Generated economic value	Thousands of Euros	6,217,206	6,696,094	6,729,942	
Distributed economic value	Thousands of Euros	11,564,850	13,114,625	6,281,674	
Procurements (suppliers of materials and services)	Thousands of Euros	2,146,181	2,415,153	2,220,917	
Salary expenses	Thousands of Euros	1,822,226	1,858,626	1,916,696	
Corporate income tax	Thousands of Euros	(34,981)	(40,846)	(64,171)	
Interest and exchange rate differences	Thousands of Euros	ND	ND	549,156	
Dividends paid to shareholders	Thousands of Euros	0	0	0	
Economic contribution to corporate citizenship	Thousands of Euros	5.69	8.35	3.3	
Significant financial assistance received from governments (subsidies)	Thousands of Euros	225.4	248.3	239.271	
Activity certified by ISO 9001	%	85.0	ND	85.42	
Purchases from local suppliers	Thousands of Euros	1,687,926	1,321,475	1,394,923	✔
Ethics and integrity					
Communications received through the Code of Ethics channel	No.	20	ND	21	✔
Efficiency and technologya					
Investment in R+D+i	Millions of Euros	10.298	13.132	16,237	✔
Activities with environmental certification (e,g: ISO 14001)	%	84.4	ND	81.90	
SOx emissions	kg	2,622,719	2,669,757	2,688,388	✔
NOx emissions	kg	7,780,192	9,345,958	9,833,923	✔

	Units	2016	2015	2014	Externally verified indicators
Particulate emissions	kg	1.028.163	1.807.626	1.867.889	✔
Raw materials	tonnes	22,502,320	30,919,538	ND	✔
Raw materials: recycled %	%	51%	44%	ND	✔
Semi-manufactured products	tonnes	3,668,146	4,214,457	ND	✔
Semi-manufactured products: recycled %	%	6.8%	1.0%	ND	✔
Ancillary materials	tonnes	58,201	77,043	ND	✔
Ancillary materials: recycled %	%	35%	20%	ND	✔
Packing and packaging materials	tonnes	280	287	ND	✔
Water consumption	m^3	11,834,462	12,867,791	12,811,711	✔
Consumption of recycled water	m^3	215,923	186,575	153,869	✔
Consumption pertaining to surface water	m^3	963,744	1,177,755	1,064,474	✔
Consumption pertaining to sub-surface water	m^3	2,777,199	3,064,696	ND	✔
Consumption pertaining to municipal supply	m^3	6,558,811	6,694,334	6,693,212	✔
Consumption pertaining to other sources	m^3	1,318,785	1,744,432	1,850,858	✔
Discharged wastewater	m^3	515,965,296	447,300,323(1)	164,708,144	✔
Wastewater treated	%	ND	ND	ND	
Water captured to be managed	m^3	637,939,281	620,994,212	843,979,880	✔
Percentage of sub-surface water captured	%	20.3	47.5	17	✔
Percentage of surface water captured	%	78.4	50.9	55	✔
Percentage of desalinated water captured	%	1.2	1.4	27	✔
Percentage of other captured elements	%	0.1	0.2	1	✔

(1) During the review process of the 2016 CSR Report, the volume of discharged wastewater in 2015 has been recalculated.

	Units	2016	2015	2014	Externally verified indicators
Total waste generated	tonnes	3,103,232	2,734,330	7,284,838	✓
Hazardous waste generated	tonnes	93,397	77,086	81,975	✓
Non-hazardous waste generated	tonnes	3,009,739	2,757,625[(2)]	7,202,864	✓
Waste managed	tonnes	16,780,007	15,806,274[(3)]	16,053,302	✓
Waste collected	tonnes	5,682,306	5,085,499	6,276,488	✓
Urban waste waste	tonnes	4,726,998	4,353,249	5,257,941	✓
Hazardous industrial waste	tonnes	231,383	188,033	279,546	✓
Non-hazardous industrial waste	tonnes	411,773	249,348	739,000	✓
Other non industrial waste (hazardous and non-hazardous)	tonnes	312,152	294,869	ND	✓
Waste admitted by FCC centres	tonnes	11,097,701	10,720,775	9,776,814	✓
Urban waste	tonnes	5,107,582	5,198,227	4,571,114	✓
Hazardous industrial waste	tonnes	276,775	233,410	284,634	✓
Non-hazardous industrial waste	tonnes	5,563,199	5,147,807	4,921,066	✓
Other non-industrial waste (hazardous and non-hazardous)	tonnes	150,146	141,331	ND	✓
Treatment given to hazardous wastes					
Recovery	%	25	22	28	✓
Stabilisation/Landfill	%	55	63	55	✓
Transferred to an end manager/other destinations	%	20	15	17	✓
TTreatment given to non-hazardous wastes					
Recovery	%	31	31	30	✓
Elimination in controlled landfill	%	50	51	54	✓
Transferred to an end manager	%	19	18	16	✓

[(2)] Non-hazardous wastes generated in 2015 have been updated with data from FCC Construction Chile subsequent to the completion of the CSR Report.
[(3)] Waste managed in 2015 has been recalculated based on the actual scope of verification. Updates therefore affect the waste collected, admitted and treated in 2015.

	Units	2016	2015	2014	Externally verified indicators
Energy and climate change					
Total GHG emissions	t CO_2eq	10,471,572	10,393,255	10,236,679	✓
Direct GHG emissions	t CO_2eq	9,950,467	9,711,807	9,455,477	✓
Indirect GHG emissions	t CO_2eq	521,105[(4)]	681,449	781,202	✓
Direct consumption of energy	GJ	31,338,961	29,062,975	28,514,713	✓
Renewable energy consumed	GJ	1,717,690	1,514,399[(5)]	1,499,815	✓
Non-renewable energy consumed	GJ	29,261,270	27,548,575	27,014,898	✓
Indirect consumption of energy	GJ	5,714,895	6,835,734	7,678,311	✓
Electrical energy consumed	GJ	5,714,895[(6)]	6,834,124	7,676,876	✓
Energy in the form of steam consumed	GJ		1,610	1,435	✓
Total consumption of energy	GJ	37,053,856	35,898,709	36,191,589	✓
Community					
Millions of euros	Millions of euros	6.67	8.35	3.3	✓
People					
Total staff	Nº	54,467	55,145	58,034	✓
Total women	Nº	11,940	11,953	12,122	✓
Total men	Nº	42,527	43,192	45,912	✓
Percentage of women executives in respect to total executives	%	29	24	19	✓
Number of employees with permanent contracts	Nº	6,810	7,654	9,438	✓
Number of employees with temporary contracts	Nº	4,626	4,878	7,846	✓
Number of seconded employees	Nº	43,031	42,613	40,750	✓

(4) The reduction in indirect emissions in 2016 is partially due to the lack of energy consumption in FCC Aqualia GIA Algeria, which totalled 147,928 tCO2eq in 2015.
(5) Renewable energy consumed in 2015 has been updated as biodiesel consumed in mobile sources in FCC Environment UK has been taken into account.
(6) The reduction in indirect consumption in 2016 is partially due to the lack of energy consumption in FCC Aqualia GIA Algeria, which totalled 1,030,058 GJ in 2015.

	Units	2016	2015	2014	Externally verified indicators
Total voluntary rotation	%	3.68	3.5	3.10	✓
Total voluntary rotation of men	%	3.77	3.58	3.32	✓
Total voluntary rotation of women	%	3.35	3.05	2.27	✓
Number of disabled employees	No	929	942	849	✓
Number of training hours per employee	No	7.87	7.88	6.48	✓
No. workers covered by collective agreements (Spain)	%	100	100	100	
Amount of time off due to occupational accidents, employees+subcontractors (except while travelling or for cardiovascular reasons)	No	2,503	2,624	2,723	✓
FCC accident rates (own personnel, national and international)					
Frequency rate		27.31	27.45	25.07	✓
Severity rate		0.91	0.86	0.73	✓
Incidence rate of occupational accidents		4.88	5.14	4.67	✓
Absenteeism rate		6.82	5.94	5.47	✓
FCC accident rates (own personnel + subcontracted personnel)					
Frequency rate		23.21	23.2	23.69	✓
Severity rate		0.84	0.78	0.68	✓
Incidence rate of occupational accidents		4.12	4.29	4.32	✓
Absenteeism rate		6.97	5.86	5.36	✓
Deaths caused by occupational accidents					
FCC Group Total (own personnel + subcontracted personnel)	No	3	4	7	✓
Own personnel	No	2	1	3	✓
Subcontracted personnel	No	1	3	4	✓

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About this report

About this report

This FCC Integrated Report, provides information about the management of key aspects (environmental, social and economic) of the company and its business during the year 2016, according to the principles of the International Integrated Reporting Council (IIRC) framework.

The Corporate Social Responsibility Policy of the company determines the structure of the non-financial information of this report, structured in three policy pillars (exemplary commitment, smart services, citizen connection); and the specific content addresses the exercise of materiality carried out in 2016. The information on the performance in the ethical, environmental and social areas at FCC has been prepared for the fourth consecutive year, according to the Guidelines for the Drafting of Sustainability Reports of the Global Reporting Initiative (GRI), version G4 in accordance with its Comprehensive option, including the additional information required by the supplement "Construction and Real Estate". The information contained in this report provides a balanced, comparable, accurate, reliable, regular (annual) and clear view on the economic, social and environmental performance of the company.

To ensure the alignment of the contents of the report with the expectations of stakeholders, the information has also been prepared based on the AA1000 Accountability Principles Standard.

Principles of the AA1000 Standard

1. Inclusiveness. Each one of FCC's businesses conducts regular consultations with its stakeholders. Therefore the information contained in this report, in accordance with this principle, is particularly relevant, with a special emphasis on the information produced by FCC Aqualia, whose stakeholder management, especially its customers, has maximum relevance to its business.
2. This report is structured according to the three pillars of the Corporate Social Responsibility Policy. The design of the pillars of this Policy was carried out by means of an analysis of sustainable trends that should be met by FCC as a citizen services company. This trend analysis, was based on reports from benchmark sources such as the World Economic Forum, Slim cities: Sustainable Buildings; Smart Energy; Water Resources Group; or the 2011 IPCC Special Report on Renewable Energy Sources and Climate Change Mitigation. Subsequently, in a round of internal interviews and with a panel of experts, the relevance of these trends was consulted as well as the material aspects that the company should take into account according to its activity.
3. Response capability. FCC has designed a series of actions to respond to the challenges that have been identified as key to the company. The response to the challenge of combining the company's activities with the development of sustainable cities of the future, is geared to serving citizens better, putting professionals at the heart of the strategy and placing greater emphasis on the sustainability of the suppliers chain.

Scope of the 2016 Integrated Report

[G4-18], [G4-20], [G4-21], [G4-22], [G4-23]

The scope of the information provided in this report corresponds to the integration parameter which is used for financial consolidation, according to which, data is considered from 100% of the investee companies over which FCC has management control, regardless of the holding.

For the first time, in 2016, in response to changes in the structure of the company, information from Construction Services, Environmental Services and Integral Water Management Services is included in the FCC's infrastructure section.

In 2016, some of the companies belonging to Aqualia GIA and ASA were excluded from the scope, as it wasn´t possible to gather information except for the occupational safety and employee turnover indicators. The companies excluded from the scope are as follows:

- Aqualia GIA in Romania, Algeria, Egypt, Montenegro, Chile, Saudi Arabia, United Arab Emirates and Mexico and ASA Romania.
- In addition, it has not been possible to gather information related to procurement from local suppliers for ASA.

In the case of Joint Ventures, the values of those whose operations are controlled are included, applying the holding percentage.

FCC Group, characterised by its geographical diversity and activities, is working to increase the scope of information to all companies within the Group.

The list of FCC Group companies as of 31 December 2016, and a description of each one, appears in the Exhibits of the annual accounts.

Reliability of the information disclosed

The ESG information in this report has been verified by KPMG in accordance with international standard ISAE 3000. The scope, description of the work and conclusions of this audit can be found in the section entitled Letter of Verification.

Materiality Study 2016

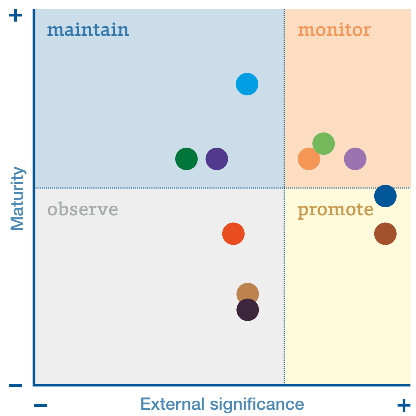
[G4-19], [G4-20], [G4-21]

FCC understands the materiality study to be an ongoing process (updated every year) that focuses on issues of a social, environmental and/or economic nature, which are relevant to its business and that influence the decisions of their stakeholders.

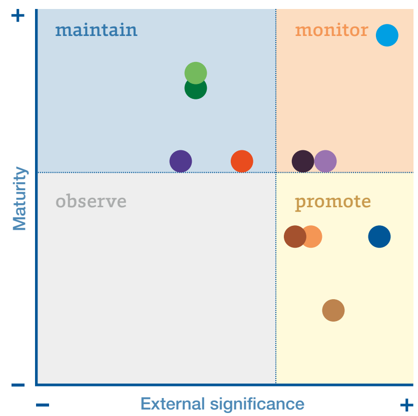
FCC's materiality analysis is presented in three matrices, one for each line of business. Given the unique characteristics of each business, the priorities of the material issues are in different orders, depending on the impacts of the Environmental Services, Water and Infrastructure activities.

Each matrix distinguishes the material issues through classification into four quadrants (maintain, monitor, observe and promote) depending on the action that the company should perform in order to manage them properly. For example highly relevant external issues, as well as maturity in the high-level management on the part of FCC, should be monitored. Those highly relevant external issues that are of average or low maturity in their management, must be promoted.

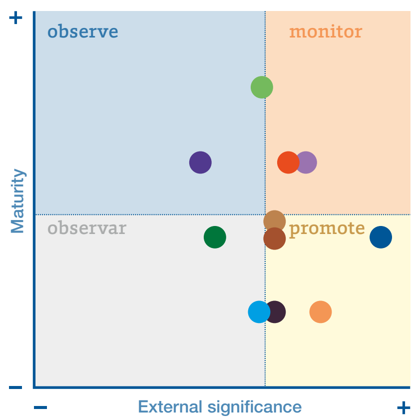
Relevant Issues in the Environmental Services Business



Relevant issues Integrated Water Management Business



Relevant issues In the Infrastructure Business



- Promotion and respect for human rights
- Technological development and the prevention of cyber-attacks
- Employees welfare and professional growth
- Occupational Health of employees and contractors
- Protection of scarce natural resources
- Systems to prevent and mitigate corruption
- Responsibility for suppliers and contractors
- Policies to contain the effects of climate change
- Innovation and sustainability
- Customer Experience
- Local development

Methodology

1
Identification of relevant issues

The identification of the aspects with the highest relevance takes as a starting point, the specific aspects defined by the Global Reporting Initiative in its "Guide for the Preparation of Sustainability Reports, G4" applied to the infrastructure, water and services sectors, reference documents (1) for these sectors, and the learning acquired from materiality exercises carried out in previous years.

2
Prioritisation / contrast of external sources

The external prioritisation of these issues has been made based on reference documents related to sustainability (ASB Materiality Maps), global risks (Global Risks 2017, from the World Economic Forum), and the sectoral documents for each of FCC's lines of business referred to earlier.

3
Comparison with the sector

Internal prioritization of each of the issues defined from their degree of maturity within the company itself compared with competitor companies in each sector, including the conclusions drawn from interviews with institutional investors conducted in 2015.

4
Development of matrices by business

The analysis has resulted in the formulation of 11 material issues common to all FCC businesses, prioritised according to the specificities of each business. The cases were represented in matrices via external and maturity relevance variables.

(1) Infrastructure 100 World Markets Report by KPMG, Water and Employment 2016 by UN Water, Water for Sustainable Development 2015 and Global Waste Management Outlook by the ISWA.

Prioritising material issues according to business in 2016

[G4-20], [G4-21]

Below are the material matters according to line of business, and arranged according to the level of relevance(2).

Business	Relevance	Material issues
Environmental services	Very high relevance	Protection of scarce natural resources. Responsibility for suppliers and contractors. Occupational health of employees and contractors. Customer experience.
	High relevance	Local development. Policies to contain the effects of climate change. Systems to prevent and mitigate corruption. Innovation and sustainability.
	Medium relevance	Employees professional growth and welfare. Promotion and respect for human rights. Technological development and prevention of cyber-attacks.
Infrastructure	Very high relevance	Occupational health of employees and contractors. Responsibility for suppliers and contractors. Employees professional growth and welfare. Protection of scarce natural resources.
	High relevance	Promotion and respect for human rights. Systems to prevent and mitigate corruption. Policies to contain the effects of climate change. Innovation and sustainability.
	Medium relevance	Local development. Technological development and prevention of cyber-attacks. Customer experience.
Water management	Very high relevance	Customer experience. Responsibility for suppliers and contractors. Technological development and prevention of cyber-attacks. Protection of scarce natural resources.
	High relevance	Innovation and sustainability. Occupational health of employees and contractors. Employees professional growth and welfare. Local development.
	Medium relevance	Policies to contain the effects of climate change. Systems to prevent and mitigate corruption. Promotion and respect for human rights.

Very high relevance

High relevance

Medium relevance

(2) Very high, high and medium relevance has been established based on percentiles 33 and 66.

Additional information

For further information relating to the sustainability of the three Group businesses, the reader is invited to visit the website for further corporate information www.fcc.es.

In addition, FCC Group publishes an Annual Report, an Annual Corporate Governance Report and an Annual Report on Directors' remuneration for the financial year 2016, which is available on the corporate website.

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GRI Empowering Sustainable Decisions
Materiality Disclosures
Fomento de Construcciones y Contratas, S.A.
May 2017
Service

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G4-2	37-40		
Profile of the organization			
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G4-4	9		
G4-5	Av. Del Camino de Santiago, 40 28050 Madrid, Spain		
G4-6	10		
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G4-30	Anual		
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General basic	Page	Omissions	External verification
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G4-52	FCC reports on the remuneration of the members of the Board of Administration, through the Annual Remuneration Report of the Board of Administration, available on the Spanish National Securities and Exchange Commission's website (CNMV)		
G4-53	Annual Remunerations Report 2016		
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G4-55	Annual Remunerations Report 2016		
Ethics and integrity			
G4-56	185-187		
G4-57	185-187		
G4-58	593-594, 185-186		

Specific basic contents

Material aspects	Information on the management approach and indicators	Omissions	External verification
Category: economics			
Material aspect: economic performance			
G4-DMA	23-27		
G4-EC1	206		
G4-EC2	21-22, 37-39		
G4-EC3	There are no employee pension plans		
G4-EC4	206		
Material aspect: indirect economic impacts			
G4-DMA	125-130		
EC7	125-130		
EC8	125-130		
Category: environment			
Material aspect: materials			
G4-DMA	155-157		✓
G4-EN1	207		✓
G4-EN2	207		✓

Material aspects	Information on the management approach and indicators	Omissions	External verification
Material aspect: energy			
G4-DMA	141-143		✔
G4-EN3	141-143		✔
G4-EN4	141-143		✔
G4-EN5	Energy consumption per employee was 680.3 GJ		✔
G4-EN6	141-143		✔
G4-EN7	Not applicable	FCC's main activity is related to infrastructure construction. Therefore there are no certificates to ensure less consumption by the end user.	
Material aspect: water			
G4-DMA	161		✔
G4-EN8	207		✔
G4-EN9	161-162		✔
G4-EN10	161-162, 207		✔
Material aspect: biodiversity			
G4-DMA	164		
G4-EN11	164		
G4-EN12	164		
G4-EN13	164		
G4-EN14	164		
Material aspect: emissions			
G4-DMA	137-138		✔
G4-EN15	141, 209		✔
G4-EN16	141, 209		✔

Material aspects	Information on the management approach and indicators	Omissions	External verification
G4-EN17	143		
G4-EN18	Emissions per employee were 192.3 t CO_2eq		✔
G4-EN19	141, 144-147		
G4-EN20	Not applicable	The materiality studies performed by FCC according to its activities and for each key environmental impact indicator, have not determined as a material issue for FCC's activities, emissions that deplete the ozone layer.	
G4-EN21	159-160		✔
Material aspect: effluents and waste			
G4-DMA	162		✔
G4-EN22	162, 207		✔
G4-EN23	162-163, 208		✔
G4-EN24	The were no significant spillages		
G4-EN25	162-163, 208		✔
G4-EN26	There were no water bodies affected by discharges or runoffs from the organisation		
Category: social performance			
Subcategory: internships and decent jobs			
Material aspect: employment			
G4-DMA	187-188		✔
G4-LA1	187-188, 209-210		✔
G4-LA2	All employees are provided with full benefits		
G4-LA3	Not available	FCC does not currently have systems to measure this type of information.	

Material aspects	Information on the management approach and indicators	Omissions	External verification
Material aspect: relations with workers and the management			
G4-DMA	121		
G4-LA4	Not available	Confidential information	
Material aspect: occupational health and safety			
G4-DMA	196		✓
G4-LA5	Not available	Currently the company does not have the exact percentage of the total staff that are part of the safety and healthcare committees in some countries, although the Health and Safety Policy and the monitoring of accidents and the effectiveness of the actions cover the entire staff.	
G4-LA6	197-199, 210		✓
G4-LA7	Not available	Currently the company does not have this information. The intention is to have it in 2017.	
G4-LA8	196		✓
Material aspect: training and education			
G4-DMA	189-191		✓
G4-LA9	190		✓
G4-LA10	191		
G4-LA11	Not available	FCC Group is working on the design and implementation of the development function, using a competencies model that covers an evaluation of the performance, career plans and succession plans. Work is being carried out on the implementation of an agile and global system that supports performance evaluations and selection processes.	

Material aspects	Information on the management approach and indicators	Omissions	External verification
Material aspect: diversity and equal opportunities			
G4-DMA	193-195		✔
G4-LA12	16,187, 193-195		✔
Subcategory: society			
Material aspect: local communities			
G4-DMA	125-130		
G4-SO1	125-130		
G4-SO2	125-130		
Material aspect: fight against corruption			
G4-DMA	185-186		
G4-SO3	185-186		
G4-SO4	185-186		
G4-SO5	No aplicable	There were no cases of corruption in 2016.	
Material aspect: claims mechanisms for social impact			
G4-DMA	185-186		
G4-SO11	185-186, 206		✔

KPMG

KPMG Asesores, S.L.
Pº. de la Castellana, 259 C
28046 Madrid

Informe de Revisión Independiente para la Dirección de Fomento de Construcciones y Contratas, S.A.

A la Dirección de Fomento de Construcciones y Contratas, S.A.

De acuerdo con nuestra carta de encargo, hemos revisado la información no financiera contenida en el Informe de Responsabilidad Social Corporativa de Fomento de Construcciones y Contratas, S.A. (en adelante FCC) del ejercicio cerrado a 31 de diciembre de 2016 (en adelante, "el Informe"). La información revisada se encuentra indicada como verificada externamente en la tabla del capítulo de "Triple cuenta 2016" e "Índice de contenido GRI".

Responsabilidades de la Dirección

La Dirección de FCC es responsable de la preparación y presentación del Informe de conformidad con la Guía para la elaboración de Memorias de Sostenibilidad y el Suplemento Sectorial *"Construction and Real Estate"* de Global Reporting Initiative, versión 4.0 (G4), según lo detallado en el punto G4-32 del Índice de contenidos GRI del Informe. Asimismo, es responsable del cumplimiento de los criterios de *Materiality Disclosure Service* habiendo obtenido, confirmación de Global Reporting Initiative sobre la correcta aplicación de los mismos. La Dirección también es responsable de la información y las afirmaciones contenidas en el mismo; de la determinación de los objetivos de FCC en lo referente a la selección y presentación de información sobre el desempeño en materia de desarrollo sostenible, incluyendo la identificación de los grupos de interés y de los asuntos materiales; y del establecimiento y mantenimiento de los sistemas de control y gestión del desempeño de los que se obtiene la información.

Estas responsabilidades incluyen el establecimiento de los controles que la dirección considere necesarios para permitir que la preparación de los indicadores con un nivel de aseguramiento limitado esté libre de errores materiales debidos a fraude o errores.

Nuestra responsabilidad

Nuestra responsabilidad es llevar a cabo una revisión limitada y, basado en el trabajo realizado, emitir este informe, referido exclusivamente a la información correspondiente al ejercicio 2016. Hemos llevado a cabo nuestro trabajo de conformidad con la Norma ISAE 3000, *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, con la Norma ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements* emitidas por el International Auditing and Assurance Standard Board (IAASB) y con la Guía de Actuación sobre trabajos de revisión de Informes de Responsabilidad Corporativa emitida por el Instituto de Censores Jurados de Cuentas de España (ICJCE). Estas normas exigen que planifiquemos y realicemos nuestro trabajo de forma que obtengamos una seguridad limitada sobre si el informe está exento de errores materiales.

KPMG aplica la norma ISQC1 (*International Standard on Quality Control 1*) y de conformidad con la misma mantiene un sistema integral de control de calidad que incluye políticas y procedimientos documentados en relación al cumplimiento de los requerimientos éticos, estándares profesionales y requerimientos legales y regulatorios aplicables.

Hemos cumplido con los requerimientos de independencia y otros requerimientos éticos del *Code of Ethics for Professional Accountants* emitido por el International Ethics Standards Board for Accountants, el cual está basado en los principios fundamentales de integridad, objetividad, competencia y diligencia profesionales, confidencialidad y comportamiento profesional.

Revisión limitada sobre indicadores con nivel de aseguramiento limitado

Nuestro trabajo de revisión limitada se ha llevado a cabo mediante entrevistas con la Dirección y las personas encargadas de la preparación de la información incluida en el Informe, y la aplicación de procedimientos analíticos y otros dirigidos a recopilar evidencias, como:

- La comprobación de los procesos que dispone FCC para determinar cuáles son los aspectos materiales, así como la participación de los grupos de interés en los mismos.
- La comprobación, a través de entrevistas con la Dirección y con otros empleados relevantes, tanto a nivel de grupo como a nivel de las unidades de negocio seleccionadas, de la existencia de una estrategia y políticas de sostenibilidad y Responsabilidad Corporativa para atender a los asuntos materiales, y su implantación a todos los niveles de FCC.
- La evaluación de la consistencia de la descripción de la aplicación de las políticas y la estrategia en materia de sostenibilidad, gobierno, ética e integridad de FCC.
- El análisis de riesgos, incluyendo búsqueda en medios para identificar asuntos materiales durante el ejercicio cubierto por el Informe.
- La revisión de la consistencia de la información que responde a los Contenidos Básicos Generales con los sistemas o documentación interna.
- El análisis de los procesos de recopilación y de control interno de los datos cuantitativos reflejados en el Informe, en cuanto a la fiabilidad de la información, utilizando procedimientos analíticos y pruebas de revisión en base a muestreos.
- La visita al vertedero de Salamanca, seleccionada según un análisis del riesgo, teniendo en cuenta criterios cuantitativos y cualitativos.
- La revisión de la aplicación de los requerimientos establecidos en la Guía para la elaboración de Memorias de Sostenibilidad G4 de Global Reporting Initiative para la preparación de informes según la opción de conformidad exhaustiva.
- La lectura de la información incluida en el Informe para determinar si está en línea con nuestro conocimiento general y experiencia, en relación con el desempeño en sostenibilidad de FCC.
- El contraste de la información financiera reflejada en el Informe con la incluida en las cuentas anuales de FCC, auditadas por terceros independientes.

Nuestro equipo multidisciplinar ha incluido especialistas en el desempeño social, ambiental y económico de la empresa.

Los procedimientos llevados a cabo en un encargo de aseguramiento limitado varían en naturaleza y tiempo empleado, siendo menos extensos que los de un encargo de revisión razonable. Consecuentemente, el nivel de aseguramiento obtenido en un trabajo de revisión limitado es inferior al de uno de revisión razonable. El presente informe en ningún caso puede entenderse como un informe de auditoría.

Conclusiones

Nuestra conclusión se basa, y está sujeta a los aspectos indicados en este Informe de Revisión Independiente. Consideramos que la evidencia que hemos obtenido proporciona una base suficiente y adecuada para nuestras conclusiones.

En base a los procedimientos realizados y a la evidencia obtenida, tal y como se describe anteriormente, no se ha puesto de manifiesto ningún aspecto que nos haga creer el Informe de Responsabilidad Social Corporativa de Fomento de Construcciones y Contratas, S.A. del ejercicio cerrado a 31 de diciembre de 2016 no haya sido preparado, en todos los aspectos significativos, de acuerdo con la Guía para la elaboración de Memorias de Sostenibilidad y el Suplemento Sectorial "*Construction and Real Estate*" de Global Reporting Initiative, versión 4.0 (G.4), según lo detallado en el punto G4-32 del Índice de contenidos GRI del Informe, lo que incluye la fiabilidad de los datos, la adecuación de la información presentada y la ausencia de desviaciones y omisiones significativas.

En otro documento, proporcionaremos a la Dirección de FCC un informe interno que contiene todos nuestros hallazgos y áreas de mejora.

Propósito de nuestro informe

De conformidad con los términos y condiciones de nuestra carta de encargo, este Informe de Revisión Independiente se ha preparado para FCC en relación con su Informe de Responsabilidad Social Corporativa y por tanto no tiene ningún otro propósito ni puede ser usado en otro contexto.

KPMG Asesores, S.L.

José Luis Blasco Vázquez

24 de mayo de 2017

Legal notice

This document may contain forward-looking statements regarding the intentions, expectations or forecasts of FCC Group or its management on the date of preparation, referring to a variety of aspects, such as the growth of the different business lines, the results of FCC Group or other aspects related to its activities and situation.

These forward-looking statements or forecasts do not constitute, by their very nature, a guarantee of their fulfilment in the future, and are conditional upon risks, uncertainties and other relevant factors, which could lead to developments and end results substantially different to those indicated in these intentions, expectations or forecasts.

This document does not constitute an offer or request for the acquisition or subscription of shares, pursuant to the provisions in Act 24/1988, of 28 July, on the Securities Market, in Royal Decree-Act 5/2005, of 11 March, and/or in Royal Decree 1310/2005, of 4 November, and the regulations implementing them.

Also, this document does not constitute an offer for the purchase, sale or exchange, or a request of an offer for the purchase, sale or exchange of securities, nor a request for any vote whatsoever or for approval in any other jurisdiction.

What is laid down in this statement must be taken into consideration by all the individuals or entities that may have to adopt decisions or prepare or disseminate options in relation to securities issued by FCC Group. All of them are welcome to consult the documentation and public information communicated or recorded by FCC Group at the Spanish National Securities Market Commission (CNMV).

This document contains financial information prepared in accordance with the International Financial Reporting Standards (IFRS). It is unaudited information, meaning that it is not definitive and could be amended in the future.

A1

Financial Statements

Financial Statements

Consolidated Group

Consolidated Balance Sheet

Fomento de Construcciones y Contratas, S.A. y Sociedades Dependientes as at 31 December 2016 (in thousands of euros)

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

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

Consolidated Balance Sheet. Fomento de Construcciones y Contratas, S.A. and Subsidiaries as at 31 December 2016 (in thousands of euros)

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

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

Consolidated Statement of Profit or Loss

Fomento de Construcciones y Contratas, S.A. and Subsidiaries as at 31 December 2016 (in thousands of euros)

	31-12-2016	31-12-2015
Revenue (Note 27)	**5,951,591**	**6,476,024**
In-house work on non-current assets	52,930	32,427
Other operating income (Note 27)	175,440	185,977
Changes in inventories of finished goods and work in progress (Note 27)	3,517	(131,469)
Procurements (Note 27)	(2,146,181)	(2,415,153)
Staff costs (Note 27)	(1,822,226)	(1,858,626)
Other operating expenses	(1,381,365)	(1,474,544)
Depreciation and amortisation charge and allocation to the consolidated statement of profit or loss of grants related to non-financial non-current assets and other grants (Notes 7, 8 and 9)	(399,312)	(428,457)
Impairment and gains or losses on disposals of non-current assets (Note 27)	(281,679)	(4,815)
Other income and expenses (Note 27)	(59,104)	(57,537)
PROFIT (LOSS) FROM OPERATIONS	**93,611**	**323,827**
Finance income (Note 27)	90,175	34,093
Finance costs (Note 27)	(379,239)	(388,351)
Other net finance costs (Note 27)	(22,202)	(10,624)
FINANCIAL PROFIT (LOSS)	**(311,266)**	**(364,882)**
Result of companies accounted for using the equity method (Note 27)	56,444	35,354
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(161,211)**	**(5,701)**
Income tax (Note 24)	(34,981)	40,846
RESULTADO DEL EJERCICIO PROCEDENTE DE OPERACIONES CONTINUADAS	**(196,192)**	**35,145**
Profit (Loss) for the year from discontinued operations, net of tax (Note 4)	(7,294)	(89,311)
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	**(203,486)**	**(54,166)**
Profit (Loss) attributable to the Parent	(161,575)	(46,291)
Profit (Loss) attributable to non-controlling interests (Note 18)	(41,911)	(7,875)
EARNINGS PER SHARE (Note 18)		
Basic	(0.45)	(0.18)
Diluted	(0.45)	(0.18)

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

Consolidated statement of comprehensive income

Fomento de Construcciones y Contratas, S.A. and Subsidiaries as at 31 December 2016 (in thousands of euros)

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

The accompanying Notes 1 to 33 and Appendices I to V are an integral part of the consolidated financial statements and, together with the latter, make up the statutory consolidated financial statements for 2016.
(*) Amounts that may not be recognised in the consolidated statement of profit or loss in any circumstances.

Consolidated Statement of Changes in Total Equity

Fomento de Construcciones y Contratas, S.A. and Subsidiaries as at 31 December 2016 (in thousands of euros)

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

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

Consolidated Statement of Cash flows (Indirect Method)

Fomento de Construcciones y Contratas, S.A. and Subsidiaries as at 31 December 2016 (in thousands of euros)

	31-12-2016		31-12-2015	
Profit (Loss) before tax from continuing operations		**(161,211)**		**(5,701)**
Adjustments to profit (loss)		**977,526**		**777,603**
Depreciation and amortisation charge (Notes 7, 8 and 9)	404,794		433,212	
Impairment of goodwill and non-current assets (Notes 7 and 8)	317,768		–	
Other adjustments to profit (loss) (net) (Note 27)	254,964		344,391	
Changes in working capital (Notes 11 and 16)		**331,395**		**(35,651)**
Other cash flows from operating activities		**(122,808)**		**(135,967)**
Dividends received	46,492		32,188	
Income tax recovered/(paid)	(48,598)		(77,245)	
Other proceeds/(payments) relating to operating activities	(120,702)		(90,910)	
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**1,024,902**		**600,284**
Payments due to investments		**(448,616)**		**(431,902)**
Group companies, associates and business units	(114,661)		(22,697)	
Property, plant and equipment, intangible assets and investment property (Notes 7, 8 and 9)	(302,800)		(338,898)	
Other financial assets	(31,155)		(70,307)	
Proceeds from disposals		**294,169**		**38,452**
Group companies, associates and business units	160,797		8,164	
Property, plant and equipment, intangible assets and investment property (Notes 7, 8 and 9)	18,017		20,445	
Other financial assets (Note 11)	115,355		9,843	
Other cash flows from investing activities		**59,761**		**(19,109)**
Interest received	14,066		14,174	
Other proceeds/(payments) relating to investing activities	45,695		(33,283)	
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		**(94,686)**		**(412,559)**

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

Consolidated Statement of Cash flows (Indirect Method)

Fomento de Construcciones y Contratas, S.A. and Subsidiaries as at 31 December 2016 (in thousands of euros)

	31-12-2016		31-12-2015	
Proceeds and (payments) relating to equity instruments (Note 18)		**707,780**		**(1,974)**
Issues/(Redemptions)	707,863		269	
(Acquisition)/Disposal of treasury shares	(83)		(2,243)	
Proceeds and (payments) relating to financial liability instruments (Note 20)		**(1,452,677)**		**(90,153)**
Issues	495,000		328,395	
Repayments and redemptions	(1,947,677)		(418,548)	
Dividends and returns on other equity instruments paid (Note 6)		**(11,662)**		**(15,041)**
Other cash flows from financing activities		**(334,755)**		**(285,296)**
Interest paid	(316,327)		(269,462)	
Other proceeds/(payments) relating to financing activities	(18,428)		(15,834)	
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		**(1,091,314)**		**(392,464)**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(38,332)**		**13,106**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(199,430)**		**(191,633)**
Cash and cash equivalents at beginning of year		**1,345,515**		**1,537,148**
Cash and cash equivalents at end of year		**1,146,085**		**1,345,515**

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

Notes to the Consolidated Financial Statements

Fomento de Construcciones y Contratas, S.A. and Subsidiaries as at 31 December 2016

01. Group Activities

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

– **Environmental Services.** Services related to urban water treatment, treatment of industrial waste and waste-to-energy (waste recovery).

– **End-to-End Water Management.** Services related to the end-to-end water cycle: collection, treatment and distribution of water for human consumption; waste water collection, filtering and treatment; design, construction, operation and maintenance of water infrastructure for municipal, industrial, agricultural and other services.

– **Construction.** This area specialises in infrastructure construction projects, building construction and related activities, such as motorways, dual carriageways and other roads, tunnels, bridges, hydraulic works, ports, airports, residential property developments, housing units, non-residential building construction, lighting, industrial air conditioning and heating systems, environmental restoration, etc.

– **Cement.** This area engages in the operation of quarries and mineral deposits, the manufacture of cement, lime, plaster and related pre-manufactured products and the production of concrete.

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

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

02. Basis of presentation of the consolidated financial statements and basis of consolidation

a) Basis of presentation

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

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

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

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

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

The consolidated financial statements are expressed in thousands of euros.

Reclassifications

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

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

Standards and interpretations issued but not yet in force

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

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

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

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

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

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

Significant standards and interpretations applied in 2016

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

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

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

b) Basis of consolidation

Subsidiaries

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

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

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

Joint arrangements

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

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

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

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

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

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

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

Associates

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

Transactions between Group companies

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

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

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

Changes in the scope of consolidation

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

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

03. Accounting policies

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

a) Service concession arrangements

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

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

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

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

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

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

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

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

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

b) Business combinations and goodwill

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

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

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

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

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

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

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

c) Intangible assets

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

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

d) Property, plant and equipment and investment property

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

f) Leases

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

f.1) Finance leases

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

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

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

f.2) Operating leases

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

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

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

g) Investments accounted for using the equity method

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

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

h) Financial assets

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

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

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

– **Financial assets at fair value through profit or loss**, which comprise:

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

Held-for-trading financial assets which, when arranged, mature within three months or less and whose realisation is not expected to give rise to significant costs are included under "Cash and Cash Equivalents" in the accompanying consolidated balance sheet. These assets are considered to be investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and therefore relate basically to very short-term, highly liquid investments with a high turnover.

- **financial assets initially recognised at fair value through profit or loss, which are financial assets not considered to be held for trading.**

– **Held-to-maturity investments** are financial assets with fixed or determinable payments and fixed maturity. Those maturing within no more than twelve months are classified as current assets and those maturing within more than twelve months as non-current assets.

– **Loans and receivables** maturing within no more than twelve months are classified as current items and those maturing within more than twelve months as non-current items. This category includes collection rights arising from the application of IFRIC 12 "Service Concession Arrangements" as detailed in Note 3-a.

– **Available-for-sale financial assets** are securities acquired that are not held for trading purposes and are not classified as held-to-maturity investments. They are classified as non-current in the accompanying consolidated balance sheet since it is intended to hold them at long term.

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

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

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

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

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

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

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

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

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

Assets and liabilities whose carrying amount is recovered through a sale transaction rather than through continuing use are classified as non-current assets held for sale and liabilities associated with non-current assets classified as held for sale. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition and the sale is expected to be completed within one year from the date of classification.

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

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

j) Inventories

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

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

k) Foreign currency

k.1) Translation differences

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

– Share capital and reserves, which were translated at historical exchange rates.

– The statement of profit or loss items of foreign operations, which were translated at the average exchange rates for the period.

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

k.2) Exchange rate differences

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

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

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

l) Equity instruments

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

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

m) Grants

Grants are recognised according to their nature.

m.1) Grants related to assets

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

m.2) Grants related to income

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

n) Provisions

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

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

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

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

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

o) Financial liabilities

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

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

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

p) Financial derivatives and hedge accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

– The IRSs were measured by discounting all the flows envisaged in each contract on the basis of its characteristics, such as the notional amount and the collection and payment schedule. This measurement was made using the zero-coupon yield curve determined by employing a bootstrapping process for the deposits and swaps traded at any given time. This zero-coupon yield curve was used to obtain the discount factors for the measurements, which were made assuming the absence of arbitrage opportunity (AAO). When there were caps and floors or combinations thereof, on occasions conditional upon special conditions being met, the interest rates used were the same as those used for the swaps, although in order to introduce the component of randomness in the exercise of the options, the generally accepted Black-Scholes model was used.
– In the case of a cash flow hedging derivative tied to inflation, the method used is very similar to that applied to interest rate swaps. The projected inflation is estimated on the basis of the inflation included implicitly in the ex-tobacco European inflation-indexed swaps quoted on the market and is aligned with Spanish inflation by means of a convergence adjustment.

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

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

q) Income tax

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

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

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

r) Pension obligations

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

s) Operating income and expenses

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

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

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

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

The Group receives the CO_2 emission allowances for its cement business free of charge under the respective national allocation plans and it recognises the related income and expense flows when its sells its surplus allowances or purchases the allowances it requires.

t) Related party transactions

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

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

u) Estado de flujos de efectivo consolidado

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

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

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

v) Use of estimates

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

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

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

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices that are observable for the financial instrument, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the financial instrument that are not based on observable market data.

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

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

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

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

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

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

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

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

Statement of profit or loss

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

	Cemusa Group	Globalvia Group	Total
2016			
Revenue	9,077	—	9,077
Operating expenses	(7,466)	—	(7,466)
Profit (Loss) from operations	1,611	—	1,611
Profit (Loss) before tax	912	(39,555)	(38,643)
Income tax	(87)	32,260	32,173
Impairment losses on discontinued operations after tax	(825)	—	(825)
Profit (Loss) for the year from discontinued operations, net of tax	—	(7,295)	(7,295)
Profit (Loss) attributable to non-controlling interests	—	—	—

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

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

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

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

Statement of cash flows

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

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

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

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

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

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

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

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

05. Changes in the scope of consolidation

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

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

The following operations also took place:

- On 30 December 2016 the acceptance period for the Cementos Portland Valderrivas S.A. exclusion public acquisition bid (OPA) began, ending on 13 February 2017. The bid was targeted at 100% of the subsidiary's share capital, except for the shares held by the group and the treasury shares held by Cementos Portland S.A. itself, at a price of 6 euros per share. The number of shares targeted by the OPA is 10,655,503, which makes the maximum value of the operation EUR 63,933 thousand. The final result of the OPA is described in Note 33 of these financial statements.
- On 28 December 2016, Realia Business S.A. completed a capital-increase operation, in which the Group subscribed shares in proportion to its holding, as a result of which its participating interest has Note varied in respect of its percentage stake as at 31 December 2015. The Group subscribed 68,026,898 shares by paying up EUR 54,422 thousand (Notes 12 and 31).
- The Group has reached an agreement to sell a company associated with the majority shareholder to sell shares representing 85% of the capital of Concesionaria Túnel de Coatzacoalcos S.A., still pending approval of the operation by the government of the State of Veracruz. Consequently, the Group has received an advance from the purchaser of EUR 48,396 thousand (MXN 1,000,000 thousand), leaving EUR 17,828 thousand (MXN 367,692 thousand at the year-end exchange rate) pending receipt at the end of the operation (Note 31).

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

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

06. Distribution of profit or loss

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

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

07. Intangible assets

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

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

a) Concessions

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

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

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

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

In 2016 and 2015 there were no significant outgoings.

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

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

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

b) Goodwill

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

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

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

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

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

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

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

Cementos Portland Valderrivas

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

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

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

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

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

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

The Cementos Portland Valderrivas Group bases its cash flow projections on historical data and the future projections of both the Group and external organisations. In April 2016 the company prepared its “Business Plan 2017–2026”. In the third quarter of the year, owing to the negative evolution of the markets, the flows of the “Business Plan 2017-2026” used as the basis for the calculation of the current impairment tests were updated.

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

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

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

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

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

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

1) Corporación Uniland

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

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

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

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

The main variables used in the test are as follows:

- Discounted cash flow period: 2017 to 2026
- Discount rate before tax: 8.14%
- Perpetuity growth rate: 0%
- Compound annual growth rate (in euros) of the Spanish cement market:
  - Revenue from domestic market (without CO_2 allowances): 11.29%
  - Revenue from export market: 5.63%
  - Gross profit (loss) from operations: 16.4%
- Compound annual growth rate (in dinars) of the Tunisian cement market:
  - Total revenue: 5%
  - Revenue from domestic market: 6.96%
  - Revenue from export market: 31.0%
  - Gross profit (loss) from operations: 4.9%

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

2) Alcalá de Guadaira

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

The main variables used in the test are as follows:

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

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

FCC Environment (UK) Group, formerly WRG Group

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

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

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

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

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

The main hypotheses used show a 2.2% decrease in income for 2017; subsequently we find a certain amount of recovery with discreet growth, the highest being 4.4% for 2020 and even a slip back of 2.2% in 2021. The gross operating margin remains in the 23–24% range for the 2020–2025 period, i.e. somewhat lower than at present, due largely to the change in the mix of activities, with activities with lower margins gaining relative importance. The discount rate before tax used was 4.36% and a ten-year time horizon was considered for the estimates, in view of the structural characteristics of its business and the long useful lives of its assets. A 1% growth rate was used to calculate the perpetual return. The present value of the perpetual return represents 77.7% of the total recoverable amount. The test showed that the recoverable amount of the cash-generating unit is EUR 689,930 thousand higher than its carrying amount and would withstand an increase of just over 330 basis points without incurring in impairment, a 10% decrease in current cash-flow values would reduce the surplus to EUR 558,106 thousand. Considering zero growth, the surplus would have fallen to EUR 455,133 thousand.

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

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

c) Other intangible assets

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

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

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

This heading includes mainly:

– amounts paid to public or private bodies in relation to fees for the award of contracts that do not qualify as concession arrangements pursuant to IFRIC 12 "Service Concession Arrangements", relating mainly to the Environmental Services Area;

– the amounts recorded on initial recognition of certain business combinations representing items such as customer portfolios and contracts in force on the purchase date;
– the rights to operate quarries relating to the Cement Area; and
– computer software.

08. Property, plant and equipment

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

	Cost	Accumulated depreciation	Impairment	Carrying amount
2016				
Land and buildings	**1,336,192**	**(496,647)**	**(59,181)**	**780,364**
Land and natural resources	637,733	(130,384)	(44,226)	463,123
Buildings for own use	698,459	(366,263)	(14,955)	317,241
Plant and other items of property, plant and equipment	**7,285,173**	**(4,907,642)**	**(637,640)**	**1,739,891**
Plant	4,534,018	(2,804,981)	(619,808)	1,109,229
Machinery and transport equipment	2,058,872	(1,617,877)	(14,825)	426,170
Property, plant and equipment in the course of construction and advances	49,447			49,447
Other items of property, plant and equipment	642,836	(484,784)	(3,007)	155,045
	8,621,365	**(5,404,289)**	**(696,821)**	**2,520,255**

	Cost	Accumulated depreciation	Impairment	Carrying amount
2015				
Land and buildings	**1,574,518**	**(542,385)**	**(96,860)**	**935,273**
Land and natural resources	784,772	(148,547)	(81,148)	555,077
Buildings for own use	789,746	(393,838)	(15,712)	380,196
Plant and other items of property, plant and equipment	**8,180,431**	**(5,269,089)**	**(720,381)**	**2,190,961**
Plant	5,350,270	(3,123,041)	(702,251)	1,524,978
Machinery and transport equipment	2,109,414	(1,640,416)	(15,115)	453,883
Property, plant and equipment in the course of construction and advances	51,817	–	–	51,817
Other items of property, plant and equipment	668,930	(505,632)	(3,015)	160,283
	9,754,949	**(5,811,474)**	**(817,241)**	**3,126,234**

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

	Land and natural resources	Buildings for own use	Land and buildings	Plant	Machinery and transport equipment	Property, plant and equipment in the course of construction and advances	Other items of property, plant and equipment	Plant and other items of property, plant and equipment	Accumulated depreciation	Impairment
Balance at 31.12.14	**791.872**	**760.311**	**1.552.183**	**5.083.305**	**2.046.456**	**64.518**	**658.552**	**7.852.831**	**(5.477.187)**	**(773.353)**
Additions or charge for the year	49	22.153	22.202	20.354	95.927	48.550	42.179	207.010	(338.829)	(13.290)
Disposals or reductions	(33.537)	(18.443)	(51.980)	(16.001)	(80.019)	(1.062)	(37.833)	(134.915)	134.307	13.205
Changes in the scope of consolidation, translation differences and other changes	23.042	22.043	45.085	231.451	26.920	(316)	4.002	262.057	(130.164)	(43.839)
Transfers	3.346	3.682	7.028	31.161	20.130	(59.873)	2.030	(6.552)	399	36
Balance at 31.12.15	**784.772**	**789.746**	**1.574.518**	**5.350.270**	**2.109.414**	**51.817**	**668.930**	**8.180.431**	**(5.811.474)**	**(817.241)**
Additions or charge for the year	1.884	12.348	14.232	24.037	84.548	62.128	24.814	195.527	(272.737)	(17.067)
Disposals or reductions	(162)	(7.661)	(7.823)	(3.949)	(107.580)	(2.748)	(32.404)	(146.681)	143.809	2.238
Changes in the scope of consolidation, translation differences and other changes	(164.434)	(103.473)	(267.907)	(881.935)	(31.434)	(4.151)	(33.392)	(950.912)	539.640	135.248
Transfers	15.673	7.499	23.172	45.595	3.924	(57.599)	14.888	6.808	(3.527)	–
Balance at 31.12.16	**637.733**	**698.459**	**1.336.192**	**4.534.018**	**2.058.872**	**49.447**	**642.836**	**7.285.173**	**(5.404.289)**	**(696.822)**

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

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

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

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

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

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

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

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

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

Restrictions on title to assets

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

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

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

Purchase commitments

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

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

09. Investment property

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

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

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

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

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

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

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

10. Leases

a) Finance leases

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

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

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

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

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

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

b) Operating leases

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

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

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

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

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

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

11. Service concession arrangements

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

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

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

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

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

	Carrying amount at 31 December 2015			
	Intangible assets	Financial assets	Concession grantor	Collection mechanism
Water services	**825.271**	**26.114**		
Jerez de la Frontera (Cádiz, Spain)	90,912	—	Jerez de la Frontera Municipal Council	User - based on use
Adeje (Tenerife, Spain)	62,602	—	Adeje Municipal Council	User - based on use
Santander (Cantabria, Spain)	52,839	—	Santander Municipal Council	User - based on use
Lleida (Spain)	45,241	—	Lleida Municipal Council	User - based on use
Caltanisetta (Italy)	39,234	—	Consorzio Ambito Territoriale Ottimale	User - based on use
Vigo (Pontevedra, Spain)	30,640	—	Vigo Municipal Council	User - based on use
Badajoz (Spain)	30,555	—	Badajoz Municipal Council	User - based on use
Oviedo (Asturias, Spain)	25,254	—	Oviedo Municipal Council	User - based on use
Santa Eulalia water treatment plant	—	26,114	Ministry of Agriculture and Environmental Affairs	Per desalinated cubic metre with guaranteed minimum amount
Other arrangements	447,994	—		
Motorways and tunnels	**340,337**	**—**		
Coatzacoalcos underwater tunnel (Mexico)	244,503	—	Government of the State of Veracruz	User-paid direct toll
Autovía Conquense (Spain)	95,834	—	Ministry of Public Works	Shadow toll
Other	**238,011**	**196,647**		
Buckinghamshire plant (UK)	168,624	69,292	Buckinghamshire County Council	Fixed amount plus variable amount per tonne
Campello plant (Alicante, Spain)	38,905	—	Autonomous Community of Valencia Consortium for Plan for Zone XV [Consorcio Plan Zonal XV de la Comunidad Valenciana]	Based on tonnes treated
RE3 plant (UK)	—	38,529	Councils de Reading, Bracknell Forest y Workingham	Fixed amount plus variable amount per tonne
Wrexham I plant (UK)	—	30,905	Wrexham County Borough Council	Fixed amount plus variable amount per tonne
Wrexham II plant (UK)	—	27,909	Wrexham County Borough Council	Fixed amount plus variable amount per tonne
Manises plant (Valencia, Spain)	—	27,235	Entidad Metropolitana para el Tratamiento de Residuos	Fixed amount plus variable amount per tonne
Other arrangements	30,482	2,777		
Total Grupo FCC	**1,403,619**	**222,761**		

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

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

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

"Other" includes mainly construction, operation and maintenance arrangements for waste treatment facilities in both Spain and the UK. The contracts include price revision clauses based on a number of variables such as inflation, energy costs and payroll costs. In order to classify the concession arrangements as intangible assets or financial assets, they were analysed to determine which party to the arrangement bears the demand risk. Arrangements in which the billings are determined solely according to the fixed amount and a variable amount based on the volume of tonnes treated, given that the latter is residual and the cost of the construction services is substantially covered by the fixed amount, the entire concession was considered as a financial asset, except in the case of the Buckinghamshire plant, in which the intangible component is very significant and which, therefore, is accounted for using the bifurcated model. With regard to the Buckinghamshire plant, in 2016, under the conditions of the contract, the sum of EUR 219,571 thousand was received from the conceding entity for construction services rendered. The operations phase remains pending, for which earnings for services rendered will also be received. As this case is a mixed model, receipts have been distributed among the component parts, with EUR 63,344 thousand corresponding to the financial part and EUR 156,227 thousand to the intangible part. Consequently, the receipt corresponding to the financial part has been recorded as a reduction in the value of the financial asset, whereas the receipt attributed to the intangible part has been recorded as a liability under "Other non-current liabilities" (Note 21). As a result, the receipt of the financial part has been recorded in the enclosed cash-flow statement as a disinvestment under "Other financial assets", whereas the receipt corresponding to the intangible part has been recorded under "Changes in current capital".

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

12. Investments accounted for using the equity method

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

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

The negative sum noted in 2016 in the value of joint-business investment refers to entities where the sum of the investment, calculated as the equity percentage corresponding to the Group, is negative (mostly owing to losses incurred by the entity) to which the parent has granted credits for the same or a higher amount. Such that the value of the total investment over the entity is positive. The above chart includes the increase in the value of investment in associates. This increase is due to the addition of Giant Cement Holding Inc. (EUR 54,323 thousand) following the capital increase in which the Group was not involved and the capital increase at Realia Business S.A. (EUR 54,422 thousand), in which the Group was involved (Note 5).

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

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

	Balance at 31.12.2014	Addi-tions	Dispo-sals	Translation differences and other changes	Balance at 31.12.2016
Joint ventures	**21,865**	**8,385**	**(2,652)**	**116,521**	**144,119**
OHL CO. Canada & FCC Canada Ltd. Partnership	—	4,615	—	59,316	63,931
Constructora Nuevo Necaxa Tihuatlán, S.A. de C.V.	—	1,086	(2,384)	39,730	38,432
Proyecto Front Marítim, S.L.	—	1,163	—v	5,532	6,695
North Tunnels Canada Inc.	—	—	—	8,461	8,461
Aguas de Langreo, S.L.	5,548	—	—	(366)	5,182
Aguas de Narixa, S.A.	5,046	—	—	(145)	4,901
Empresa Municipal Aguas de Benalmádena, S.A.	7,748	—	—	—	7,748
Other	3,523	1,521	(268)	3,993	8,769
Associates	**93,415**	**4,853**	**(1,781)**	**69,673**	**166,160**
Concessió Estacions Aeroport L9, S.A.	54,838	—	—	2,168	57,006
Construcción de Infraestructuras de Aguas de Potosí, S.A. de C.V.	—	387	—	10,748	11,135
N6 (Construction) Limited	—	—	—	41,797	41,797
Teide Gestión Sur, S.L.	—	—	—	10,563	10,563
Cleon, S.A.	935	19	—	6,931	7,885
Aquos El Realito, S.A. de C.V.	11,319	—	—	(3,482)	7,837
Aguas del Puerto Empresa Municipal, S.A.	5,113	4,000	—	(2,302)	6,811
Other	21,210	447	(1,781)	3,250	23,126
	115,280	**13,238**	**(4,433)**	**186,194**	**310,279**

a) Joint ventures

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

The changes in 2016 and 2015 were as follows:

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

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

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

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

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

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

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

b) Associates

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

The changes in 2016 and 2015 were as follows:

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

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

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

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

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

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

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

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

Balance

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

Statement of profit or loss

	2016	2015
Cifra de negocios	**79,834**	**75,983**
Otros ingresos	**16,900**	**18,831**
Gastos de explotación	(93,616)	(59,033)
Amortización de inmovilizado	(14,313)	(14,459)
Otros resultados de explotación	(13)	(18)
Resultado de explotación	**(11,208)**	**21,304**
Ingresos financieros	114,105	5,306
Gastos financieros	(8,185)	(24,778)
Otros resultados financieros	84	37
Resultado Financiero	**106,004**	**(19,435)**
Resultado entidades valoradas por el método de la participación	(3,248)	975
Resultado neto por deterioro de inmovilizado	—	553
Resultado antes impuestos operaciones continuadas	**91,548**	**3,397**
Impuesto sobre beneficios	(2,670)	(4,433)
Resultado del ejercicio de operaciones continuadas	**88,878**	**(1,036)**
Resultado operaciones interrumpidas	—	–
Resultado del ejercicio	**88,879**	**(1,036)**
Resultado sociedad dominante	85,407	(5,724)
Resultado intereses minoritarios	3,472	4,688

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

13. Joint arrangements. joint operations

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

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

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

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

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

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

14. Non-current financial assets and other current financial assets

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

a) Non-current financial assets

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

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

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

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

a.1) Available-for-sale financial assets

Breakdown of the balance at 31 December 2016 and 2015:

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

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

a.2) Loans and receivables

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

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

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

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

b) Other current financial assets

La composición del saldo a 31 de diciembre de 2016 y de 2015 es la siguiente:

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

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

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

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

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

15. Inventories

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

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

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

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

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

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

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

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

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

16. Trade, other receivables and other current assets

a) Trade receivables for sales and services

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

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

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

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

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

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

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

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

– Construction: Given the nature of the business and the fact that in certain construction contracts a long period of negotiation may take place between the date of initial billing to that of final acceptance by the customer, the foregoing balances include trade receivables that should have been collected mainly in the period from the third quarter of 2009 to the first half of 2016.

– Environmental Services: In general, except in the case of certain receivables from Spanish Municipal Councils, there are no significant balances more than one year old which have not been written down. The cases lasting longer than one year with no impairment recorded are specific situations that the company’s management believes may reasonably be expected to be received.

– Aqualia: In the Water activity, there are no significant trade receivable balances that are more than two years old; 50% of the balances shown in the table above are less than six months old.

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

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

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

– Differences between production completed, valued at the sale price, and certification to date under the relevant contract, totalling EUR 218,798 thousand. In other words, production recognised according to the degree of completion arising out of differences between the time when works production is completed, under the contract entered into with the client, and the time when the client certifies it.

– Changes totalling EUR 52,469 thousand. Includes production being negotiated with clients because it corresponds to adjustments to scope, changes or new works in addition to those covered by the original contract.

– Claims totalling EUR 57,329 thousand. Includes production recognised for claims that have arisen, whether litigation has been settled or is still in dispute, either because no agreement has been reached with the client or because the contract provides that arbitration is the method to be used for amendments to the original contract. Production recognised as income only when, based on internal and external reports, the claim is expected to result in the receipt of the sums recognised, without recording any additional income once litigation begins.

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

b) Other accounts receivable

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

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

c) Other current assets

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

17. Cash and cash equivalents

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

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

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

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

18. Equity

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

I. Equity attributable to the Parent

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

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

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

Capital increase	118,253
Share capital	**118,253**
Increase in share premium	591,266
Expenses incurred in the capital increase, net of tax	(1,671)
Share premium	**589,595**
Finance income arising from debt reduction	58,082
Tax effect	(14,521)
Profit (Loss) for the year	**43,561**
Total effect on Equity	**751,409**

a) Share capital

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

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

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

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

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

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

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

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

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

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

b) Retained earnings and other reserves

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

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

b.1) Reserves of the Parent

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

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

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

Share premium

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

Legal reserve

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

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

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

Reserve for retired capital

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

Voluntary reserves

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

b.2) Consolidation reserves

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

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

c) Treasury shares

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

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

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

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

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

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

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

d) Other equity instruments

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

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

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

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

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

e) Valuation adjustments

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

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

e.1) Cambios en el valor razonable de los instrumentos financieros:

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

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

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

e.2) Translation differences

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

	2016		2015	
European Union:				
FCC Environment (UK) Group	(100,166)		(82,505)	
Dragon Alfa Cement Limited	(1,905)		(1,676)	
Other	(13,293)	(115,364)	6,439	(77,742)
USA:				
FCC Construcción de América Group	11,861		12,366	
Globalvia Group	—		6,723	
Giant Cement Holding, Inc.	109		5,811	
Other	1,561	13,531	463	25,363
Egypt:				
Orasqualia Devel. Waste T.P. S.A.E.	(5,433)		(606)	
Egypt Environmental Services, S.A.E.	(3,117)		521	
Other	(2,962)	(11,511)	(332)	(417)
Tunisia:				
Societé des Ciments d’Enfidha	(9,503)		(8,992)	
Other	(356)	(9,859)	(407)	(9,399)
Latin America:				
Globalvia Group	—		22,123	
FCC Construcción de América Group	4,641		7,382	
Other	(2,671)	1,970	(2,133)	27,372
Other currencies				
Other	55	55	7,450	7,450
		(121,178)		**(27,371)**

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

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

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

f) Earnings per share

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

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

II. Non-controlling interests

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

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

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

19. Long term and short-term provisions

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

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

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

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

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

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

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

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

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

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

Long-term employee benefit obligations

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

Environmental provisions

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

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

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

Provisions for litigation

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

Contractual and legal guarantees and obligations

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

Provisions for construction contract settlements and contract losses

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

Provisions for other contingencies and chargess

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

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

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

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

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

The provision for the challenge to the sale of Alpine Energie Holding AG amounting to EUR 75,000 thousand covers the risk relating to the action brought by the insolvency managers of Alpine Bau GmbH on 11 June 2014 against the Parent of the Group, Fomento de Construcciones y Contratas, S.A. and two of its subsidiaries: Asesoría Financiera y de Gestión, S.A. and Bveftdomintaena Beteiligunsgverwaltung GmbH. It should be noted in relation to the aforementioned proceedings that the expert commissioned by the Spanish Public Prosecutor's Office adjudged in October 2015 that the sale of Alpine Energie did not cause any damage or loss to Alpine Bau and that the sale conditions were in line with the prevailing market conditions at the time; therefore the judgement does not consider any dealings in assets with a view to defrauding creditors to have occurred. The Anti-Corruption and Economic Offences Prosecutor's Office has fully accepted the criteria set forth in the expert report, agreeing to close part of the investigation. Although this report was issued in the framework of criminal proceedings and the judge of the commercial court who processed the claim for retrospective annulment is under no obligation as a result of such conclusions, it is expected that if it has been considered that the sale was not detrimental to Alpine's assets, this should have a bearing on whether or not the retrospective annulment of the sale is upheld. However, in view of the uncertainty as to the final outcome, the Group maintained the provision recognised in prior years.

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

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

- **Preliminary investigations:**
  - In July 2013 the claim filed by a bondholder against five Directors of Alpine Holding GmbH (all of whom were Directors when the bonds were issued and they filed for insolvency) gave rise to the investigations by the aforementioned Spanish Anti-Corruption and Financial Crime Prosecutor's Office.
  - In April 2014 a former Director of Banco Hypo Alde Adria filed a claim against FCC Construcción, S.A., Alpine Holding GmbH, Alpine Bau GmbH, three of their Directors and one employee of Fomento de Construcciones y Contratas, S.A. The investigations initiated by the Spanish Public Prosecutor's Office have been added to those mentioned above.
- **Civil and commercial proceedings**
  - In 2014 two bondholders filed two civil claims against FCC Construcción, S.A. and a Director for EUR 12 thousand and EUR 506 thousand. In October 2016 notice was given of another law suit, filed three years previously, claiming EUR 23 thousand. Currently these three proceedings have been suspended pending a preliminary judgment being handed down in the criminal jurisdiction.
  - The insolvency managers of Alpine Holding filed a claim of EUR 186 million against FCC Construcción, S.A. as it considers that this company must indemnify Alpine Holding GmbH for the amounts which the latter raised through bond issues in 2011 and 2012 and which the latter allegedly loaned to Alpine Bau GmbH without the necessary guarantees. Notice of the claim was given in April 2015 and the proceeding is at the evidence phase.

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

20. Non-current and current financial liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b) Non-current and current bank borrowings

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

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

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

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

1. Credit facilities and loans

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

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

The refinancing process was formalised through the refinancing agreements entered into on 24 March and 1 April 2014 by FCC, S.A., other Group companies and the lending banks. Subsequent to compliance with certain conditions, the refinancing process came into effect on 26 June 2014, the date on which the full amount under the Financing Agreement was received and interest began to accrue. The refinancing was subscribed by virtually all the financial entities involved (more than 40 entities), achieving coverage of 99.98% of the liabilities affected.

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

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

i) the use of the proceeds net of expenses arising from the 2015 capital increase; and

ii) the modification of certain terms and conditions of the Financing Agreement.

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

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

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

Financing Agreement and subsequent renewal

The refinancing is structured primarily on the basis of a long-term syndicated financing agreement divided into tranches that came into force on 26 June 2015 (the "Financing Agreement") which entailed the novation of a significant portion of the various syndicated financing agreements, credit or loan facilities or bilateral financing instruments of FCC, S.A. and certain of its Group companies (the "FCC Refinancing Scope"), with the exception of certain excluded companies and the excluded subgroups headed by Cementos Portland Valderrivas, S.A., FCC Environment Services, FCC PFI Holdings Ltd and Azincourt Investment, S.L.U. ("Azincourt"), ASA Abfall Services A.G. and Aqualia Czech S.L. (together the "Excluded Subgroups").

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

- **Amount:** The initial amount is EUR 4,528 million, which replaces the debt existing in various syndicated and bilateral structures for the same amount. As a result of the renewal the principal stands at EUR 3,237 million.
- **Tranches:** Tranche A for an initial amount of EUR 3,178 million which is classified as a guaranteed senior commercial loan and Tranche B for an initial amount of EUR 1,350 million that is of the same guaranteed nature as Tranche A and includes a right to convert the outstanding balance at maturity into newly issued shares at market price without a discount (including the PIK or capitalisable component of the accrued interest) through the conversion of loans into share capital or a subordinated loan in certain circumstances envisaged in the Financing Agreement. As a result of the renewal and the use of a portion of the funds from the capital increases effected in 2014 and 2016 to repay Tranche B, the principal amounted to EUR 138 million at 31 December 2016.
- **Maturity:** The maturity of the Financing Agreement was set at 4 years from 26 June 2015 with the possibility of being extended up to a maximum period of 6 years (automatic extension by 1 year in the case of conversion of Tranche B into shares of FCC, S.A. and additional extension by 1 more year where this has been approved by an enhanced majority of 75% of entities financing Tranche B). After novation of the agreement, if Tranche B has not been converted, it will be extended automatically for an additional three-year period.

- **Repayment:** The repayment schedule includes EUR 150 million at 24 months and EUR 175 million at 36 months, and the remainder is payable on maturity. Tranche B is repayable on the original maturity date, notwithstanding its possible conversion into shares under the terms and conditions indicated below. However, if the entities financing Tranche B decide not to convert Tranche B into FCC shares on the original maturity date, the maturity of Tranche B will be automatically extended for an additional three-year period from the original maturity date.
- **Interest rate of Tranche A:** The interest rate established for Tranche A is Euribor plus a floating spread increasing over the period of 3% in the first year, 3.5% in the second year and 4% in the third and fourth years.
- **Cases of early maturity:** The Financing Agreement provides for certain cases of early maturity, which include, inter alia (i) non-payment; (ii) non-achievement of covenants; (iii) material adverse effect; (iv) insolvency proceedings involving any party to the Agreement or relevant subsidiary; and (v) cross default if other debts are not paid.
- **Cases of mandatory total early repayment:** The Financing Agreement provides for certain cases of mandatory total early repayment which include, inter alia (i) a change of control at the FCC Group (which involves the acquisition of control by a third party other than an industrial company or a credit institution of acknowledged solvency, experience and management capacity), unless it results from a monetary capital increase the funds of which are used for the purposes envisaged in the Financing Agreement, or from the acquisition of control as a result of a possible conversion into shares; or the loss of control of the current controlling shareholder that does not involve the acquisition of control by a third party; and (ii) the sale of all or a substantial portion of the assets or businesses of the Group.
- **Cases of mandatory partial early repayment:** Among other cases, the Financing Agreement provides for the obligation of the borrowers to repay, early and partially, the outstanding principal using (i) all of the net proceeds from monetary capital increases, unless (a) they are used to repurchase Tranche B debt (using the Dutch auction procedure); (b) and up to 25% of the proceeds from the capital increase may be used, at the discretion of FCC, as contributions of funds to certain companies in which non-controlling interests are held, Excluded Subgroups (except for Alpine) or certain companies excluded from the FCC Refinancing Scope; (ii) the effective amount paid in by any FCC Group company party to the refinancing or any company in the FCC Refinancing Scope as a result of the subscription of subordinated debt; (iii) proceeds from insurance indemnity payments and the sale of assets, subsidiaries and businesses, except under certain circumstances; and (iv) cash surpluses existing at 31 December of each year which exceed certain minimum amounts.
- **Financial ratios and other borrower obligations:** The Financing Agreement is subject to the achievement of certain half-yearly financial ratios relating to the FCC Refinancing Scope the non-achievement of which may trigger a case for early repayment. At 31 December 2016, the ratios envisaged in this agreement had been achieved.
- **Flexibility in the terms and conditions in the case of deleverage:** If all the circumstances concur, which in accordance with the Financing Agreement constitutes a case of deleverage of the FCC Refinancing Scope, the Financing Agreement provides for the automatic modification of certain conditions and obligations upon the borrowers including (i) the easing of partial early payment assumptions; and (ii) modification of the dos and don’ts obligations incumbent upon borrowers (including the removal of the prohibition on distributions to shareholders), establishing minimum thresholds that triggering the prohibition of constitution of liens and encumbrances or limitations on the disposal and sale of assets when conducted under conditions other than market conditions.

  As a result of the aforementioned renewal, certain clauses were modified, thereby mitigating various restrictions imposed by the original Agreement, the most significant being: (i) FCC can provide funding to Group companies other than the borrowers and guarantors if they meet certain requirements; (ii) the maximum amount of additional financial indebtedness in which FCC and other Group companies may incur has been increased; and (iii) the restrictions on dividend payouts were reduced; nevertheless, as at 31 December 2016 the conditions to proceed to paying out dividends were not met.
- **Personal guarantees and security interests:** The Financing Agreement provides for personal guarantees whereby FCC and Group companies acting as guarantors are jointly and severally liable for the fulfilment of the obligations of the other borrowers. In further assurance of compliance with the obligations under the Financing Agreement, certain security interests have been given by the borrowers including (i) a pledge of shares and ownership interests in various FCC Group companies; (ii) a pledge of collection rights relating to bank accounts; and (iii) a pledge of receivables under certain concession arrangements and other collection rights, as well as the grant of a promise of creating additional security interests in certain circumstances.

There is a promise to create additional security interests in assets of any kind (property, plant and equipment, intangible assets or financial assets) and, in particular, in the Group's property assets which are not encumbered or subject to promises of guarantees, receivables or shares of or ownership interests in any company owned by it in any of the following cases: (i) if the majority of the financial institutions have requested this expressly in view of the circumstances at any given time (regardless of whether or not the additional security interests will be provided to all the guaranteed creditors); (ii) in a case of early maturity of the financing (regardless of whether or not the early maturity of the financing has been declared); or (iii) at any other time at which a guarantee may have become invalid or unenforceable, or may have been cancelled or reduced in any way.

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

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

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

Main characteristics of Tranche B

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

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

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

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

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

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

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

  In these cases, the conversion of the warrants would be immediately deactivated, Tranche B would be converted into Tranche A and the spread applicable to the interest rate on the total of Tranche A would be set at 4.5%.

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

Financial Stability Framework Agreement

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

Syndicated International Guarantee Facility

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

Cementos Portland Valderrivas Deferral Agreement

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

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

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

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

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

2. Borrowings without recourse to the Parent:

Includes the financing relating to the Cementos Portland Group and the Alpine Group, since there is a limited guarantee on the part of the Parent of the FCC Group, Fomento de Construcciones y Contratas, S.A.

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

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

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

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

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

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

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

3. Limited-recourse project finance loans:

Omprising all the financing guaranteed solely by the project itself and by its cash generation capacity, which will support all the debt service payments and which will not be guaranteed by the Parent Fomento de Construcciones y Contratas, S.A. or any other FCC Group company under any circumstances.

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

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

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

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

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

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

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

– Tranche A amounts to GBP 89.18 million. The borrowing costs associated with this tranche are as follows: LIBOR + 325 bps in 2016 and LIBOR + 400 bps in the remaining years.

– Tranche B, for GBP 181.07 million, with borrowing costs of LIBOR + 105 bps until 2016 (inclusive), LIBOR + 180 bps in 2017 and LIBOR + 255 bps in 2018.

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

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

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

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

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

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

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

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

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

c) Other non-current financial liabilities

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

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

d) Other current financial liabilities

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

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

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

e) Repayment schedule

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

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

21. Other non-current liabilities

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

	2016	2015
The detail at 31 December 2016 and 2015 is as follows:	—	26,267
Otros Pasivos no corrientes	174,946	30,838
	174,946	**57,105**

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

22. Trade and other payables

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

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

In relation to the Resolution issued by the Spanish Accounting and Audit Institute (ICAC) on 29 January 2016 implementing Additional Provision Two of Law 31/2014, of 3 December, which amends Additional Provision Three of Law 15/2010, of 5 July, on combating late payment in commercial transactions, it should be noted with respect to 2016 that in Spain the Group operates mainly with public-sector customers such as the State, Autonomous Communities, Local Corporations and other public bodies which take longer to settle their payment obligations than the periods established in Public Sector Contract Legislation and in Law 3/2004, of 29 December, on combating late payment in commercial transactions.

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

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

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

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

In addition, the Group has entered into reverse factoring and similar agreements with various financial entities in order to facilitate early payment to its suppliers, under which the supplier may exercise its collection right with the Group companies or entities, obtaining the amount billed less the finance costs of discounting and fees applied by the aforementioned entities and, in some cases, amounts retained as security. The facilities arranged total EUR 151,280 thousand, against which EUR 37,561 thousand had been drawn down at 31 December 2016.

The aforementioned agreements do not modify the main payment conditions contained therein (interest rate, term or amount) and, therefore, they remain classified as trade payables.

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

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

23. Derivative financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

	Notional expiry				
	2017	208	2019	2020	2021 and subsequent years
Fully consolidated companies	7,481	5,333	5,333	5,333	17,333

24. Tax matters

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

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

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

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

a) Deferred tax assets and liabilities

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

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

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

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

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

Deferred tax liabilities arose mainly as a result of:

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

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

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

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

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

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

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

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

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

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

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

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

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

b) Current tax receivables and payables

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

Current assets

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

Current liabilities

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

c) Income tax expense

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

	2016			2015		
Consolidated profit (loss) for the year before tax from continuing operations			**(161.211)**			**(5.701)**
	Increase	**Decrease**		**Increase**	**Decrease**	
Permanent differences	492,280	(131,978)	360,302	154,066	(58,793)	95,273
Adjusted consolidated accounting profit (loss) from continuing operations		**199,091**			**89,572**	
Temporary differences						
– Arising in the year	201,844	(156,446)	45,438	200,501	(108,662)	91,839
– Arising in prior years	142,046	(181,013)	(38,967)	167,685	(162,793)	4,892
Income and expense recognised directly in equity			—			(68)
Consolidated taxable profit (tax loss) from continuing operations			**205,562**			**186,235**

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

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

The reconciliation of the income tax expense is as follows:

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

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

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

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

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

25. Pension plans and similar obligations

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

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

a) Unilateral decision of the Company.

b) Dissolution or disappearance of the Parent for whatever cause, including merger or spin-off.

c) Death or permanent disability.

d) Other causes of physical or legal incapacity.

e) Substantial change in professional terms and conditions.

f) Resignation of the Executive on reaching 60 years of age, at the request of the Executive and with the consent of the company.

g) Resignation of the Executive on reaching 65 years of age, by unilateral decision of the Executive.

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

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

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

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

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

– The accompanying consolidated balance sheet as at 31 December 2016 includes the employee benefit obligations of the FCC Environment (UK) Group companies resident in the UK. These obligations are represented by certain assets assigned to the plans funding the benefits, the fair value of which amounted to EUR 52,978 thousand (31 December 2015: EUR 54,338 thousand), and the actuarial value of the accrued obligations amounted to EUR 60,174 thousand (31 December 2015: EUR 58,067 thousand). The net difference, representing a liability of EUR 7,196 thousand (31 December 2015: EUR 3,729 thousand), was recognised under "Long-Term Provisions" in the accompanying consolidated balance sheet. "Staff Costs" in the accompanying consolidated statement of profit or loss includes a cost of EUR 540 thousand (31 December 2015: EUR 628 thousand) relating to the net difference between the service cost and the return on the plan assets. The average actuarial rate applied was 2.7% (2015: 3.8%).

– The accompanying consolidated balance sheet as at 31 December 2016 includes the employee benefit obligations of Telford & Wrekin Services, Ltd., resident in the UK. These obligations are represented by certain assets assigned to the plans funding the benefits, the fair value of which amounted to EUR 26,385 thousand (31 December 2015: EUR 28,078 thousand), and the actuarial value of the accrued obligations amounted to EUR 33,532 thousand (31 December 2015: EUR 31,407 thousand). The net difference, representing a liability of EUR 7,147 thousand (31 December 2015: EUR 3,329 thousand), was recognised under "Long-Term Provisions" in the accompanying consolidated balance sheet.

– Giant Cement Holding, Inc., a US resident company, has undertaken to supplement the retirement benefits of its employees. In 2016 control of this company was lost and it began to be consolidated by the equity method (Notes 5 and 12). At 31 December 2015, the fair value of the plan assets amounted to EUR 49,295 thousand and the actuarial value of the obligations for benefits earned amounted to EUR 73,452 thousand. Also, this company has undertaken to continue to pay for the healthcare and life insurance of certain employees after termination of their employment, amounting to EUR 36,399 thousand at 31 December 2015.

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

2016

Actual evolution of the present value of the obligation

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

Actual evolution of the fair value of the plan assets

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

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

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

2015

Actual evolution of the present value of the obligation

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

Actual evolution of the fair value of the plan assets

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

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

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

26. Guarantee commitments to third parties and other contingent liabilities

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

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

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

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

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

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

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

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

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

27. Income and expenses

a) Operating income

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

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

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

	2016	2015
Income from sundry services	81,060	83,940
CO_2 emission allowances (Note 29)	—	3,895
Compensation received from insurance companies	5,924	6,595
Grants related to income	11,089	13,520
Other income	77,367	78,027
	175,440	185,977

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

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

c) Procurements

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

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

d) Staff cost

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

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

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

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

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

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

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

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

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

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

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

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

f) Other income and expenses

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

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

g) Finance income and costs

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

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

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

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

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

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

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

h) Other net finance costs

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

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

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

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

i) Result of companies accounted for using the equity method

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

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

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

28. Segment reporting

a) Business segments

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

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

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

Statement of profit or loss by segment

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

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

2016	Total Group	Environmental Services	End-to-End Water Management	Construction	Cement	Corporate	Eliminations
Revenue	5,951,591	2,728,066	1,009,815	1,652,596	536,211	61,878	(36,975)
Non-group customers	*5,951,591*	*2,720,929*	*998,967*	*1,638,360*	*531,457*	*61,878*	—
Transactions with other segments	—	*7,137*	*10,848*	*14,236*	*4,754*	—	*(36,975)*
Other income	228,370	69,303	43,956	90,268	14,952	45,682	(35,791)
Non-group customers	*228,368*	*68,561*	*44,195*	*97,335*	*14,892*	*3,385*	—
Transactions with other segments	*2*	*742*	*(239)*	*(7,067)*	*60*	*42,297*	*(35,791)*
Operating expenses	(5,346,255)	(2,358,692)	(822,339)	(1,687,838)	(461,939)	(88,157)	72,710
Depreciation and amortisation charge and allocation to the consolidated statement of profit or loss of grants related to non-financial non-current assets and other grants	(399,312)	(191,354)	(88,005)	(39,895)	(61,211)	(19,473)	626
Other income and expenses	(340,782)	(25,548)	675	(62,501)	(148,415)	(104,993)	—
Profit (Loss) from operations	**93,612**	**221,775**	**144,102**	**(47,370)**	**(120,402)**	**(105,063)**	**570**
Percentage of revenue	1.57%	8.13%	14.27%	(2.87%)	(22.45%)	(169.79%)	(1.54%)
Finance income and costs	(289,064)	(106,064)	(35,153)	(9,379)	(104,912)	24,507	(58,063)
Other net finance income and costs	(22,202)	643	(8,452)	(4,381)	4,480	(14,207)	(285)
Result of companies accounted for using the equity method	56,444	7,908	10,062	(24,762)	(5,579)	68,800	15
Profit (Loss) before tax from continuing operations	**(161,210)**	**124,262**	**110,559**	**(85,892)**	**(226,413)**	**(25,963)**	**(57,763)**
Income tax	(34,982)	(32,358)	(27,595)	13,359	2,502	(18,654)	27,764
Profit (Loss) for the year from continuing operations	**(196,192)**	**91,904**	**82,964**	**(72,533)**	**(223,911)**	**(44,617)**	**(29,999)**
Profit (Loss) for the year from discontinued operations, net of tax	(7,294)	—	—	—	—	(7,294)	—
Consolidated profit (loss) for the year	**(203,486)**	**91,904**	**82,964**	**(72,533)**	**(223,911)**	**(51,911)**	**(29,999)**
Non-controlling interests	(41,912)	3,593	6,783	(6,291)	991	—	(46,988)
Profit (Loss) attributable to the Parent	**(161,574)**	**88,311**	**76,181**	**(66,242)**	**(224,902)**	**(51,911)**	**16,989**
Contribution to FCC Group profit (loss)	**(161,574)**	**88,311**	**76,181**	**(66,242)**	**(177,963)**	**(51,911)**	**(29,950)**

2015	Total Group	Environmental Services	End-to-End Water Management	Construction	Cement	Corporate	Eliminations
Revenue	6,476,024	2,855,608	1,033,507	1,992,936	580,410	48,090	(34,527)
Non-group customers	*6,476,024*	*2,849,202*	*1,022,846*	*1,984,873*	*571,013*	*48,090*	—
Transactions with other segments	—	*6,406*	*10,661*	*8,063*	*9,397*	—	*(34,527)*
Other income	218,404	45,555	38,853	80,972	17,102	82,060	(46,138)
Non-group customers	*218,404*	*44,846*	*41,276*	*79,951*	*17,009*	*35,322*	—
Transactions with other segments	—	*709*	*(2,423)*	*1,021*	*93*	*46,738*	*(46,138)*
Operating expenses	(5,879,792)	(2,475,824)	(844,897)	(1,998,113)	(503,236)	(138,525)	80,803
Depreciation and amortisation charge and allocation to the consolidated statement of profit or loss of grants related to n on-financial non-current assets and other grants	(428,457)	(228,655)	(81,291)	(37,716)	(65,924)	(15,496)	625
Other income and expenses	(62,352)	(5,154)	(887)	(57,309)	238	760	—
Profit (Loss) from operations	**323,827**	**191,530**	**145,285**	**(19,230)**	**28,590**	**(23,111)**	**763**
Percentage of revenue	5.00%	6.71%	14.06%	(0.96%)	4.93%	(48.06%)	(2.21%)
Finance income and costs	(354,258)	(108,881)	(41,515)	(14,371)	(102,435)	92,749	(179,805)
Other net finance income and costs	(10,624)	3,189	126	(12,687)	264	(116,056)	114,540
Result of companies accounted for using the equity method	35,354	8,667	5,057	(19,436)	425	40,600	41
Profit (Loss) before tax from continuing operations	**(5,701)**	**94,505**	**108,953**	**(65,724)**	**(73,156)**	**(5,818)**	**(64,461)**
Income tax	40,846	39,799	(30,806)	(3,872)	13,064	22,943	(282)
Profit (Loss) for the year from continuing operations	**35,145**	**134,304**	**78,147**	**(69,596)**	**(60,092)**	**17,125**	**(64,743)**
Profit (Loss) for the year from discontinued operations, net of tax	(89,311)	—	—	—	—	(89,311)	—
Consolidated profit (loss) for the year	**(54,166)**	**134,304**	**78,147**	**(69,596)**	**(60,092)**	**(72,186)**	**(64,743)**
Non-controlling interests	(7,875)	3,086	3,338	(2,703)	1,878	(541)	(12,933)
Profit (Loss) attributable to the Parent	**(46,291)**	**131,218**	**74,809**	**(66,893)**	**(61,970)**	**(71,645)**	**(51,810)**
Contribution to FCC Group profit (loss)	**(46,291)**	**131,218**	**74,809**	**(66,893)**	**(48,906)**	**(71,645)**	**(64,874)**

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

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

Balance sheet by segment

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

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

Cash flows by segment

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

b) Activities and investments by geographical market

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

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

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

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

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

c) Headcount

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

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

29. Information on the environment

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

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

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

Continuous improvement

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

Control and monitoring

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

Climate change and prevention of pollution

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

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

Observation of the environment and innovation

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

Life cycle of the products and services

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

The participation of all is a must

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

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

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

a) Compliance with the applicable regulations and achievement of environmental objectives that go beyond external requirements.

b) Reduction of environmental impact through adequate planning.

c) Ongoing analysis of risks and possible improvements.

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

a) Identification of environmental issues and of applicable legislation.

b) Impact evaluation criteria.

c) Measures to be adopted.

d) A system for measuring the objectives achieved.

By their very nature, the activities of the Environmental Services Area are geared towards environmental protection and conservation, not only through the production activity itself (waste collection, street cleaning, operation and control of landfills, sewer cleaning, treatment and elimination of industrial waste, etc.), but also as a result of performing these activities using production techniques and systems designed to reduce environmental impact, on occasions surpassing the requirements stipulated in the regulations governing this area.

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

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

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

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

Due to its cement activities, the Group receives CO_2 emission allowances for no consideration under the corresponding national allocation plans. In this connection, it should be noted that in 2016 emission allowances equivalent to 4,032 thousand tonnes per annum were received (2015: 3,112 thousand tonnes) corresponding to Cementos Portland Valderrivas, S.A. and Cementos Alfa, S.A.

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

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

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

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

30. Financial risk management policies

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

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

a) Capital risk

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

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

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

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

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

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

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

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

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

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

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

b) The FCC Group is exposed to foreign currency risk

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

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

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

	CONSOLIDATED							
	Euro	US dollar	Pound sterling	Czech koruna	Non-eurozone European currencies	Latin America	Other	TOTAL
Total consolidated net debt	3,539,614	(375,656)	327,411	162,766	(5,852)	(2,305)	(55,048)	3,590,930
Net debt as a percentage of total debt	98.6%	(10.4%)	9.1%	4.5%	(0.2%)	(0.1%)	(1.5%)	100.0%

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

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

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

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

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

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

c) The FCC Group is exposed to interest rate risk

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

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

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

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

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

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

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

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

d) Solvency risk

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

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

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

The strong generation of operating funds and measures applied to the capital structure have enabled a substantial reduction in the net financial debt to be achieved since the beginning of the year, i.e. up to EUR 3,590.9 million. The reduction of EUR 1,882.7 million is largely due to the capital increase completed in March, the deconsolidation of the holding in Giant Cement in the cement division (Notes 5 and 12), the receipt of an advance for the commissioning of a USW-treatment plant in the UK (Notes 11 and 22), the control of investments together with the sale of certain subsidiaries, and the management measures taken to contain costs and improve the conversion of operating cash assets. With regard to the solvency risk, it should be noted that the adjustment made to the value of goodwill in the cement division (EUR 299. million in the third quarter of 2016 (Note 7) is responsible for the attributable consolidated annual losses of EUR 161.6 million, compared with losses of EUR 46.3 million in 2015. This impairment, which has no effect on the Group's cash generation, can be attributed to the delay in the forecast process of recovery in Spain, associated with a new slump suffered by public investment over the course of the year.

In turn, the losses recognised in 2015 amounting to EUR 46,3 million were mainly due to “Profit (Loss) for the Year from Discontinued Operations”, the balance of which showed a loss of EUR 89,311,000, mainly as a consequence of the sale of the Cemusa Group.

e) The FCC Group is exposed to liquidity risk

The FCC Group performs its transactions in industries which require a high level of financing, and to date it has obtained sufficient adequate financing to be able to carry on its operations. However, the FCC Group cannot guarantee that these circumstances relating to the obtainment of financing will continue in the future.

The capacity of the FCC Group to obtain financing depends on many factors, many of which are outside its control, such as general economic conditions, the availability of bank funds and the monetary policies of the markets in which the FCC Group operates. Unfavourable conditions in the debt and capital markets can obstruct or impede the obtainment of adequate financing for the performance of the business activities of the FCC Group.

Apart from seeking new sources of financing, the FCC Group may need to refinance a portion of its current debt through bank loans and debt issues, since a significant portion of the financing of the FCC Group matures in 2018. Historically, the FCC Group has always been able to renew its loan agreements and expects to continue to do so over the next twelve months. However, the ability to renew the loan agreements depends on various factors, many of which are outside the control of the FCC Group, such as the general conditions of the economy, the availability of funds for loans from private investors and banks and the monetary policies of the markets in which the FCC Group operates. Unfavourable conditions in the debt markets can obstruct or impede the FCC Group’s capacity to renew its financing. Therefore, the FCC Group cannot guarantee its capacity to renew the loan agreements on economically attractive terms. The inability to renew these loans or ensure adequate financing on acceptable terms could have an adverse impact on the liquidity of the FCC Group and on its ability to cover working capital requirements.

In order to adequately manage this risk, the Group closely monitors the maturities of all the credit lines and financing of each of the Group companies so that they can be renewed in sufficient time and on the best terms offered by the market, analyses the suitability of the financing on a case-by-case basis and studies any alternatives with more favourable terms. In addition, the FCC Group is present in various markets in order to facilitate the obtainment of financing and mitigate liquidity risk.

At 31 December 2016, the Group had the following repayment schedule for its gross borrowings, which for 2017 amount to EUR 410,989 thousand.

2017 Total Jan-Dec	2018 Total Jan-Dec	2019 Total Jan-Dec	2020 and subsequent years	TOTAL
410,989	3,506,172	101,504	982,402	5,001,067

A significant portion of the gross financial debt, EUR 1,503,581 thousand, has no recourse to the controlling company, including the financial debt in the cement division, totalling EUR 536,932 thousand as at 31 December 2016.

As at 31 December 2016 the Group presents positive goodwill of EUR 523,754 thousand (EUR 20,769 thousand as at 31 December 2015).

In addition, in 2016 the sale of the Globalvia subgroup was completed for EUR 95,161 thousand, with a sum of EUR 106,040 thousand pending receipt in the first quarter of 2017. In April the participating interest in the company Metro de Málaga S.A. was sold for EUR 27,446 thousand.

In order to manage liquidity risk, at 31 December 2016 the Group had cash amounting to EUR 865,168 thousand, as well as the following current financial assets and cash equivalents, which mature as follows:

Thousands of euros	Amount	1-3 months	3-6 months	-9 months	9-12 months
Other current financial assets	263,726	146,003	14,130	21,435	82,158

Thousands of euros	Amount	1 month	1-2 months	2-3 months
Cash equivalents	280,917	21,585	82,416	176,916

f) Concentration risk

This risk arises from the concentration of financing transactions with common features which are distributed as follows:

- Sources of financing: in order to diversify this risk, the FCC Group works with numerous Spanish and international financial institutions in order to obtain financing.
- Markets/geographical area (Spanish, foreign): the FCC Group operates in a wide variety of Spanish and international markets. The Group's debt is concentrated mainly in euros and the remainder in various currencies in several international markets.
- Products: the FCC Group arranges various financial products, including loans, credit facilities, bonds, syndicated transactions, factoring, discounting, etc.
- Currency: the FCC Group finances its operations in a wide variety of currencies, corresponding to the country of origin.

The FCC Group's strategic planning process identifies the objectives to achieve in each of the areas of business activity, based on the improvements to be implemented, market opportunities and the level of risk considered acceptable. This process serves as a basis for the preparation of the operating plans which specify the goals to be reached each year.

In order to mitigate the market risks inherent to each business line, the Group maintains a diversified position between businesses related to infrastructure construction and management, provision of environmental services and others. In terms of geographical diversification, in 2016 business abroad accounted for 48% of total sales, with particular relative importance in the Group's most significant areas: infrastructure construction and environmental services.

g) Credit risk

The provision of services or the acceptance of orders from customers, whose financial solvency cannot be guaranteed at the time of acceptance, is not known or cannot be assessed by the Group, together with situations that may arise during the provision of a service or execution of an order that could affect the customer's financial position, could result in the risk of non-payment of the amounts owed.

The Group requests commercial reports and assesses the financial solvency of its customers before entering into agreements with them and also engages in ongoing monitoring of customers, and has a procedure in place to be followed in the event of insolvency. In the case of public customers, the Group follows the policy of not accepting projects without an allocated budget and financial approval. Offers exceeding a certain collection period must be authorised by the Financial Department. Furthermore, late payment is monitored on an ongoing basis by the various management committees.

The maximum level of exposure to credit risk was calculated, the detail of which at 31 December 2016 is as follows:

Financial loans granted	738,065
Trade and other receivables	1,690,807
Assets relating to financial derivatives	1,215
Cash and cash equivalents	1,146,085
Guarantees provided	4,332,937
Total	**7,909,109**

In general, the Group does not have collateral, guarantees or enhancements to improve the credit risk for the financial loans or the trade receivables. However, it should be noted that in the case of certain agreements relating to the Water Area, mostly service concession arrangements subject to IFRIC 12, guarantees are requested from the customers, and there are compensation mechanisms in certain arrangements, mostly service concession arrangements subject to IFRIC 12 in the Water and Environmental Services Areas, which guarantee recovery of the loans granted to finance the initial fixed charges paid in advance or investment plans.

With respect to the creditworthiness, the Group applies its best criterion to recognise impairment on those financial assets for which uncertainty exists as to their recoverability. Therefore, since most of the unprovisioned financial assets relate to public sector customers in the Construction and Environment Areas, it should be considered that there is no risk of non-payment since the creditworthiness of those customers is high.

h) Financial derivatives designated as hedging instruments

In general, the financial derivatives arranged by the FCC Group are treated, for accounting purposes, in accordance with the regulations on hedge accounting described in the notes to the consolidated financial statements. The main financial risk hedged by the FCC Group using derivative instruments relates to fluctuations in the floating interest rates to which the FCC Group companies' financing is tied. Financial derivatives are measured by experts on the subject that are independent from the Group and the entities financing it, using generally accepted methods and techniques.

Sensitivity analyses are carried out periodically in order to observe the effect of a possible change in interest rates on the Group's accounts.

Accordingly, a simulation was performed using three rising basic yield curve scenarios for the euro with an average of around of 0.45% in the medium and long term at 31 December 2016, assuming increases in the curve of 25 bp, 50 bp and 100 bp.

The amounts obtained in relation to the derivatives in force at year-end with an impact on equity are shown below (in thousands of euros), after the application, where applicable, of the percentage of ownership.

	Hedging derivatives		
	+25 pb	+50 pb	+100pb
Impact on equity:			
Full consolidation	4,752	9,353	18,167
Equity method	14,854	29,259	56,794

31. Information on related party transactions

a) Transactions with Directors of the Parent and Senior Executives of the Group

The detail of the fixed and variable remuneration earned by the Directors of Fomento de Construcciones y Contratas, S.A. in 2016 and 2015 and payable to them by the Company or by any of the Group companies, joint ventures or associates is as follows:

	2016	2015
Fixed remuneration	1,230	2,044
Other remuneration	1,738 (**)	5,448 (*)
	2,968	**7,492**

(*) In 2015 Juan Béjar Ochoa earned variable remuneration of EUR 4,225 thousand.
(**) Includes the contribution to the CEO's savings fund of EUR 202 thousand (Note 25).

The Senior Executives listed below, who are not members of the Board of Directors, earned total remuneration of EUR 3,507 thousand in 2016 (2015: EUR 5,861 thousand).

2016	
Marcos Bada Gutiérrez	General Internal Audit Manager
Agustín García Gila	Chairman of Environmental Services
Felipe B. García Pérez	General Secretary
Miguel Jurado Fernández	Manager of FCC Construcción
Félix Parra Mediavilla	General Manager of FCC Aqualia

The figure for total remuneration includes the sums corresponding to severance payments for three senior managers in 2016.

On 16 January 2017, Pablo Colio Abril replaced Miguel Jurado Fernández as the managing director of FCC Construcción.

2015	
Carlos M. Jarque Uribe	Chief Executive and CEO
Agustín García Gila	Chairman of Environmental Services
Felipe B. García Pérez	General Secretary
Miguel Jurado Fernández	Manager of FCC Construcción
Vicente Mohedano Martín	Manager of FCC Construcción
Miguel A. Martínez Parra	General Manager of Administration and Finance
Miguel Hernanz Sanjuán	General Internal Audit Manager
Julio Pastor Bayón	General Communication and Corporate Responsibility Manager
Félix Parra Mediavilla	General Manager of FCC Aqualia
Ana Villacañas Beades	General Organisation Manager

Note 25 on "Pension plans and similar obligations" describes the insurance taken out for certain directors and senior executives, and the economic fund set up to compensate the Senior Executive/CEO of the company Fomento de Construcciones y Contratas S.A. or its Group.

In relation to the investments held by the Directors of Fomento de Construcciones y Contratas, S.A., or persons related to them, in the share capital of companies outside the FCC Group; or in relation to whether they, as independent professionals or as employees, engage in an activity that is similar or complementary to that which constitutes the company object of the Group; or in relation to whether they themselves or a person acting on their behalf have performed, with the Company or with any company in the same Group, other transactions outside the course of the Company's ordinary business operations or in conditions that were not on arm's length conditions; it should be mentioned that the aforementioned Directors have stated that they or persons related to them:

– Do not carry on, as independent professionals or as employees, any activity that is identical, similar or complementary to the activity that constitutes the Company's object.

– Do not own any investments in the share capital of companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of Fomento de Construcciones y Contratas, S.A.

– Had not performed, with the Company or any company of the same Group, other transactions outside the course of the Company's ordinary business operations, or in conditions that were not on an arm's length basis.

The detail of the Directors who hold positions at companies in which Fomento de Construcciones y Contratas, S.A. holds a direct or indirect ownership interest is as follows:

Name or company name of Director	Group company name	Position
Don Carlos Manuel Jarque Uribe	Realia Business, S.A.	Director
Don Gerardo Kuri Kaufmann	Cementos Portland Valderrivas, S.A.	CEO
	Realia Business, S.A.	CEO
Don Juan Rodríguez Torres	Cementos Portland Valderrivas, S.A.	Director
	Realia Business, S.A.	Executive Chairman
Don Alvaro Vázquez De Lapuerta	Cementos Portland Valderrivas, S.A.	Director
Inmobiliaria Aeg, S.A. de C.V.	Cementos Portland Valderrivas, S.A.	Director
EAC Inversiones Corporativas, S.L.	Cementos Portland Valderrivas, S.A.	Chairman's Office
	Realia Business, S.a.	Director

These Directors hold positions or discharge functions and/or hold ownership interests of less than 0.01% in all cases in other FCC Group companies in which Fomento de Construcciones y Contratas, S.A. directly or indirectly holds a majority of the voting power.

At the Annual General Meeting held on 28 June 2016 five Directors (Juan Rodríguez Torres, Carlos Manuel Jarque Uribe, Antonio Gómez García, Alfonso Salem Slim y Miguel Angel Martínez Parra), were released so that they could hold a direct or indirect ownership interest and discharge executive or management positions at the companies of the Group to which the shareholders Control Empresarial de Capitales, S.A. de C.V. and Inmobiliaria Carso, S.A. de C.V. or at their investees or affiliates belong.

In addition, in both 2015 and 2016 a number of ad hoc conflicts of interest have come to light affecting certain directors. These have been resolved according to the procedure provided under the board regulations, with the persons involved standing aside from the relevant discussions and votes.

In 2016 no significant transactions giving rise to a transfer of resources or obligations between Group companies and their Executives or Directors were carried out.

b) Transactions between Group companies or entities

Numerous transactions take place between the Group companies as part of the Group's normal business activities which, in any event, are eliminated in the preparation of the consolidated financial statements.

The revenue recognised in the accompanying consolidated statement of profit or loss includes EUR 105,971 thousand (2015: EUR 113,256 thousand) relating to Group company billings to associates and joint ventures.

The Group's consolidated financial statements also include purchases from associates and joint ventures amounting to EUR 14,939 thousand (2015: EUR 31,596 thousand).

c) Operations with associated parties

During the year various operations took place with companies with which shareholders of Fomento de Construcciones y Contratas S.A. are associated. The most significant of these were as follows:

- Contracts to provide services entered into between Alejandro Aboumrad González and Fomento de Construcciones y Contratas S.A. and between Gerardo Kuri Kaufmann and Cementos Portland Valderrivas, S.A., worth EUR 338 thousand and EUR 175 thousand, respectively.
- Subcontracting of works pending completion and new works contracted for the "Ciudad de la Salud" project in Panama to FCC Américas S.A. de C.V., which is 50% owned by the Carso group and by the Group.
- Exclusion OPA for the Cementos Portland Valderrivas S.A. holding (Note 5).
- Corporate operation in Giant Cement Holding Inc., with Elementia S.A. de C.V. (Note 5).
- Agreement to sell the holding in Concesionaria Túnel de Coatzacoalcos S.A. de C.V. to Promotora de Desarrollo de América Latina S.A. de C.V.
- Operation for sale without recourse of clients' invoices guaranteed by the finance group Inbursa, worth approximately EUR 200 million (Note 16).
- Capital increase effected by Realia Business S.A., in which the Group was involved via its effective participating interest (Notes 5 and 12).
- A consortium headed by the Carso group in which the Group is also a partner has been awarded the contract to build the new international terminal at Mexico City airport.
- Another consortium between the Carso group and the Group will build the Samalayuca gas pipeline in Mexico.
- In the framework of the refinancing of the debt associated with the Spanish business of the Cementos Portland Valderrivas group, a subordinate finance contract has been formalised, worth approximately EUR 80 million, with Banco Inbursa S.A., a multiple banking institution, at an interest rate of Euribor plus a differential of 290 basic points, due in January 2022. The finance costs accrued during the year totalled EUR 974 thousand.

Additionally, other operations are carried out under market conditions, mostly telephone and ISP services, with associated parties related to the majority shareholder. The sums involved are not significant.

d) Mechanisms established to detect, determine and resolve possible conflicts of interests between the Parent and/or its Group and its Directors, Executives or significant shareholders

The FCC Group has established precise mechanisms to detect, determine and resolve possible conflicts of interests between the Group companies and their Directors, Executives and significant shareholders, as indicated in Article 25 of the Board's Regulations.

32. Fees paid to auditors

The fees paid correspond to the 2016 and 2015 fiscal years for auditing and other professional and verification services provided for the various Group and jointly managed companies within the FCC Group, by the main auditor and other participants in the audits of the various Group companies and associate entities, both in Spain and abroad, are shown on the chart below:

	2016			2015		
	Principal auditor	Other auditors	Total	Principal auditor	Other auditors	Total
Audit services	2,917	413	3,330	3,247	349	3,596
Other attest services	201	21	22	232	76	308
Total audit and related services	**3,118**	**434**	**3,553**	**3,479**	**425**	**3,904**
Tax counselling services	210	1,425	1,635	210	293	503
Other services	581	4,543	5,124	683	4,173	4,856
Total professional services	**791**	**5,968**	**6,759**	**893**	**4,466**	**5,359**
	3,909	**6,402**	**10,312**	**4,372**	**4,891**	**9,263**

33. Events after the reporting period

On 13 February 2017 the acceptance period for the Cementos Portland Valderrivas S.A. exclusion public acquisition bid (exclusion OPA; Note 5) expired. The exclusion OPA was accepted for 9,356,605 shares, representing 87.81% of the shares to which the OPA originally referred. Consequently, no forced sales are needed. The Group's effective participating interest following the operation is now 97.45%. On 24 February 2017 all the shares of Cementos Portland Valderrivas (51,786,608 in all) were excluded from trading.

Receipt from the sale of the shares of Xfera Móviles S.A. and transfer of participatory loans occurred on 7 February 2017 for a final sum of EUR 29,139 thousand. The sum initially estimated as at 31 December 2016 was EUR 24.285 thousand, corresponding to impairment of the participatory loans of EUR 11,047 thousand. On the date of preparation of these annual financial statements, in accordance with IAS "Events after the reporting period" the sum of this impairment has been adjusted (Note 14).

On 28 February 2017 the Company received EUR 106,444 thousand corresponding to the deferred price of the sale of the shares of Globalvia Infraestructuras S.A. (Notes 4 and 5). As the receivable was valued as a current financial asset at fair value with changes in profit and loss at EUR 106,040 thousand, in accordance with the regulations no adjustment has been made with regard to the difference with the sum recorded in these consolidated financial statements.

Appendix I. Subsidiaries (fully consolidated) [G4-17]

Company	Registered office	Effective percentage of ownership	Auditor
ENVIRONMENTAL SERVICES			
Alfonso Benítez, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Aparcamientos Concertados, S.A.	Arquitecto Gaudí, 4 – Madrid	100.00	
Armigesa, S.A.	Plaza de la Constitución s/n – Armilla (Granada)	51.00	
Azincourt Investment, S.L.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Beootpad d.o.o. Beograd	Serbia	100.00	
Castellana de Servicios, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Compañía Catalana de Servicios, S.A.	Balmes, 36 – Barcelona	100.00	
Compañía Control de Residuos, S.L.	Peña Redonda, 27 P.I. Silvota – Llanera (Asturias)	64.00	
Corporación Inmobiliaria Ibérica, S.A.	Federico Salmón, 13 – Madrid	100.00	
Dédalo Patrimonial, S.L. (Sole-Shareholder Company)	Federico Salmón, 13 – Madrid	100.00	
Ecoactiva de Medio Ambiente, S.A.	Ctra. Puebla Albortón a Zaragoza km. 25 - Zaragoza	60.00	
Ecodeal-Gestao Integral de Residuos Industriais, S.A.	Portugal	53.62	Deloitte
Ecogenesis Societe Anonime Rendering of Cleansing and Waste Management Services	Greece	51.00	
Ecoparque Mancomunidad del Este, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Egypt Environmental Services, S.A.E.	Egypt	100.00	Deloitte
Ekostone Áridos Siderúrgicos, S.L.	Las Mercedes, 25 – Las Arenas (Biscay)	51.00	
Empresa Comarcal de Serveis Mediambientals del Baix Penedés – ECOBP, S.L.	Plaça del Centre, 3 – El Vendrell (Tarragona)	66.60	Audinfor
Enviropower Investments Limited	United Kingdom	100.00	Deloitte
Europea de Tratamiento de Residuos Industriales, S.A.	Federico Salmón, 13 – Madrid	100.00	
FCC (E&M) Holdings Ltd.	United Kingdom	100.00	Deloitte
FCC (E&M) Ltd.	United Kingdom	100.00	Deloitte
FCC Ámbito, S.A. (Sole-Shareholder Company)	Federico Salmón, 13 – Madrid	100.00	Deloitte

Company	Registered office	Effective percentage of ownership	Auditor
FCC Environment Developments Ltd.	United Kingdom	100.00	Deloitte
FCC Environment Portugal, S.A. (1)	Portugal	100.00	Deloitte
FCC Environment Services (UK) Limited	United Kingdom	100.00	Deloitte
FCC Environmental Services (USA) Llc.	USA	100.00	
FCC Equal CEE, S.L.	Federico Salmón, 13 – Madrid	100.00	
FCC Equal CEE C. Andalucía, S.L.	Av. Molière, 36 – Malaga	100.00	
FCC Equal CEE C. Valenciana, S.L.	Riu Magre, 6 P.I. Patada del Cid – Quart de Poblet (Valencia)	100.00	
FCC Medio Ambiente, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Gamasur Campo de Gibraltar, S.L.	Antigua Ctra. de Jimena de la Frontera, s/n – Los Barrios (Cadiz)	85.00	
Gandia Serveis Urbans, S.A.	Llanterners, 6 – Gandia (Valencia)	95.00	Centium
Gestió i Recuperació de Terrenys, S.A. (Sole-Shareholder Company)	Rambla de Catalunya, 2-4 – Barcelona	80.00	Capital Auditors
Golrib, Soluçoes de Valorizaçao de Residuos Lda.	Portugal	55.00	
.A.S.A. Group	Austria		
.A.S.A. Abfall Service AG	Austria	100.00	Deloitte
.A.S.A. Abfall Service Betriebs GmbH	Austria	100.00	
.A.S.A. Abfall Service Freistadt GmbH	Austria	100.00	
.A.S.A. Abfall Service Halbenrain GmbH	Austria	100.00	
.A.S.A. Abfall Service Industrieviertel Betriebs GmbH	Austria	100.00	
.A.S.A. Abfall Service Mostviertel GmbH	Austria	100.00	Deloitte
.A.S.A. Abfall Service Neunkirchen GmbH	Austria	100.00	
.A.S.A. Abfall Service Zistersdorf GmbH	Austria	100.00	Deloitte
.A.S.A. AbfallService Halbenrain GmbH & Co Nfg KG	Austria	100.00	Deloitte
.A.S.A. AbfallService Industrieviertel GmbH & Co Nfg KG	Austria	100.00	
.A.S.A. AbfallService Wiener Neustadt GmbH	Austria	100.00	
.A.S.A. Bulgaria E.O.O.D.	Bulgaria	100.00	Deloitte
.A.S.A. EKO Polska sp. z.o.o.	Poland	100.00	Deloitte

1) Change of name. Formerly FOCSA Serviços de Saneamento Urbano de Portugal, S.A.

Company	Registered office	Effective percentage of ownership	Auditor
.A.S.A. Finanzdienstleistungen GmbH	Austria	100.00	Deloitte
.A.S.A. Hódmezövásárhely Köztisztasági Kft	Hungary	61.83	Deloitte
.A.S.A. International Environmental Services GmbH	Austria	100.00	Deloitte
.A.S.A. Kikinda d.o.o.	Serbia	80.00	Deloitte
.A.S.A. Lubliniec sp. z.o.o.	Poland	61.97	
.A.S.A. Tarnobrzeg sp. z.o.o.	Poland	60.00	Deloitte
.A.S.A. TS Prostejov s.r.o.	Czech Republic	49.00	Deloitte
.A.S.A. Vrbak d.o.o.	Serbia	51.00	
ASMJ s.r.o.	Czech Republic	51.00	Deloitte
Ecoservice Lovetech	Bulgaria	90.00	
EKO-Radomsko sp. z.o.o.	Poland	100.00	Deloitte
Entsorga Entsorgungs GmbH Nfg KG	Austria	100.00	Deloitte
FCC BEC s.r.o. (2)	Czech Republic	100.00	Deloitte
FCC Bratislava s.r.o. (3)	Slovakia	100.00	Deloitte
FCC Ceska Republika s.r.o. (4)	Czech Republic	100.00	Deloitte
FCC Ceské Budêjovice s.r.o. (5)	Czech Republic	75.00	Deloitte
FCC Dacice s.r.o. (6)	Czech Republic	60.00	Deloitte
FCC Eko d.o.o. (7)	Serbia	100.00	Deloitte
FCC HP s.r.o. (8)	Czech Republic	100.00	Deloitte
FCC Liberec s.r.o. (9)	Czech Republic	55.00	Deloitte
FCC Litovel s.r.o. (10)	Czech Republic	49.00	
FCC Magyarország Kft (11)	Hungary	100.00	Deloitte
FCC Neratovice s.r.o. (12)	Czech Republic	100.00	Deloitte

Change of name. Formerly:
2) Bec Odpady s.r.o.
3) Technické Sluzby - .A.S.A. s.r.o.
4) .A.S.A. Spol s.r.o.
5) A.S.A. Ceské Budêjovice s.r.o.
6) ·A.S.A. Dacice s.r.o.
7) ·A.S.A. Eko d.o.o.
8) HP Spol s.r.o.
9) .A.S.A. Liberec s.r.o.
10) .A.S.A. Odpady Litovel s.r.o.
11) .A.S.A. Magyarország Környezetvédelemi És Hkft
12) 1. Polasbská s.r.o.

Company	Registered office	Effective percentage of ownership	Auditor
FCC Regios AS [13]	Czech Republic	99.99	Deloitte
FCC Slovensko s.r.o. [14]	Slovakia	100.00	Deloitte
FCC TRNAVA s.r.o. [15]	Slovakia	50.00	Deloitte
FCC Uhy s.r.o. [16]	Czech Republic	100.00	Deloitte
FCC Únanov s.r.o. [17]	Czech Republic	66.00	Deloitte
FCC Zabcice s.r.o. [18]	Czech Republic	80.00	Deloitte
FCC Zabovresky s.r.o. [19]	Czech Republic	89.00	Deloitte
FCC Znojmo s.r.o. [20]	Czech Republic	49.72	Deloitte
FCC Zohor.s.r.o. [21]	Slovakia	85.00	Deloitte
Inerta Abfallbehandlungs GmbH	Austria	100.00	
Miejskie Przedsiebiorstwo Gospodarki Komunalnej sp. z.o.o.	Poland	80.00	Deloitte
Obsed A.S.	Czech Republic	100.00	Deloitte
Quail spol. s.r.o.	Czech Republic	100.00	Deloitte
RSUO Dobritch	Bulgaria	62.00	
Siewierskie Przedsiebiorstwo Gospodarki Komunalnej sp. z.o.o.	Poland	60.00	
Textil Verwertung GmbH	Austria	100.00	
Valmax Impex S.R.L. [22]	Serbia	60.00	
FCC Environment Group	United Kingdom		
3C Holding Limited	United Kingdom	100.00	Deloitte
3C Waste Limited	United Kingdom	100.00	Deloitte
Allington O & M Services Limited	United Kingdom	100.00	Deloitte
Allington Waste Company Limited	United Kingdom	100.00	Deloitte
Anti-Waste (Restoration) Limited	United Kingdom	100.00	Deloitte

Change of name. Formerly:

13) Regios A.S.

14) .A.S.A. Slovensko Spol s.r.o.

15) .A.S.A. TRNAVA Spol s.r.o.

16) Skládka Uhy Spol s.r.o.

17) .A.S.A. Es Únanov s.r.o.

18) .A.S.A. Zabcice Spol s.r.o.

19) .A.S.A. Sluzby Zabovresky s.r.o.

20) .A.S.A. Eko Znojmo s.r.o.

21) .A.S.A. Zohor Spol s.r.o.

22) Cambio de denominación. Antes SC Valmax Impex S.R.L.

Company	Registered office	Effective percentage of ownership	Auditor
Anti-Waste Limited	United Kingdom	100.00	Deloitte
Arnold Waste Disposal Limited	United Kingdom	100.00	Deloitte
BDR Property Limited	United Kingdom	80.02	Deloitte
BDR Waste Disposal Limited	United Kingdom	100.00	Deloitte
Darrington Quarries Limited	United Kingdom	100.00	Deloitte
Derbyshire Waste Limited	United Kingdom	100.00	Deloitte
East Waste Limited	United Kingdom	100.00	Deloitte
FCC Buckinghamshire Holdings Limited	United Kingdom	100.00	Deloitte
FCC Buckinghamshire Limited	United Kingdom	100.00	Deloitte
FCC Buckinghamshire (Support Services) Limited	United Kingdom	100.00	Deloitte
FCC Environment (Berkshire) Ltd.	United Kingdom	100.00	Deloitte
FCC Environment (Lincolnshire) Ltd.	United Kingdom	100.00	Deloitte
FCC Environment (UK) Limited	United Kingdom	100.00	Deloitte
FCC Environment Limited	United Kingdom	100.00	Deloitte
FCC Environmental Services UK Limited	United Kingdom	100.00	
FCC PFI Holdings Limited	United Kingdom	100.00	Deloitte
FCC Recycling (UK) Limited	United Kingdom	100.00	Deloitte
FCC Waste Services (UK) Limited	United Kingdom	100.00	Deloitte
FCC Wrexham PFI (Phase II) Ltd.	United Kingdom	100.00	Deloitte
FCC Wrexham PFI (Phase II Holding) Ltd.	United Kingdom	100.00	Deloitte
FCC Wrexham PFI Holdings Limited	United Kingdom	100.00	Deloitte
FCC Wrexham PFI Limited	United Kingdom	100.00	Deloitte
Finstop Limited	United Kingdom	100.00	Deloitte
Focsa Services (UK) Limited	United Kingdom	100.00	
Hykeham O&M Services Limited	United Kingdom	100.00	Deloitte
Integrated Waste Management Limited	United Kingdom	100.00	Deloitte

Company	Registered office	Effective percentage of ownership	Auditor
Kent Conservation & Management Limited	United Kingdom	100.00	
Kent Energy Limited	United Kingdom	100.00	Deloitte
Kent Enviropower Limited	United Kingdom	100.00	Deloitte
Landfill Management Limited	United Kingdom	100.00	Deloitte
Lincwaste Limited	United Kingdom	100.00	Deloitte
Norfolk Waste Limited	United Kingdom	100.00	Deloitte
Pennine Waste Management Limited	United Kingdom	100.00	Deloitte
RE3 Holding Limited	United Kingdom	100.00	Deloitte
RE3 Limited	United Kingdom	100.00	Deloitte
Telford & Wrekin Services Limited	United Kingdom	100.00	Deloitte
T Shooter Limited	United Kingdom	100.00	Deloitte
Waste Recovery Limited	United Kingdom	100.00	Deloitte
Waste Recycling Group (Central) Limited	United Kingdom	100.00	Deloitte
Waste Recycling Group (Scotland) Limited	United Kingdom	100.00	Deloitte
Waste Recycling Group (UK) Limited	United Kingdom	100.00	Deloitte
Waste Recycling Group (Yorkshire) Limited	United Kingdom	100.00	Deloitte
Wastenotts (Reclamation) Limited	United Kingdom	100.00	Deloitte
Wastenotts O & M Services Limited	United Kingdom	100.00	Deloitte
Welbeck Waste Management Limited	United Kingdom	100.00	Deloitte
WRG (Midlands) Limited	United Kingdom	100.00	
WRG (Northern) Limited	United Kingdom	100.00	
WRG Acquisitions 2 Limited	United Kingdom	100.00	
WRG Environmental Limited	United Kingdom	100.00	
WRG Waste Services Limited	United Kingdom	90.00	
Integraciones Ambientales de Cantabria, S.A.	Monte de Carceña Cr CA-924 Pk 3,280 – Castañeda (Cantabria)	100.00	Deloitte
International Services Inc., S.A. (Sole-Shareholder Company)	Av. Camino de Santiago, 40 – Madrid	100.00	
Jaime Franquesa, S.A.	P.I. Zona Franca Sector B calle D 49 – Barcelona	100.00	

Company	Registered office	Effective percentage of ownership	Auditor
Jaume Oro, S.L.	Av. del Bosc, s/n P.I. Hostal Nou – Bellpuig (Lleida)	90.00	Deloitte
Limpieza e Higiene de Cartagena, S.A.	Luis Pasteur, 6 – Cartagena (Murcia)		
Limpiezas Urbanas de Mallorca, S.A.	Ctra. Santa Margalida-Can Picafort – Santa Margalida (Balearic Islands)	100.00	Deloitte
Manipulación y Recuperación MAREPA, S.A.	Av. San Martín de Valdeiglesias, 22 – Alcorcón (Madrid)	100.00	Deloitte
Recuperació de Pedreres, S.L.	Rambla de Catalunya, 2 – Barcelona	80.00	
Servicio de Recogida y Gestión de Residuos Sólidos Urbanos del Consorcio Vega Sierra Elvira, S.A.	Doctor Jiménez Rueda, 10 – Atarfe (Granada)	60.00	Capital Auditors
Serveis Municipals de Neteja de Girona, S.A.	Pl. del Vi, 1 - Girona	75.00	Cataudit Auditors Associats
Servicios de Levante, S.A.	Camino Pla Museros, s/n – Almazora (Castellón)	100.00	Deloitte
Servicios Especiales de Limpieza, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Sistemas y Vehículos de Alta Tecnología, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Societat Municipal Medioambiental d'Igualada, S.L.	Pl. de l'Ajuntament, 1 – Igualada (Barcelona)	65.91	Centium
Tratamientos y Recuperaciones Industriales, S.A.	Rambla de Catalunya, 2-4, P.5 – Barcelona	75.00	
Valoración y Tratamiento de Residuos Urbanos, S.A.	Riu Magre, 6 – P.I. Patada del Cid – Quart de Poblet (Valencia)	80.00	Capital Auditors
Valorización y Tratamiento de Residuos, S.A.	Alameda de Mazarredo, 15-4º A – Bilbao (Biscay)	100.00	
AQUALIA			
Abrantaqua – Serviço de Aguas Residuais Urbanas do Municipio de Abrantes, S.A.	Portugal	60.00	Oliveira, Reis & Asociados
Acque di Caltanissetta, S.p.A.	Italy	98.48	Deloitte
Aguas de Alcázar Empresa Mixta, S.A.	Rondilla Cruz Verde, 1 – Alcázar de San Juan (Ciudad Real)	52.38	Centium Auditores
Aguas de las Galeras, S.L.	Av. Camino de Santiago, 40 – Madrid	100.00	Deloitte
Aigües de Vallirana, S.A. (Sole-Shareholder Company)	Conca de Tremp, 14 – Vallirana (Barcelona)	100.00	
Aqua Campiña, S.A.	Av Blas Infante, 6 – Écija (Seville)	90.00	Audinfor
Aqua Management Solutions B.V.	The Netherlands	30.60	Deloitte
Aquacartaya, S.L.	Av. San Francisco Javier, 15 – Seville	100.00	Deloitte
Aquaelvas – Aguas de Elvas, S.A.	Portugal	100.00	Deloitte
Aquafundalia – Agua Do Fundão, S.A.	Portugal	100.00	Deloitte

Company	Registered office	Effective percentage of ownership	Auditor
Aquajerez, S.L.	Cristalería, 24. Pol. Ind. Ronda Oeste – Jerez de la Frontera (Cadiz)	51.00	Ernst & Young
Aqualia Czech, S.L.	Av. Camino de Santiago, 40 – Madrid	51.00	Deloitte
Aqualia Infraestructuras d.o.o. Beograd-Vracar	Serbia	100.00	
Aqualia Infraestructuras d.o.o. Mostar	Bosnia-Herzegovina	100.00	
Aqualia Infraestructuras Inzenyring, s.r.o.	Czech Republic	51.00	ABC Audit s.r.o.
Aqualia Infraestructuras Montenegro (AIM) d.o.o. Niksic	Montenegro	100.00	
Aqualia Infraestructuras Pristina Llc.	Kosovo	100.00	
Aqualia Intech, S.A. (23)	Av. Camino de Santiago, 40 – Madrid	100.00	Deloitte
Aqualia Mace Operation & Maintenance Llc.	United Arab Emirates (UAE)	51.00	Deloitte
Aqualia Mexico, S.A. de C.V. (24)	Mexico	100.00	Deloitte
Aqualia New Europe B.V.	The Netherlands	51.00	Deloitte
Aquamaior – Aguas de Campo Maior, S.A.	Portugal	100.00	Deloitte
Cartagua, Aguas do Cartaxo, S.A.	Portugal	60.00	Oliveira, Reis & Asociados
Colaboración, Gestión y Asistencia, S.A.	Federico Salmón, 13 – Madrid	100.00	
Compañía Onubense de Aguas, S.A.	Av. Martín Alonso Pinzón, 8 – Huelva	60.00	
Conservación y Sistemas, S.A.	Federico Salmón, 13– Madrid	100.00	Deloitte
Depurplan 11, S.A.	San Miguel, 4 3º B – Zaragoza	100.00	Audinfor
Depurtebo, S.A.	San Pedro, 57 – Zuera (Zaragoza)	100.00	
Empresa Gestora de Aguas Linenses, S.A.	Federico Salmón, 13 – Madrid	100.00	
Empresa Mixta de Conservación de La Estación Depuradora de Aguas Residuales de Butarque, S.A.	Princesa, 3 – Madrid	70.00	
Entenmanser, S.A.	Castillo, 13 – Adeje (Santa Cruz de Tenerife)	97.00	Deloitte
FCC Aqualia, S.A.	Federico Salmón, 13– Madrid	100.00	Deloitte
FCC Aqualia América, S.A.U.	Uruguay, 11– Vigo (Pontevedra)	100.00	

Change of name. Formerly:

23) Aqualia Infraestructuras, S.A.

24) Aqualia Infraestructuras de México, S.A. de C.V.

Company	Registered office	Effective percentage of ownership	Auditor
FCC Aqualia U.S.A. Corp	USA	100.00	Berkowitz Pollack Brant
F.S. Colaboración y Asistencia, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	
Hidrotec Tecnología del Agua, S.L. (Sole-Shareholder Company)	Pincel, 25 – Seville	100.00	Deloitte
Infraestructuras y Distribución General de Aguas, S.L.U.	La Presa, 14 – Adeje (Santa Cruz de Tenerife)	100.00	
Inversora Riutort, S.L.	Alfonso XIII – Sabadell (Barcelona)	100.00	
Ovod spol. s.r.o.	Czech Republic	100.00	ABC Audit s.r.o.
Severomoravské Vodovody a Kanalizace Ostrava A.S.	Czech Republic	50.32	Deloitte
Sociedad Española de Aguas Filtradas, S.A.	Jacometrezo, 4 – Madrid	100.00	Deloitte
Sociedad Ibérica del Agua, S.A. (Sole-Shareholder Company)	Federico Salmón, 13 – Madrid	100.00	
Tratamiento Industrial de Aguas Sucursales, S.A. [(25)]	Federico Salmón, 13 – Madrid	100.00	Deloitte
CONSTRUCTION			
ACE Scutmadeira Sistemas de Gestao e Controlo de Tràfego	Portugal	100.00	
Agregados y Materiales de Panama, S.A.	Panama	100.00	Deloitte
Alpine – Energie Holding AG	Germany	100.00	
Áridos de Melo, S.L.	Finca la Barca y el Ballestar, s/n – Barajas de Melo (Cuenca)	100.00	
BBR Pretensados y Técnicas Especiales, S.L.	Av. Camino de Santiago, 40 – Madrid	100.00	
Binatec al Maghreb, S.A.	Morocco	100.00	
Colombiana de Infraestructuras, S.A.S.	Colombia	100.00	
Concesiones Viales S. de R.L. de C.V.	Mexico	99.97	Deloitte
Concretos Estructurales, S.A.	Nicaragua	100.00	
Conservial Infraestructuras, S.L.	Acanto, 22 – Madrid	100.00	
Consorcio FCC Iquique Ltda.	Chile	100.00	
Construcción Infraestructuras y Filiales de Mexico, S.A. de C.V.	Mexico	52.00	
Construcciones Hospitalarias, S.A.	Panama	100.00	Deloitte

Change of name. Formerly:
[25)] Cambio de denominación. Antes Tratamiento Industrial de Aguas, S.A.

Company	Registered office	Effective percentage of ownership	Auditor
Constructora Meco-Caabsa, S.A. de C.V.	El Salvador	60.00	
Constructora Túnel de Coatzacoalcos, S.A. de C.V.	Mexico	55.60	Deloitte
Contratas y Ventas, S.A.	Av. de Santander, 3 1º – Oviedo (Asturias)	100.00	Deloitte
Corporación M&S de Nicaragua, S.A.	Nicaragua	100.00	
Desarrollo y Construcción Deyco CRCA, S.A.	Costa Rica	100.00	
Edificadora MSG, S.A. (Panama)	Panama	100.00	
Edificadora MSG, S.A. de C.V. (El Salvador)	El Salvador	100.00	
Edificadora MSG, S.A. de C.V. (Nicaragua)	Nicaragua	100.00	
Eólica Catvent, S.L.	Balmes, 36 – Barcelona	80.04	
FCC Colombia, S.A.S.	Colombia	100.00	
FCC Construcción, S.A.	Balmes, 36 – Barcelona	100.00	Deloitte
FCC Construcción América, S.A.	Costa Rica	100.00	Deloitte
FCC Construcción Chile, SPA	Chile	100.00	
FCC Construcción Costa Rica, S.A.	Costa Rica	100.00	Deloitte
FCC Construcción de Mexico, S.A. de C.V. [(26)]	Mexico	100.00	Deloitte
FCC Construcción Peru, S.A.C.	Peru	100.00	
FCC Construçoes do Brazil Ltda.	Brazil	100.00	
FCC Constructii Romania, S.A.	Rumanía	100.00	
FCC Construction Hungary Kft	Hungary	100.00	Deloitte
FCC Construction Inc.	USA	100.00	Berkowitz Pollack Brant
FCC Construction International B.V.	The Netherlands	100.00	
FCC Construction Northern Ireland Limited	United Kingdom	100.00	Deloitte
FCC Edificadora CR, S.A.	Costa Rica	100.00	
FCC Electromechanical Llc.	Arabia Saudí	100.00	Ernst & Young

Change of name. Formerly:

[26)] Cambio de denominación. Antes Construcción y Filiales Mexicanas, S.A. de C.V.

Company	Registered office	Effective percentage of ownership	Auditor
FCC Elliott Construction Limited	Ireland	100.00	Deloitte
FCC Elliott UK Limited	United Kingdom	50.10	
FCC Industrial de Panama, S.A.	Panama	100.00	
FCC Industrial e Infraestructuras Energéticas, S.A. (Sole-Shareholder Company)	Federico Salmón, 13 – Madrid	100.00	Deloitte
FCC Industrial Peru, S.A.	Peru	100.00	
FCC Industrial UK Limited	United Kingdom	100.00	
FCC Power Generation, S.L. (Sole-Shareholder Company)	Federico Salmón, 13 – Madrid	100.00	
FCC Servicios Industriales y Energéticos Mexico, S.A. de C.V.	Mexico	100.00	Deloitte
Fomento de Construcciones y Contratas Canada Ltd.	Canada	100.00	
Fomento de Construcciones y Contratas Construction Ireland Limited	Ireland	100.00	Deloitte
Gavisa Portugal Montagens Eléctricas Lda.	Portugal	97.00	
Guinea Ecuatorial Fomento de Construcciones y Contratas Construcción, S.A.	Guinea Ecuatorial	65.00	
Guzmán Energy O&M, S.L.	Federico Salmón, 13 – Madrid	70.00	
Ibervia Construcciones y Contratas, S.L.	Av. Camino de Santiago, 40 – Madrid	100.00	
Impulsora de Proyectos Proserme, S.A. de C.V.	Mexico	100.00	
Mantenimiento de Infraestructuras, S.A.	Federico Salmón, 13 – 2nd fl. – Madrid	100.00	Deloitte
Meco Santa Fe Limited	Belice	100.00	
Megaplás, S.A. (Sole-Shareholder Company)	Hilanderas, 4-14 – La Poveda – Arganda del Rey (Madrid)	100.00	Deloitte
Megaplás Italy, S.p.A.	Italy	100.00	Collegio Sindicale
Motre, S.L.	Balmes, 36 – Barcelona	100.00	
Moviterra, S.A.	Balmes, 36 – Barcelona	100.00	
Naturaleza, Urbanismo y Medio Ambiente, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	
Participaciones Teide, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	
Pedrera Les Gavarres, S.L.	Balmes, 36 – Barcelona	100.00	
Prefabricados Delta, S.A. (Sole-Shareholder Company)	Federico Salmón, 13 – Madrid	100.00	Deloitte
Proyectos y Servicios, S.A. (Sole-Shareholder Company)	Acanto, 22 – Madrid	100.00	

Company	Registered office	Effective percentage of ownership	Auditor
Ramalho Rosa Cobetar Sociedade de Construçoes, S.A.	Portugal	100.00	Deloitte
Serviá Cantó, S.A.	Balmes, 36 – Barcelona	100.00	
Servicios Dos Reis, S.A. de C.V.	Mexico	100.00	
Tema Concesionaria, S.A.	Porto Pi, 8– Palma de Mallorca (Balearic Islands)	100.00	
CEMENT			
Canteras de Alaiz, S.A.	Dormilatería, 72 – Pamplona (Navarre)	55.39	Deloitte
Carbocem, S.A.	Paseo de la Castellana, 45 – Madrid	55.14	
Cementos Alfa, S.A.	Josefina de la Maza, 4 P.E. Piasca – Santander (Cantabria)	69.66	Deloitte
Cementos Portland Valderrivas, S.A.	Dormilatería, 72 – Pamplona (Navarre)	79.11	Deloitte
Dragon Alfa Cement Limited	United Kingdom	69.66	Deloitte
Dragon Portland Limited	United Kingdom	79.11	
Hormigones de la Jacetania, S.A.	Llano de la Victoria – Jaca (Huesca)	49.45	KPMG
Prebesec Mallorca, S.A.	Santa Margarida i els Monjos (Barcelona)	54.16	
Select Beton, S.A.	Tunis	69.49	Mourad Guellaty
Société des Ciments d'Enfidha	Tunis	69.51	Mourad Guellaty – Cabinet Deloitte
Uniland Acquisition Corporation	USA	79.11	
Uniland International B.V.	The Netherlands	79.11	
Uniland Trading B.V.	The Netherlands	79.11	
OTHER ACTIVITIES			
Alpetrol, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	
Asesoría Financiera y de Gestión, S.A.	Federico Salmón, 13 – Madrid	100.00	
Autovía Conquense, S.A.	Acanto, 22 – Madrid	100.00	Deloitte
Bvefdomintaena Beteiligungsverwaltung GmbH	Austria	100.00	
Cemusa Portugal Companhia de Mobiliario Urbano e Publicidade, S.A.	Portugal	100.00	PricewaterhouseCoopers
Compañía General de Servicios Empresariales, S.A. (Sole-Shareholder Company)	Federico Salmón, 13 – Madrid	100.00	
Concesionaria Túnel de Coatzacoalcos, S.A. de C.V.	Mexico	85.59	Deloitte

Company	Registered office	Effective percentage of ownership	Auditor
Corporación Española de Servicios, S.A.	Federico Salmón, 13 – Madrid	100.00	
Costa Verde Habitat, S.L.	Orense, 11 – Madrid	100.00	
Europea de Gestión, S.A. (Sole-Shareholder Company)	Federico Salmón, 13 – Madrid	100.00	
F-C y C, S.L. (Sole-Shareholder Company)	Federico Salmón, 13 – Madrid	100.00	
FCC Concesiones de Infraestructuras, S.L.	Av. Camino de Santiago, 40 – Madrid	100.00	
FCC Energía Aragón I, S.L. (Sole-Shareholder Company)	Manuel Lasala, 36 – Zaragoza	100.00	
FCC Energía Aragón II, S.L. (Sole-Shareholder Company)	Manuel Lasala, 36 – Zaragoza	100.00	
FCC Versia, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	
Fedemes, S.L.	Federico Salmón, 13 – Madrid	100.00	
Geneus Canarias, S.L. (Sole-Shareholder Company)	Electricista, 2. U.I. de Salinetas – Telde (Las Palmas) (Canary Islands)	100.00	
Geral I.S.V. Brazil Ltda.	Brazil	100.00	
Per Gestora Inmobiliaria, S.L.	Federico Salmón, 13 – Madrid	100.00	
PPP Infraestructure Investments B.V.	The Netherlands	100.00	
Vela Boravica d.o.o.	Croatia	100.00	
Vialia, Sociedad Gestora de Concesiones de Infraestructuras, S.L.	Acanto, 22 – Madrid	100.00	
Zona Verde – Promoçao e Marketing Limitada	Portugal	100.00	PricewaterhouseCoopers

Appendix II. Companies controlled jointly with non-group third parties (accounted for using the equity method)

Company	Registered office	Carrying amount of the investment 2016	Carrying amount of the investment 2015	Effective percentage of ownership	Auditor
ENVIRONMENTAL SERVICES					
Atlas Gestión Medioambiental, S.A.	Viriato, 47 – Barcelona	12,557	12,905	50.00	Deloitte
Beacon Waste Limited	United Kingdom	1,415	1,700	50.00	Deloitte
Ecoparc del Besós, S.A.	Rambla Cataluña, 91-93 – Barcelona		6,033	5,833	Castellà Auditors Consultors S.L.P.
Ecoserveis Urbans de Figueres, S.L.	Av. de les Alegries, s/n – Lloret de Mar (Girona)	179	179	50.00	
Electrorecycling, S.A.	Ctra. BV – 1224 Km. 6,750 – El Pont de Vilomara i Rocafort (Barcelona)	1,386	1,370	33.33	KPMG
Empresa Mixta de Limpieza de la Villa de Torrox, S.A.	Plaza de la Constitución, 1 – Torrox (Malaga)	690	531	50.00	Audinfor
Empresa Mixta de Medio Ambiente de Rincón de la Victoria, S.A.	Av. Zorreras, 8 – Rincón de la Victoria (Malaga)	271	287	50.00	Audinfor
Fisersa Ecoserveis, S.A.	Alemanya, 5 – Figueres (Girona)	218	191	36.36	Auditoria i Control Auditors S.L.P.
Gestión y Valorización Integral del Centro, S.L.	De la Tecnología, 2. P.I. Los Olivos – Getafe (Madrid)	222	108	50.00	Deloitte
Hades Soluciones Medioambientales, S.L.	Mayor, 3 – Cartagena (Murcia)	(19)	60	50.00	
Ingenieria Urbana, S.A.	Calle I esquina calle 3, P.I. Pla de la Vallonga – Alicante	4,287	4,471	35.00	
Mediaciones Comerciales Ambientales, S.L.	Av. Roma, 25 – Barcelona	194	393	50.00	
Mercia Waste Management Ltd.	United Kingdom	14,855	14,804	50.00	Deloitte
Palacio de Exposiciones y Congresos de Granada, S.A.	Paseo del Violón, s/n – Granada	(1,062)	(930)	50.00	Hispano Belga Auditores
Pilagest, S.L.	Ctra. BV – 1224 Km. 6,750 – El Pont de Vilomara i Rocafort (Barcelona)	281	56	50.00	Audinfor
Reciclado de Componentes Electrónicos, S.A.	E Pol. Actividades Medioambientales – Aznalcóllar (Seville)	2,332	2,361	37.50	KPMG
Senblen, S.A.	Alameda de Urquijo, 10 – Bilbao (Biscay)	–	(90)	50.00	
Servicios de Limpieza Integral de Malaga III, S.A.	Camino Térmica, 83 – Malaga	1,563	1,619	26.01	PricewaterhouseCoopers

Company	Registered office	Carrying amount of the investment		Effective percentage of ownership	Auditor
		2016	2015		
Servicios Urbanos de Malaga, S.A.	Ulises, 18 – Madrid	363	367	51.00	
Severn Waste Services Limited	United Kingdom	178	202	50.00	Deloitte
Tratamiento Industrial de Residuos Sólidos, S.A.	Rambla Cataluña, 91 – Barcelona	585	849	33.33	Castellà Auditors Consultors, S.L.P.
Zabalgarbi, S.A.	Camino de Artigas, 10 – Bilbao (Biscay)	13,390	11,879	30.00	KPMG
AQUALIA					
Aguas de Langreo, S.L.	Alonso del Riesgo, 3 – Sama de Langreo (Asturias)	874	857	49.00	Audinfor
Aguas de Narixa, S.A.	Malaga, 11 – Nerja (Malaga)	274	293	50.00	Audinfor
Aigües de Girona, Salt i Sarrià del Ter, S.A.	Ciutadans, 11 – Girona	255	214	26.89	Cataudit Auditors Associats, S.L.
Compañía de Servicios Medioambientales do Atlántico, S.A.	Ctra. de Cedeira Km. 1 – Narón (Corunna)	343	342	49.00	Audinfor
Constructora de Infraestructura de Agua de Querétaro, S.A. de C.V.	Mexico	(2,995)	(1,012)	24.50	Deloitte
Empresa Municipal de Aguas de Benalmádena EMABESA, S.A.	Exp. Ap. Tivoli, s/n – Arroyo de la Miel (Malaga)	1,583	1,936	50.00	Audinfor
Girona, S.A.	Travesía del Carril, 2 – Girona	1,831	1,800	33.61	Cataudit Auditors Associats, S.L.
HA Proyectos Especiales Hidráulicos S. de R.L. de C.V.	Mexico	1,111	200	49.50	Grant Thorton SC
Orasqualia Construction, S.A.E.	Egypt	135	(160)	50.00	KPMG
Orasqualia for the Development of the Waste Water Treatment Plant S.A.E.	Egypt	8,942	19,779	27.95	Deloitte
Orasqualia Operation and Maintenance S.A.E.	Egypt	547	657	50.00	Deloitte
CONSTRUCTION					
Administración y Servicios Grupo Zapotillo, S.A. de C.V.	México	81	87	50.00	
Ctra. Cabo San Lucas San José, S.A. de C.V.	México	—	(753)	50.00	Deloitte
Construcciones Olabarri, S.L.	Ripa, 1 – Bilbao (Vizcaya)	5,146	4,571	49.00	Charman Auditores
Constructora de Infraestructura de Agua de Querétaro, S.A. de C.V.	México	—	(992)	24.50	Deloitte
Constructora Durango Mazatlán, S.A. de C.V.	México	940	1,254	51.00	Deloitte

Company	Registered office	Carrying amount of the investment 2016	Carrying amount of the investment 2015	Effective percentage of ownership	Auditor
Constructora Nuevo Necaxa Tihuatlán, S.A. de C.V.	Mexico	(33,387)	(31,505)	40.00	Deloitte
Constructores del Zapotillo, S.A. de C.V.	Mexico	1,417	1,628	50.00	Salles Sainz Grant Thornton
Dragados FCC Canada Inc.	Canada	(528)	(531)	50.00	
Elaboración de Cajones Pretensados, S.L.	Av. General Perón, 36 – Madrid	2	2	50.00	
Integral Management Future Renewables, S.L.	A Condomiña, s/n – Ortoño (Corunna)	2,405	2,339	50.00	Deloitte
Marina de Laredo, S.A.	Pasaje de Puntida, 1 – Santander (Cantabria)	(1)	332	50.00	
North Tunnels Canada Inc.	Canada	(9,013)	(8,460)	50.00	
OHL Co Canada & FCC Canada Ltd. Partnership	Canada	(70,531)	(62,268)	50.00	
Peri 3 Gestión, S.L.	General Álava, 26 – Vitoria-Gasteiz (Álava)	2	2	50.00	
Servicios Empresariales Durango-Mazatlán, S.A. de C.V.	Mexico	134	161	51.00	
CEMENT					
Carbocem, S.A.	Paseo de la Castellana, 45 – Madrid	73	73	55.12	
Pedrera de l'Ordal, S.L.	Ctra. N 340 km. 1229,5 La Creu del L'Ordal – Subirats (Barcelona)	2,470	3,768	39.56	Deloitte
OTHER ACTIVITIES					
Ibisan Sociedad Concesionaria, S.A.	Porto Pi, 8 – Palma de Mallorca (Balearic Islands)	6,165	9,053	50.00	
MDM-Teide, S.A.	Panama	351	1,308	50.00	
Proyecto Front Marítim, S.L.	Paseo de Gracia, 120 – Barcelona	(8,150)	(6,695)	50.00	
Sociedad Concesionaria Tranvía de Murcia, S.A.	Olof Palmer, s/n – Murcia	18,477	18,409	50.00	
FM Green Power Investments Subgroupe		7,228	7,278		
Enestar Villena, S.A.	Maestro Chanzá, 3 – Villena (Alicante)	—	—	28.32	Ernst & Young
Ethern Electric Power, S.A.	Paseo de la Castellana, 91 11th fl. – Madrid	—	—	49.00	Ernst & Young
Estructuras Energéticas Generales, S.A. (Sole-Shareholder Company)	PasPaseo de la Castellana, 91 11th fl. – Madrid	—	—	49.00	
Evacuación Villanueva del Rey, S.L.	Av. de la Buhaira, 2 – Seville	—	—	6.28	
FM Green Power Investments, S.L.	Velázquez, 47 7th fl. – Madrid	—	—	49.00	Ernst & Young

Company	Registered office	Carrying amount of the investment		Effective percentage of ownership	Auditor
		2016	2015		
Guzmán Energía, S.A.	c/Portada, 11 – Palma del Río (Córdoba)	__	__	34.30	Ernst & Young
Helios Patrimonial 1, S.L. (Sole-Shareholder Company)	Paseo de la Castellana, 91 11th fl. – Madrid	__	__	49.00	
Helios Patrimonial 2, S.L. (Sole-Shareholder Company)	Paseo de la Castellana, 91 11th fl. – Madrid	__	__	49.00	Ernst & Young
Olivento, S.L. (Sole-Shareholder Company)	Paseo de la Castellana, 91 11th fl. – Madrid	__	__	49.00	Ernst & Young
Teide-MDM Quadrat, S.A.	Panama	327	233	50.00	
Total value of companies accounted for using the equity method (joint ventures)		**(3,574)**	**23,359**		

Appendix III. Associates (accounted for using the equity method)

Company	Registered office	Effective percentage of ownership		Effective percentage of ownership	Auditor
		2016	2015		
ENVIRONMENTAL SERVICES					
Aprochim Getesarp Rymoil, S.A.	P.I. Logrenzana La Granda – Carreño (Asturias)	841	867	23.49	Menéndez Auditores
Aragonesa de Gestión de Residuos, S.A.	Paseo María Agustín, 36 – Zaragoza	10	13	12.00	PricewaterhouseCoopers y Vilalba, Envid y Cia. Auditores, S.L.P.
Aragonesa de Tratamientos Medioambientales XXI, S.A.	Ctra. Castellón Km. 58 – Zaragoza	610	610	33.00	
Betearte, S.A.U.	Cr. BI – 3342 pk 38 Alto de Areitio – Mallabia (Vizcaya)	191	485	33.33	PKF Attest
Gestión Integral de Residuos Sólidos, S.A.	Profesor Beltrán Báquena, 4 – Valencia	5,182	5,216	49.00	Fides Auditores, S.L.
.A.S.A. Groupe		5,859		5,780	
.A.R.K. Technicke Sluzby s.r.o.	Slovakia	–	–	50.00	Deloitte
A.K.S.D. Városgazdálkodási Korlátolt FT	Hungary	–	–	25.50	Interauditor
ASTV s.r.o.	Czech Republic	–	–	49.00	
FCC + NHSZ Környezetvédelmi HKft (27)	Hungary	–	–	50.00	Interauditor
FCC Hlohovec s.r.o. (28)	Eslovaquía	–	–	50.00	
Huber Abfallservice Verwaltungs GmbH	Austria	–			
Huber Entsorgungs GmbH Nfg KG	Austria	–	–	49.00	
Killer GmbH	Austria	–	–	50.00	
Killer GmbH & Co KG	Austria	–	–	50.00	Rittmann
Recopap s.r.o.	Slovakia	–	–	50.00	Deloitte
Technické a Stavební Sluzby AS	Czech Republic	–	–	50.00	

Change of name. Formerly:
27) .A.S.A. + NHSZ Környezetvédelmi HKft
28) .A.S.A. Hlohovec s.r.o.

Company	Registered office	Effective percentage of ownership 2016	Effective percentage of ownership 2015	Effective percentage of ownership	Auditor
Tirme Groupe		4,456	8,358		
Balear de Trituracions, S.L.	Cr. de Sóller Km. 8,2 – Palma de Mallorca (Balearic Islands)	–	–	10.40	
MAC Insular, S.L.	Camí Son Reus. Ctra. De Soller Km. 8,2 – Bunyola (Balearic Islands)	–	–	14.00	Deloitte
MAC Insular Segunda, S.L.	Cr. de Sóller Km. 8,2 – Palma de Mallorca (Balearic Islands)	–	v	15.00	
Tirme, S.A.	Ctra. Soller Km. 8,2 Camino de Son Reus – Palma de Mallorca (Balearic Islands)	v	–	20.00	Deloitte
Sogecar, S.A.	Polígono Torrelarragoiti – Zamudio (Biscay)	280	312	30.00	
AQUALIA					
Aguas de Archidona, S.L.	Pz. Ochavada, 1 – Archidona (Malaga)	75	60	48.00	Centium Auditores
Aguas de Denia, S.A.	Pedro Esteve, 17 – Denia (Alicante)	400	401	33.00	
Aguas de Priego, S.L.	Pz. de la Constitución, 3 – Priego de Córdoba (Córdoba)	(104)	(18)	49.00	Audinfor
Aguas de Ubrique, S.A.	Av. España, 9 – Ubrique (Cadiz)	–	(1)	49.00	
Aguas del Puerto Empresa Municipal, S.A.	Aurora, 1 – El Puerto de Santa María (Cadiz)	3,860	3,808	48.98	
Aigües de Blanes, S.A.	Canigó, 5 – Blanes (Girona)	50	56	16.47	CD Auditors
Aigües del Segarra Garrigues, S.A.	Av. de Tarragona, 6 – Tárrega (Lleida)	–	–	1.00	Deloitte
Aigües del Tomoví, S.A.	Pz. Vella, 1 – El Vendrell (Tarragona)	508	524	49.00	GM Auditors
Aqualia Mace Operation & General Maintenance Llc.	United Arab Emirates (UAE)	–	385	51.00	Deloitte
Aquos El Realito, S.A. de C.V.	Mexico	5,884	4,910	49.00	Deloitte México
Concesionaria de Desalación de Ibiza, S.A.	Rotonda de Santa Eulalia, s/n – Ibiza (Balearic Islands)	1,226	1,327	50.00	BDO Auditores
Constructora de Infraestructuras de Aguas de Potosí, S.A. de C.V.	Mexico	(5,395)	(5,666)	24.50	Deloitte
EMANAGUA Empresa Mixta Municipal de Aguas de Nijar, S.A.	Pz. de la Glorieta, 1 – Nijar (Almería)	277	220	49.00	Centium Auditores
Empresa Mixta de Aguas de Ubrique, S.A.	Juzgado s/n (Ed. Serv. Múltiples PL4) – Ubrique (Cadiz)	76	53	49.00	Deloitte
Empresa Municipal de Aguas de Algeciras, S.A.	Av. Virgen del Carmen – Algeciras (Cadiz)	201	186	49.00	Abante Unicontrol Auditores, S.L.P.
Empresa Mixta de Aguas de Jodar, S.A.	Pz. España, 1 – Jodar (Jaén)	16	(34)	49.00	Centium Auditores

Company	Registered office	Effective percentage of ownership 2016	Effective percentage of ownership 2015	Effective percentage of ownership	Auditor
Empresa Municipal de Aguas de Linares, S.A.	Cid Campeador, 7 – Linares (Jaén)	186	482	49.00	Centium Auditores
Empresa Municipal de Aguas de Toxiria, S.A.	Pz. de la Constitución – Torredonjimeno (Jaén)	78	76	49.00	Centium Auditores
Nueva Sociedad de Aguas de Ibiza, S.A.	Av. Bartolomé Roselló, 18 – Ibiza (Balearic Islands)	82	61	40.00	
Operadora El Realito, S.A. de C.V.	Mexico	47	27	15.00	Ernst & Young
Prestadora de Servicios Acueducto El Realito, S.A.de C.V.	Mexico	1	1	24.50	
Proveïments d’Aigua, S.A.	Astúries, 9 – Girona	433	397	15.12	Antoni Riera Economistes Auditors
Sera Q A Duitama E.S.P., S.A.	Colombia	21	16	30.60	
Shariket Miyeh Ras Djinet, S.P.A.	Argelia	12,178	10,371	25.50	Mustapha Heddad
Shariket Tahlya Miyah Mostaganem, S.P.A.	Argelia	32,464	28,090	25.50	Mustapha Heddad
Suministro de Agua de Querétaro, S.A. de C.V.	Mexico	9,213	11,223	25.00	Deloitte
CONSTRUCTION					
Agrenic Complejo Industrial Nindiri, S.A.	Nicaragua	3,153	2,982	50.00	Deloitte
Aigües del Segarra Garrigues, S.A.	Av. de Tarragona, 6 – Tárrega (Lleida)	6,388	6,001	24.68	Deloitte
Autopistas del Valle, S.A.	Costa Rica	–	1,323	48.00	
Baross Ter Ingatlanprojekt-Fejleszto Kft	Hungary	409	400	20.00	
BBR VT International Ltd.	Suiza	–	1,680	22.50	
Cafig Constructores, S.A. de C.V.	Mexico	226	–	45.00	
Cleon, S.A.	Av. General Perón, 36 – Madrid	24,937	–	25.00	KPMG
Construcciones y Pavimentos, S.A.	Panama	5	5	50.00	
Constructora de Infraestructuras de Aguas de Potosí, S.A. de C.V.	Mexico	(1)	(5,465)	24.50	Deloitte
Constructora San José – Caldera CSJC, S.A.	Costa Rica	1,636	3,435	50.00	Deloitte
Constructora San José – San Ramón SJSR, S.A.	Costa Rica	872	–	50.00	
Desarrollo Cuajimalpa, S.A. de C.V.	Mexico	6	1,936	25.00	
Design Build and Operation, S.L.	Av. Eduardo Dato, 69 – Seville	8	7	40.00	
EFI Túneles Necaxa, S.A. de C.V.	Mexico	552	294	45.00	

Company	Registered office	Effective percentage of ownership		Effective percentage of ownership	Auditor
		2016	2015		
FCC Américas, S.A. de C.V.	Mexico	1	–	50.00	
Foment de Construccions i Consulting Group	Andorra	–	(22)	33.30	
Horizontes de Vías y Señales Centroamérica, S.A.	Costa Rica	–	85	50.00	
Horizontes de Vías y Señales Panama, S.A.	Panama	–	106	25.00	
M50 (D&C) Limited	Ireland	(3,273)	(3,233)	42.50	
Metro de Malaga, S.A.	Camino de Santa Inés, s/n – Malaga	–	13,673	10.01	
N6 (Construction) Limited	Ireland	(38,412)	(38,416)	42.50	
Prestadora de Servicios Acueducto El Realito, S.A. de C.V.	Mexico	1	1	24.50	
Promvias XXI, S.A.	Vía Augusta, 255 Local 4 – Barcelona	1	1	25.00	
Teide Gestión del Sur, S.L.	Av. Camino de Santiago, 40 – Madrid	–	(1,770)	49.94	
Terminal Polivalente de Huelva, S.A.	La Marina, 29 - Huelva	–	(263)	31.50	
Urbs Iustitia Commodo Opera, S.A.	Av. Carrilet, 3 – L'Hospitalet de Llobregat (Barcelona)	–	527	35.00	
CEMENT					
Aplicaciones Minerales, S.A.	Camino Fuente Herrero – Cueva Cardiel (Burgos)	400	377	27.35	
Canteras y Hormigones VRE, S.A.	Arieta, 13 – Estella (Navarre)	(690)	311	39.56	KPMG
Giant Group		48,866	–		
Coastal Cement Corporation	USA	–	–	35.60	
Dragon Energy Llc.	USA	–	–	35.60	
Dragon Products Company Inc.	USA	–	–	35.60	
Giant Cement Company	USA	–	–	35.60	
Giant Cement Holding Inc.	USA	–	–	35.60	Deloitte
Giant Cement NC Inc.	USA	–	–	35.60	
Giant Cement Virginia Inc.	USA	–	–	35.60	
Giant Resource Recovery Inc.	USA	–	–	35.60	
Giant Resource Recovery – Arvonia Inc.	USA	–	–	35.60	

Company	Registered office	Effective percentage of ownership		Effective percentage of ownership	Auditor
		2016	2015		
Giant Resource Recovery – Attalla Inc.	USA	–	–	35.60	
Giant Resource Recovery – Harleyville, Inc.	USA	–	–	35.60	
Giant Resource Recovery – Sumter Inc.	USA	–	–	35.60	
Keystone Cement Company	USA	–	–	35.60	
Sechem Inc.	USA	–	–	35.60	
Hormigones Castro, S.A.	Ctra. Irún-Corunna Km. 153 – Islares (Cantabria)	328	310	27.87	
Hormigones del Baztán, S.L.	Estella, 6 – Pamplona (Navarre)	519	554	39.56	
Hormigones Delfín, S.A.	Venta Blanca – Peralta (Navarre)	388	391	39.56	
Hormigones en Masa de Valtierra, S.A.	Ctra. Cadreita Km. 0 – Valtierra (Navarre)	1,601	1,648	39.56	
Hormigones Galizano, S.A.	Ctra. Irún – Corunna Km. 184 – Gama (Cantabria)	156	159	34.83	
Hormigones Reinares, S.A.	Praje Murillo de Calahorra, s/n – Calahorra (La Rioja)	524	508	39.56	
Hormigones y Áridos del Pirineo Aragonés, S.A.	Ctra. Biescas – Sabiñánigo (Huesca)	5,975	5,725	39.56	KPMG
Lázaro Echevarría, S.A.	Isidoro Melero – Alsasua (Navarre)	8,806	9,322	22.16	KPMG
Navarre de Transportes, S.A.	Ctra. Pamplona-Vitoria Km. 52 – Olazagutia (Navarre)	624	926	26.37	KPMG
Novhorvi, S.A.	Portal de Gamarra, 25 – Vitoria –Gasteiz (Alava)	117	141	19.78	
Portcemen, S.A.	Muelle Contradique Sur-Puerto Barcelona – Barcelona	1,316	1,162	26.37	
Terminal Cimentier de Gabes-Gie	Tunis	51	57	23.17	Ernst & Young
Vescem-LID, S.L.	Valencia, 245 – Barcelona	41	41	19.78	
OTHER ACTIVITIES					
Cleon, S.A.	Av. General Perón, 36 – Madrid	–	24,949	25.00	KPMG
Concesionaria Atención Primaria, S.A.	Plaza Es Fortí, 4 – Palma de Mallorca (Balearic Islands)	2,438	2,133	33.00	
Concessió Estacions Aeroport L9, S.A.	Av. Carrilet, 3 Edificio D – L'Hospitalet de Llobregat (Barcelona	(9,908)	(16,908)	49.00	
Cedinsa Concesionaria Group		12,853	20,664	34.00	
Cedinsa Concesionaria, S.A.	Tarragona, 141 – Barcelona	–	–	34.00	

Company	Registered office	Effective percentage of ownership 2016	Effective percentage of ownership 2015	Effective percentage of ownership	Auditor
Cedinsa Conservació, S.L. (Sole-Shareholder Company)	Tarragona, 141 – Barcelona	–	–	34.00	
Cedinsa d'Aro Concessionària de la Generalitat de Catalunya, S.A. (Sole-Shareholder Company)	Tarragona, 141 – Barcelona	–	–	34.00	
Cedinsa Eix del Llobregat Concessionària de la Generalitat de Catalunya, S.A. (Sole-Shareholder Company), S.A.	Tarragona, 141 – Barcelona	–	–	34.00	
Cedinsa Eix Transversal Concessionària de la Generalitat de Catalunya, S.A. (Sole-Shareholder Company), S.A.	Tarragona, 141 – Barcelona	–	–	34.00	
Cedinsa Ter Concessionària de la Generalitat de Catalunya, S.A. (Sole-Shareholder Company), S.A.	Tarragona, 141 – Barcelona	–	–	34.00	
Realia Business Group	Paseo de la Castellana, 216 – Madrid	206,032	120,189		
As Cancelas Siglo XXI, S.L.	Paseo de la Castellana, 216 – Madrid	–	–	18.48	Deloitte
Boane 2003, S.A. (Sole-Shareholder Company)	Paseo de la Castellana, 41 – Madrid	–	–	18.03	Deloitte
Desarrollo Urbanístico Seville Este, S.L.	Pz. De las Naciones Edif. Alfar – Mairena de Aljarafe (Seville)	–	–	11.28	Deloitte
Guillena Golf, S.L. (Sole-Shareholder Company)	Paseo de la Castellana, 216 – Madrid	–	–	36.96	Deloitte
Hermanos Revilla, S.A.	Paseo de la Castellana, 41 – Madrid	–	–	18.03	Deloitte
Inversiones Inmobilairias Rústicas y Urbanas 2000, S.L.	Paseo de la Castellana, 93 – Madrid	–	–	12.33	Deloitte
Planigesa, S.A.	Paseo de la Castellana, 216 – Madrid	–	–	28.09	Deloitte
Realia Business Portugal – Unipessoal Lda.	Portugal	–	–	36.96	Deloitte
Realia Business, S.A.	Paseo de la Castellana, 216 – Madrid	–	–	36.96	Deloitte
Realia Contesti, S.R.L.	Rumanía	–	–	36.96	Deloitte
Realia Patrimonio S.L.U.	Paseo de la Castellana, 216 – Madrid	–	–	36.96	Deloitte
Realia Polska Investycje Spolka z.o.o.	Poland	–	–	36.96	Deloitte
Retingle, S.L.	Paseo de la Castellana, 216 – Madrid	–	–	18.52	Deloitte
Ronda Norte Denia, S.L.	Av. Aragón, 30 – Valencia	–	–	12.06	Deloitte
Servicios Índice, S.A.	Paseo de la Castellana, 216 – Madrid	–	–	18.66	Deloitte

Company	Registered office	Effective percentage of ownership		Effective percentage of ownership	Auditor
		2016	2015		
Valaise, S.L. (Sole-Shareholder Company)	Paseo de la Castellana, 216 – Madrid	–	–	36.96	Deloitte
Las Palmeras de Garrucha, S.L. -in liquidation-	Mayor, 19 – Garrucha (Almería)	994	995	20.00	
Metro de Lima Línea 2, S.A.	Peru	23,124	17,413	18.25	
Sigenera, S.L.	Av. de Linares Rivas, 1 – Corunna	377	379	50.00	
Urbs Iudex et Causidicus, S.A.	Av. Carrilet, 3 – L'Hospitalet de Llobregat (Barcelona)	–	–	29.00	
Total value of companies accounted for using the equity method (associates)		**380,851**	**253,329**		

Appendix IV. Changes in the scope of consolidation

INCLUSIONS	Registered office
FULLY CONSOLIDATED COMPANIES	
FCC (E&M) HOLDINGS LTD.	United Kingdom
FCC (E&M) LTD.	United Kingdom
FCC ENVIRONMENT DEVELOPMENT LTD.	United Kingdom
FCC EQUAL CEE C. ANDALUCÍA, S.L.	Av. Molière, 36 – Malaga
FCC EQUAL CEE C. VALENCIANA, S.L.	Riu Magre, 6 P.I. – Patada del Cid – Quart de Poblet (Valencia)
ASSOCIATES	
CAFIG CONSTRUCTORES, S.A. DE C.V.	Mexico
FCC AMÉRICAS, S.A. DE C.V.	Mexico
RCS – FCC J.V.	USA

INCLUSIONS	Registered office
FULLY CONSOLIDATED COMPANIES	
ALPINE CONSULTING, D.O.O. (1)	Eslovenia
CONCESIONES VIALES DE COSTA RICA, S.A. (2)	Costa Rica
DIZARA INVERSION, S.L. (1)	Av. Camino de Santiago, 40 – Madrid
EHST EUROPEAN HIGH SPEED TRAINS SGPS, S.A. (3)	Portugal
FCC CONSTRUCCION POLSKA SP Z.O.O. (2)	Polonia
FCC INDUSTRIAL COLOMBIA, S.A.S. (1)	Colombia
FCC INDUSTRIALE, S.R.L. (2)	Italia
M&S CONCESIONES, S.A. (2)	Costa Rica
NEVASA INVERSION, S.L. (1)	Av. Camino de Santiago, 40 – Madrid
SINCLER, S.A. UNIPERSONAL (1)	Av. Camino de Santiago, 40 – Madrid
TULSA INVERSION, S.L. (1)	Av. Camino de Santiago, 40 – Madrid

Consolidación por el método de la participación

NEGOCIOS CONJUNTOS	
WESTERN CARPATHIANS MOTORWAY INVESTORS COMPANY GMBH (1)	Austria
GRUPO GLOBALVIA (3)	Paseo de la Castellana, 141 Edificio Cuzco IV – Madrid
ASOCIADAS	
AUTOPISTAS DEL VALLE, S.A. (1)	Costa Rica
BBR VT INTERNATIONAL LTD. (3)	Suiza
GESI 9, S.A. (1)	Sorolla, 27 – Alcalá de Guadaira (Sevilla)
HORIZONTES DE VIAS Y SEÑALES CENTRO AMÉRICA, S.A. (3)	Costa Rica
HORIZONTES DE VIAS Y SEÑALES PANAMÁ, S.A. (3)	Panamá
METRO DE MÁLAGA, S.A. (3)	Camino de Santa Inés, s/n – Málaga
SENSEFIELDS, S.L. (3)	Gran Via de les Corts Catalanes, 674 - Barcelona
URBS IUSTITIA COMMODO OPERA, S.A. (2)	Av. Carrilet, 3 – L'Hospitalet de Llobregat (Barcelona)

1) Baja por disolución
2) Baja por liquidación
3) Baja por venta

COMPANY	Changes in the scope of consolidation
AQUALIA MACE OPERATION & MAINTENANCE LLC	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Coastal Cement Corporation	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Dragon Energy Llc.	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Dragon Products Company Inc.	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Giant Cement Company	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Giant Cement Holding Inc.	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Giant Cement NC Inc.	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Giant Cement Virginia Inc.	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Giant Resource Recovery Inc.	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Giant Resource Recovery – Arvonia Inc.	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Giant Resource Recovery – Attalla Inc.	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Giant Resource Recovery – Harleyville, Inc.	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Giant Resource Recovery – Sumter Inc.	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Keystone Cement Company	Previously consolidated using the equity method (joint venture). Currently fully consolidated.
Sechem Inc.	Previously consolidated using the equity method (joint venture). Currently fully consolidated.

Appendix V. Temporary joint ventures (j.v.'s), economic interest groupings (eigs) and other businesses managed jointly with non-group third parties

	Percentage of ownership at 31 December 2016
ENVIRONMENTAL SERVICES	
PUERTO J.V.	50.00
ABSA – PERICA J.V.	60.00
ABSA – PERICA I J.V.	60.00
ABSA – PERICA II J.V.	60.00
AEROPUERTO VI J.V.	50.00
AGARBI J.V.	60.00
AGARBI BI J.V.	60.00
AGARBI INTERIORES J.V.	60.00
AKEI J.V.	60.00
ALCANTARILLADO MELILLA J.V.	50.00
ALELLA J.V.	50.00
ARAZURI 2016 J.V.	50.00
ARCOS J.V.	51.00
ARUCAS II J.V.	70.00
BAILIN ETAPA 2 J.V.	60.00
BILBOKO LORATEGIAK J.V.	60.00
BILBOKO SANEAMENDU J.V.	50.00
BILBOKO SANEAMENDU BI J.V.	50.00
BIOCOMPOST DE ÁLAVA J.V.	50.00
BIZKAIAKO HONDARTZAK J.V.	50.00
BOADILLA J.V.	50.00
CABRERA DE MAR J.V.	50.00
CANA PUTXA J.V.	20.00

	Percentage of ownership at 31 December 2016
CARMA J.V.	50.00
CASTELLANA – PO J.V.	50.00
CASTELLAR DEL VALLÈS J.V.	50.00
CHIPIONA J.V.	50.00
CGR GUIPUZCOA J.V.	35.14
CLAUSURA SAN MARCOS J.V.	60.00
COLEGIOS SANT QUIRZE J.V.	50.00
CONTENEDORES LAS PALMAS J.V.	30.00
CONTENEDORES MADRID J.V.	38.25
CONTENEDORES MADRID 2 J.V.	36.50
CTR. DE L'ALT EMPORDÀ J.V.	45.00
CTR – VALLÈS J.V.	20.00
CUA J.V.	50.00
DONOSTIAKO GARBIKETA J.V.	70.00
DOS AGUAS J.V.	35.00
ECOPARQUE CÁCERES J.V.	50.00
ECOURENSE J.V.	50.00
EFIC. ENERG. PUERTO DEL ROSARIO J.V.	60.00
EKOFERRO J.V.	85.00
ENERGÍA SOLAR ONDA J.V.	25.00
ENLLUMENAT SABADELL J.V.	50.00
ENVASES LIGEROS MALAGA J.V.	50.00
EPELEKO PLANTA J.V.	35.00
ERETZA J.V.	70.00

	Percentage of ownership at 31 December 2016
ES VEDRA J.V.	25.00
F.L.F. LA PLANA J.V.	47.00
F.S.S. J.V.	99.00
FCC – ERS LOS PALACIOS J.V.	50.00
FCC – HIJOS DE MORENO, S.A. J.V.	50.00
FCC – PERICA J.V.	60.00
FCC – SUFI MAJADAHONDA J.V.	50.00
GESTIÓ INTEGRAL DE RUNES DEL PAPIOL J.V.	40.00
GESTIÓN INSTALACIÓN III J.V.	34.99
GIREF J.V.	20.00
GOIERRI GARBIA J.V.	60.00
ICAT LOTE 7 J.V.	50.00
ICAT LOTE 11 J.V.	50.00
ICAT LOTE 15 J.V.	50.00
ICAT LOTE 20 and 22 J.V.	70.00
INTERIORES BILBAO J.V.	80.00
JARD. UNIVERSITAT JAUME I J.V.	50.00
JARDINES MOGÁN J.V.	51.00
JUNDIZ II J.V.	51.00
LA LLOMA DEL BIRLET J.V.	80.00
LAGUNAS DE ARGANDA J.V.	50.00
LAS CALDAS GOLF J.V.	50.00
LEGIO VII J.V.	50.00
LEKEITIOKO MANTENIMENDUA J.V.	60.00
LIMPIEZA SANTA COLOMA J.V.	50.00
LIMPIEZA Y RSU LEZO J.V.	55.00
LODOS ARAZURI J.V.	50.00

	Percentage of ownership at 31 December 2016
LOGROÑO LIMPIO J.V.	50.00
LUZE VIGO J.V.	40.00
LV RSU VITORIA-GASTEIZ J.V.	60.00
LV Y RSU ARUCAS J.V.	70.00
LV ZUMAIA J.V.	60.00
LV ZUMARRAGA J.V.	60.00
MANTENIMENT REG CORNELLÀ J.V.	60.00
MANTENIMIENTO COLEGIOS III J.V.	60.00
MAREPA – CARPA PAMPLONA J.V.	50.00
MELILLA J.V.	50.00
MMI 5º CONTENEDOR J.V.	60.00
MNTO. EDIFICI MOSSOS ESQUADRA J.V.	70.00
MNTO. MEDITERRANEA FCC J.V.	50.00
MUÉRDAGO J.V.	60.00
MUSKIZ J.V.	32.00
NERBIOI IBAIZABAL 5º CONTENEDOR J.V.	60.00
ONDA EXPLOTACIÓN J.V.	33.33
PÁJARA J.V.	70.00
PAMPLONA J.V.	80.00
PASAIA J.V.	70.00
PASAIAKO PORTUA BI J.V.	55.00
PISCINA CUBIERTA BENICARLÓ J.V.	65.00
PISCINA CUBIERTA MUNICIPAL ALBATERA J.V.	93.00
PISCINA CUBIERTA PAIPORTA J.V.	90.00
PLAN RESIDUOS J.V.	47.50
PLANTA RSI TUDELA J.V.	60.00
PLANTA TR. FUERTEVENTURA J.V.	70.00

	Percentage of ownership at 31 December 2016
PLANTA TRATAMIENTO VALLADOLID J.V.	90.00
PLATGES VINARÓS J.V.	50.00
PLAYAS GIPUZKOA J.V.	55.00
PLAYAS GIPUZKOA II J.V.	55.00
PONIENTE ALMERIENSE J.V.	50.00
PORTMANY J.V.	50.00
PUERTO II J.V.	70.00
PUERTO DE PASAIA J.V.	55.00
PUERTO DE PTO DEL ROSARIO J.V.	70.00
R.S. PONIENTE ALMERIENSE J.V.	50.00
RBU ELS PORTS J.V.	50.00
RBU VILLA-REAL J.V.	47.00
RESIDENCIA J.V.	50.00
RESIDUOS 3 ZONAS NAVARRE J.V.	60.00
RSU LV S. BME. TIRAJANA J.V.	50.00
RSU TOLOSALDEA J.V.	60.00
S.U. ALICANTE J.V.	33.50
S.U. BENICASSIM J.V.	35.00
S.U. BILBAO J.V.	60.00
S.U. OROPESA DEL MAR J.V.	35.00
SALTO DEL NEGRO J.V.	50.00
SANEAMIENTO URBANO CASTELLÓN J.V.	65.00
SANEAMIENTO VITORIA-GASTEIZ J.V.	60.00
SANEJAMENT CELLERA DE TER J.V.	50.00
SANEJAMENT MANRESA J.V.	80.00
SANT QUIRZE DEL VALLÉS	50.00
SANTA COLOMA DE GRAMANET J.V.	61.00

	Percentage of ownership at 31 December 2016
SASIETA J.V.	75.00
SAV – FCC TRATAMIENTOS J.V.	35.00
SELECTIVA LAS PALMAS J.V.	55.00
SELECTIVA SAN MARCOS J.V.	65.00
SELECTIVA SAN MARCOS II J.V.	63.00
SELECTIVA UROLA KOSTA J.V.	60.00
SELLADO VERTEDERO LOGROÑO J.V.	50.00
SOLARES CEUTA J.V.	50.00
SON ESPASES J.V.	50.00
TOLOSAKO GARBIKETA J.V.	40.00
TRANSPORTE RSU J.V.	33.33
TRANSP. Y ELIM. RSU J.V.	33.33
TRANSPORTE SAN MARCOS J.V.	80.00
TXINGUDIKO GARBIKETA J.V.	73.00
UROLA ERDIA J.V.	60.00
URRETXU Y ZUMARRAGA J.V.	65.00
URTETA J.V.	50.00
VERTEDERO GARDELEGUI II J.V.	70.00
VERTEDERO GARDELEGUI III J.V.	70.00
VERTRESA J.V.	10.00
VIDRIO MELILLA J.V.	50.00
VIGO RECICLA J.V.	70.00
VILOMARA J.V.	33.33
VILOMARA II J.V.	33.33
VINAROZ J.V.	50.00
ZAMORA LIMPIA J.V.	30.00
ZARAGOZA DELICIAS J.V.	51.00

	Percentage of ownership at 31 December 2016
ZARAUZKO GARBIETA J.V.	60.00
ZUMAIA J.V.	60.00
ZURITA J.V.	50.00
ZURITA II J.V.	50.00
AQUALIA	
AQUAGEST-AQUALIA EIG	37.50
COSTA BRAVA ABASTAMENT AQUALIA-SOREA EIG	50.00
ITAM DELTA DE LA TORDERA EIG	50.10
ABASTAMENT EN ALTA COSTA BRAVA EMPRESA MIXTA, S.A.	26.00
AGUAS Y SERVICIOS DE LA COSTA TROPICAL DE GRANADA EIG	51.00
EDIFICIO ARGANZUELA J.V.	99.99
EMPRESA MIXTA D'AIGÜES DE LA COSTA BRAVA, S.A.	25.00
EMPRESA MIXTA DE AGUAS Y SERVICIOS, S.A.	41.25
GESTIÓN DE SERVICIOS HIDRÁULICOS DE CIUDAD REAL EIG	75.00
ABU RAWASH CONSTRUCCIÓN J.V.	50.00
AGNITA-EPTISA-AISA J.V.	50.00
AGUA SANTO DOMINGO J.V.	70.00
AGUAS ALCALÁ J.V.	50.00
AGUAS DEL DORAMÁS J.V.	50.00
AIGÜES ELS POBLETS J.V.	95.00
ALKHORAYEF-FCC AQUALIA J.V.	51.00
AMPLIACIÓN IDAM DELTA DE LA TORDERA J.V.	66.66
CAP DJINET J.V.	50.00
CONS. GESTOR PTAR. SALITRE J.V.	30.00
COLECTORES A GUARDA 2012 J.V.	50.00
COSTA TROPICAL J.V.	51.00
COSTA TROPICAL II J.V.	51.00

	Percentage of ownership at 31 December 2016
COSTA TROPICAL III J.V.	51.00
DEPURACIÓN PONIENTE ALMERIENSE J.V.	75.00
EDAR A GUARDA J.V.	50.00
EDAR A GUARDA 2012 J.V.	50.00
EDAR A GUARDA 2013 J.V.	50.00
EDAR BAEZA J.V.	50.00
EDAR GIJÓN J.V.	60.00
EPTISA-AISA (ZIMNICEA) J.V.	50.00
ETAPS ESTE J.V.	65.00
EXPLOTACIÓN ITAM TORDERA J.V.	50.00
EXPLOTACIÓN PISCINAS VIGO J.V.	50.00
FCC ACISA AUDING J.V.	45.00
GESTIÓN CANGAS J.V.	70.00
GESTIÓN PISCINAS VIGO J.V.	50.00
GROUPEMENT SOLIDAIRE JERBA J.V.	50.00
HIDC – HIDR. – INV DO CENTR. ACE J.V.	50.00
IBIZA J.V.	50.00
IBIZA-PORTMANY EPC J.V.	50.00
IDAM SAN ANTONI J.V.	50.00
IDAM SANT ANTONI II J.V.	50.00
INFILCO J.V.	50.00
LOURO J.V.	65.00
MOSTAGANEM J.V.	50.00
OYM CAP DJINET J.V.	50.00
OYM MOSTAGANEM J.V.	50.00
PTAR. AMBATO J.V.	60.00
PTAR SAN SILVESTRE J.V.	50.00

	Percentage of ownership at 31 December 2016
REDES CABB J.V.	65.00
SCC SICE J.V.	50.00
SEAFSA LANZAROTE J.V.	60.00
SENTINAS J.V.	50.00
S.G.V.V. J.V.	50.00
SOLLONAKO URA J.V.	50.00
TOSSA DE MAR J.V.	20.00
USSA A J.V.	65.00
VIGO PISCINAS J.V.	50.00
CONSTRUCTION	
ACE EDIFER CONSTRUÇOES, RAMALHO R.C.E.C.	33.33
ACE INFRAESTRUCTURAS DAS ANTAS – CONSTRUÇAO E OBRAS PÚBLICAS	33.33
ACE CAET XXI CONSTRUÇOES	50.00
ACE RIBEIRADIO-ERMIDA	55.00
ACP DU PORT DE LA CONDAMINE	45.00
ASOC. FCC AZVI STRACO S. ATEL-MICASASA	55.00
ASOCIEREA FCC AZVI S. SIGHISOARA - ATEL	55.00
ASTALDI – FCC J.V.	50.00
BSV MERSEY JOINT VENTURE UNINC	50.00
CJV-UJV	35.92
CONSORCIO ANTIOQUÍA AL MAR	40.00
CONSORCIO CENTENARIO DE PANAMA SOCIEDAD ACCIDENTAL	50.00
CONSORCIO CHICAGO II	60.00
CONSORCIO CJV CONSTRUCTOR METRO LIMA	25.50
CONSORCIO EPC METRO LIMA	18.25
CONSORCIO FCC CONSTRUCCIÓN-FERROVIAL AGROMAN LTD.A.	50.00

	Percentage of ownership at 31 December 2016
CONSORCIO FCC-FI	50.00
CONSORCIO FCC-JJC (PUERTO CALLAO)	50.00
CONSORCIO FCC METRO SANTA FE DE COSTA RICA	50.00
CONSORCIO ICA – FCC – MECO PAC-4	43.00
CONSORCIO LÍNEA 2	40.00
CONSORCIO LÍNEA UNO	45.00
CONSORCIO M&S SANTA FE MCA	50.00
CONSORCIO NUEVA ESPERANZA	63.00
CONSORCIO REMOS FASE I	60.00
FAST 5 – U.J.V.	28.16
FAST CONSORTIUM LIMITED LLC (29)	35.92
FCC - YUKSEL – ARCHIDORON – PETROSERV J.V.	50.00
GROUPEMENT FCC - INGENIUM	93.00
ASOCIEREA ARAD-TIMISOARA FCC-ASTALDI J.V.	50.00
ASTALDI-FCC-UTI-ACTIV. MAGISTRALA J.V.	37.00
BYPASS CONSTATA J.V.	50.00
CENTURE OTOPENI OVERPASS J.V.	40.00
ESTENSION OF LINE 2 TO ANTOHOUPOLI J.V.	50.01
FCC, HOCHTIEF UN ACB – AEROPUERTO RIGA J.V.	36.00
SFI LEASING COMPANY J.V.	30.00
MERSEYLINK CIVIL CONTRACTORS J.V.	33.33
METRO BUCAREST J.V.	47.50
SHIMMICK CO. INC. FCC CO. IMPREGILO SPA J.V.	30.00
THV CAFASSO CONSTRUCTION	60.00
TJV-UJV	16.16
2ª FASE DIQUE DE LA ESFINGE	35.00

(1) Cambio de denominación. Antes Fast Construction Llc

	Percentage of ownership at 31 December 2016
A-66 BENAVENTE - ZAMORA	50.00
ACCESO FERROVIARIO APB	45.00
ACCESO NORTE A VIGO NUEVA ESTACIÓN	50.00
ACCESO PUERTO SECO MONFORTE	50.00
ACCESOS A LA ESTACIÓN DE LA SAGRERA J.V.	37.50
ACON. Y PEATON. SAN BARTOLOMÉ TIRAJANA J.V.	70.00
ADAMUZ J.V.	33.33
AEROPUERTO DE CASTELLÓN J.V.	50.00
AL – DEL OLMEDO J.V.	50.00
AL – DEL POLIVALENTES J.V.	50.00
ALAMEDA DE CERVANTES EN LORCA J.V.	60.00
ALBUERA J.V.	50.00
ALERTA AVENIDAS SAIH J.V.	50.00
ALMENDRALEJO II J.V.	50.00
AMP. PLAT. COSTERA REC. GUINIGUADA J.V.	50.00
AMPLIACIÓN PUERTO PLAYA BLANCA J.V.	92.50
AMPLIACIÓN SAIH J.V.	50.00
ANAGA J.V.	33.33
ANTEQUERA J.V.	60.00
ARMILLA INSTALACIONES J.V.	50.00
ARROYO DEL FRESNO J.V.	50.00
AUCOSTA CONSERVACIÓN J.V.	50.00
AUDITORIO DE BURGOS J.V.	65.00
AUDITORIO DE LUGO J.V.	50.00
AUTOPISTA CARTAGENA – VERA J.V.	50.00
AUTOVÍA A-33 JUMILLA J.V.	65.00
AUTOVÍA COSTA BRAVA J.V.	65.00

	Percentage of ownership at 31 December 2016
AUTOVÍA DE LA SAGRA J.V.	50.00
AUTOVÍA EL BATÁN – CORIA J.V.	50.00
AVE ALCÁNTARA-GARROVILLAS J.V.	85.00
AVE GIRONA J.V.	40.00
AVE MASIDE J.V.	67.00
AVE TÚNEL DE SERRANO J.V.	42.00
ÁVILA 6 J.V.	35.00
BALLONTI ARDANZA J.V.	9.80
BARBADOS J.V.	50.00
BELLTALL J.V.	40.00
BERGARA ANTZUOLA J.V.	50.00
BILBAO MANTENDU J.V.	24.50
BIMENES III J.V.	70.00
BOETTICHER J.V.	50.00
BOETTICHER CLIMA J.V.	50.00
BOETTICHER ELECTRICIDAD J.V.	50.00
BOQUILLA SUR TÚNEL VIGO – DAS MACEIRA J.V.	50.00
BUSINESS J.V.	25.00
C31-ACCESOS MATARÓ J.V.	50.00
C&F JAMAICA J.V.	50.00
C.A.R.E. CÓRDOBA J.V.	75.00
CÁCERES NORTE J.V.	50.00
CAMPO GIBRALTAR J.V.	80.00
CAMPUS CLIMA J.V.	50.00
CANAL PRINCIPAL DE ORBIGO J.V.	50.00
CÁRCEL MARCOS PAZ J.V.	35.00
CARCHUNA – CASTELL J.V.	75.00

	Percentage of ownership at 31 December 2016
CARRETERA IBIZA – SAN ANTONIO J.V.	50.00
CASÓN II J.V.	50.00
CATENARIA RÍGIDA TERRASSA J.V.	50.00
CATLÁNTICO J.V.	25.00
CECOEX J.V.	20.00
CEIP OROSO J.V.	60.00
CENTRO COMERCIAL LA GRELA J.V.	50.00
CENTRO COMERCIAL MESOIRO J.V.	50.00
CENTRO SALUD TUI J.V.	50.00
CHUAC J.V.	50.00
CIBELES J.V.	50.00
CIRCUITO J.V.	70.00
CIUTAT DE LA JUSTÍCIA J.V.	30.00
CLUB NÁUTICO CASTELLÓN J.V.	50.00
CONEXIÓN CORREDOR MEDITERRÁNEO J.V.	40.00
CONEXIÓN MOLINAR J.V.	70.00
CONSERVACIÓN ANTEQUERA J.V.	50.00
CONSERVACIÓN BADAJOZ J.V.	50.00
CONSERVACIÓN MALPARTIDA J.V.	50.00
CONSTRUCCIÓN HOSPITAL SURESTE J.V.	50.00
CONSTRUCCIÓN TRANVÍA ZARAGOZA J.V.	50.00
CONTROL MOGÁN J.V.	33.33
COPERO J.V.	70.00
CREAA J.V.	50.00
CYS – IKUSI – GMV J.V.	43.50
DÁRSENA CORUÑA J.V.	50.00
DE SUMINISTROS PUENTE RÍO OZAMA J.V.	50.00

	Percentage of ownership at 31 December 2016
DESALADORA BAJO ALMANZORA J.V.	60.00
DESARROLLO PUERTO DE AVILÉS FASE I J.V.	80.00
DESDOBLAMIENTO C.V. – 309 EN SAGUNTO J.V.	50.00
DESDOBLAMIENTO DE LA AS-17 I J.V.	70.00
DIQUE ESTE J.V.	35.00
DIQUE TORRES J.V.	27.00
DOCENCIA HOSPITAL SON ESPASES J.V.	33.00
DONOSTIALDEA 2014 J.V.	60.00
DOZÓN J.V.	29.60
DRENAJES ADAMUZ J.V.	33.33
EDIFICI SOCIAL J.V.	29.00
EDIFICIO C. CULT. POLIV., F. II-V. D'UIXÓ J.V.	60.00
EDIFICIO TERMINAL J.V.	40.00
ELECTRICIDAD BY PASS SUR CALLE 30 J.V.	33.33
ELECTRIFICACIÓN GRANOLLERS J.V.	20.00
ENCAUZAMIENTO BARRANCO DE FRAGA J.V.	60.00
EQUIPAMIENTO AUDITORIO BURGOS J.V.	65.00
ESCLUSA SEVILLE J.V.	70.00
ESTACIÓN GIRONA J.V.	40.00
ESTACIONS AEROPORT L9 J.V.	49.00
ESTACIONS LÍNEA 9 J.V.	33.00
ESTACIONS TERRASSA J.V.	36.00
ESTEPONA J.V.	25.00
EZKIO ITSASO J.V.	40.00
F.I.F. GNL FB 301/2 J.V.	35.96
FASE II C.I.C.C.M. J.V.	60.00
FASE II PABELLÓN REYNO DE NAVARRE J.V.	50.00

	Percentage of ownership at 31 December 2016
FCC INDUSTRIAL - ATON J.V.	90.00
FGV VARIANTE TRAMO FINCA ADOC J.V.	55.00
FUENTE DE CANTOS J.V.	50.00
GANGUREN J.V.	11.03
GASODUCTOS ENAGAS GD J.V.	50.00
GC – 1 PUERTO DE RICO – MOGÁN J.V.	40.00
GEDERIAGA J.V.	24.50
GIRONA NORTE J.V.	70.00
GIRONA NORTE II J.V.	70.00
GIRONA NORTE 2014 J.V.	70.00
GOIÁN J.V.	70.00
GOIERRIALDEA 2010 J.V.	55.00
GRANADA J.V.	70.00
GUADARRAMA 3 J.V.	33.33
GUADARRAMA 4 J.V.	33.33
HORCHE J.V.	65.00
HORKASITAS J.V.	24.50
HOSPITAL ALCÁZAR J.V.	60.00
HOSPITAL CAMPUS DE LA SALUD J.V.	80.00
HOSPITAL DE CARTAGENA J.V.	70.00
HOSPITAL DE MIRANDA J.V.	65.00
HOSPITAL DEL SUR J.V.	80.00
HOSPITAL DEL SUR, SEGUNDA FASE J.V.	40.00
HOSPITAL FCC – VVO J.V.	80.00
HOSPITAL NORTE TENERIFE J.V.	80.00
HOSPITAL SON DURETA J.V.	33.00
HOSPITAL UNIVERSITARIO DE MURCIA J.V.	50.00

	Percentage of ownership at 31 December 2016
HOTEL VALENCIA PARAISO J.V.	50.00
HUELVA SUDESTE J.V.	40.00
IBAI EDER J.V.	24.50
IBARRETA J.V.	24.50
IECISA-FCC/CPD DE CONSELL MALLORCA J.V.	50.00
IMPERMEABILIZACIÓN TÚNEL PAJARES NORTE J.V.	50.00
INSTALACIONES EDIFICIO C J.V.	25.00
INSTALACIONES ELÉCTRICAS MOGÁN J.V.	50.00
INSTALACIONES FGC J.V.	36.00
INSTALACIONES FONTFREDA J.V.	50.00
INSTALACIONES MADRID ESTE J.V.	46.25
INSTALACIONES METRO MALAGA J.V.	54.00
INTERFAZ J.V.	50.00
INTERFÍCIES AEROPORT L9 J.V.	49.00
INTERM. PTO TARRAGONA J.V.	75.00
INTERMODAL PRAT J.V.	35.00
IRO J.V.	80.00
JAÉN – MANCHA REAL J.V.	80.00
JEREZ – LA BARCA J.V.	80.00
JUAN GRANDE J.V.	50.00
LA ALDEA J.V.	35.00
LAKUA 796 J.V.	24.50
LA ROBLA J.V.	30.00
LAUDIO J.V.	24.50
LÍNEA 1 TRANVÍA DE MURCIA J.V.	50.00
LÍNEA 2 J.V.	50.00
LÍNEA 9 J.V.	33.00

	Percentage of ownership at 31 December 2016
LLOVIO 2012 J.V.	70.00
LOGÍSTICA J.V.	33.33
LOT 2 PMI BCN J.V.	80.00
LOT 3 PMI BCN J.V.	80.00
M-407 J.V.	50.00
MALAGA COCHERAS J.V.	50.00
MALLABIA J.V.	14.70
MAN. AEROPORT L9 J.V.	49.00
MANTENIMENT RONDES 2012 J.V.	70.00
MANTENIMIENTO ARANJUEZ II J.V.	76.00
MANTENIMIENTO CÓRDOBA J.V.	49.00
MANTENIMIENTO HUSE J.V.	50.00
MANTENIMIENTO TDM J.V.	50.00
MANTENIMIENTO TRANVÍA ZARAGOZA J.V.	50.00
MANTENIMIENTO VÍA ARANJUEZ J.V.	50.00
MAQUINARIA PESADA 2015 J.V.	50.00
MAQUINARIA VERÍN J.V.	50.00
MÁRGENES NORTE J.V.	50.00
MATADERO J.V.	57.50
MEDINACELI J.V.	22.40
MEJORA ESTRUCTURAS MORA J.V.	39.97
METRO MALAGA J.V.	36.00
MONFORTE J.V.	24.00
MONTAJE VÍA MOLLET – GIRONA J.V.	50.00
MORA - CALATRAVA J.V.	39.97
MORALEDA J.V.	66.00
MTM. ARQUITECTURA, INFRAESTR. Y VÍA J.V.	28.00

	Percentage of ownership at 31 December 2016
MTMTO. ENERGÍA Y ELECTROMEC. METRO MALAGA J.V.	50.00
MTMTO. REDES Y SISTEMAS METRO MALAGA J.V.	40.00
MUELLE DE LA QUÍMICA J.V.	70.00
MUELLES COMERCIALES J.V.	60.00
MUNGUIA J.V.	13.72
MURCIA J.V.	40.00
MUSEO NACIONAL DE LA ENERGÍA J.V.	50.00
NACIMIENTO J.V.	54.00
NANCLARES J.V.	95.00
NOU PONT DE FUSTA J.V.	50.00
NTC CADIZ J.V.	50.00
NUDO DE MOLLET J.V.	50.00
NUEVO ESTADIO VCF J.V.	49.00
NUEVO HOSPITAL DE CÁCERES J.V.	33.33
NUEVO PUERTO DE IGOUMENITZA J.V.	50.00
OPERADORA TERMOSOLAR GUZMÁN J.V.	67.50
OPERADORA VILLENA J.V.	88.00
ORENSE – MELÓN J.V.	50.00
PABELLÓN ARENA J.V.	50.00
PABELLÓN REYNO DE NAVARRE J.V.	50.00
PAGO DE ENMEDIO J.V.	75.00
PALACIO DE CONGRESOS DE LEÓN J.V.	50.00
PANADELLA J.V.	50.00
PARQUE TECNOLÓGICO J.V.	60.00
PASAIA BERRI J.V.	50.00
PASAIA BERRI INSTALACIONES J.V.	80.00
PCI METRO DE MALAGA J.V.	40.00

	Percentage of ownership at 31 December 2016
PLA DE NA TESA J.V.	70.00
PLATAFORMA NOROESTE J.V.	50.00
PLATAFORMA TPTE PBCO CASTELLÓN J.V.	55.00
PLATAFORMA TTE.PUB. TRAMO I COLUMBRETES J.V.	55.00
POLA DE LENA J.V.	70.00
POLÍGONO BOBES J.V.	50.00
POLÍGONO LLOREDA J.V.	70.00
PONT DE CANDI J.V.	75.00
PRESA ENCISO J.V.	50.00
PRESAS ITOIZ J.V.	33.00
PREVENCIÓN DE INCENDIOS NORTE J.V.	50.00
PREVENCIÓN INCENDIOS PATRIMONIO J.V.	20.00
PRIM BARRIO SAN ANTON – ELCHE J.V.	80.00
PROLONGACIÓN DIQUE REINA SOFÍA J.V.	40.00
PROSER – GEOCONTROL J.V.	60.00
PROSER – GEOCONTROL II J.V.	62.00
PSIR CASTRO URDIALES J.V.	50.00
PUENTE RÍO OZAMA (DFC-COCIMAR) J.V.	35.00
PUENTE DEL REY J.V.	33.33
PUERTO DE GRANADILLA J.V.	40.00
PUERTO DE LAREDO J.V.	50.00
PUERTO DEL ROSARIO J.V.	90.00
R. ARCADIA J.V.	97.00
RADIALES J.V.	35.00
RANILLA CONSTRUCCIÓN J.V.	85.00
RED ARTERIAL PALENCIA FASE I J.V.	80.00
REFORMA HOSPITAL V SALUD (TOLEDO) J.V.	60.00

	Percentage of ownership at 31 December 2016
RESIDENCIAS REAL MADRID J.V.	50.00
RÍO CABE J.V.	50.00
RUTA NACIONAL HAITÍ J.V.	55.00
S.A.I.H. SUR J.V.	40.00
SAGUNTO J.V.	60.00
SAN PEDRO J.V.	24.50
SANEAMIENTO ARCO SUR J.V.	56.50
SANEAMIENTO DE VILLAVICIOSA J.V.	80.00
SANTA MARIA D'OLÓ-GURB J.V.	60.00
SECTOR M-5 2012 J.V.	70.00
SERV. ENERG. PISCINA CUB. S. CABALLO J.V.	50.00
SIMULADOR APBA J.V.	50.00
SISTEMA INTEGRAL ALACANTI SUR J.V.	66.67
SISTEMAS METRO MALAGA J.V.	25.00
SOTIELLO J.V.	50.00
SSAA AP – 7 J.V.	50.00
STADIUM J.V.	70.00
SUBESTACIÓN SERANTES J.V.	50.00
TARRAGONA LITORAL J.V.	70.00
TECSACON J.V.	20.00
TERMOSOLAR GUZMÁN J.V.	67.50
TF-5 2ª FASE J.V.	70.00
TINDAYA J.V.	50.00
TORQUEMADA J.V.	50.00
TORRE DON JIMENO J.V.	50.00
TORRE ISLA CARTUJA J.V.	80.00
TRAMBESÒS J.V.	50.00

	Percentage of ownership at 31 December 2016
TRANVÍA LUCEROS-MERCADO ALICANTE J.V.	60.00
TS VILLENA J.V.	88.00
TÚNEL AEROPORT J.V.	33.00
TÚNEL AEROPORT II J.V.	33.00
TÚNEL AVE CHAMARTÍN – ATOCHA J.V.	42.00
TÚNEL C.E.L.A. J.V.	50.00
TÚNEL DE PAJARES 1 J.V.	50.00
TÚNEL FIRA J.V.	33.00
TÚNEL LA ALDEA J.V.	50.00
TÚNEL LOS ROJALES J.V.	95.00
TÚNEL PROVISIONAL ESTACIÓN ATOCHA J.V.	42.00
TÚNEL TERRASSA J.V.	36.00
TUNELADORA METRO J.V.	33.00
TÚNELES BOLAÑOS J.V.	47.50
TÚNELES DE BARAJAS J.V.	50.00
TÚNELES DE GUADARRAMA J.V.	33.33
TÚNELES DE SORBES J.V.	67.00
TÚNELES DELICIAS J.V.	65.00
TÚNELES FIGUERES J.V.	95.00
UE 1 ARROYO DEL FRESNO J.V.	50.00
UE 2 ARROYO DEL FRESNO J.V.	50.00
UNQUERA – PENDUELES J.V.	80.00
URBANITZACIÓ GIRONA J.V.	40.00
URBANIZACIÓN PARC SAGUNT J.V.	50.00
URBANIZACIÓN VIA PARQUE TRAMO AV. CARB.-P J.V.	60.00
URBISERVEIS J.V.	29.00
VALDEVIVIENDAS II J.V.	33.33

	Percentage of ownership at 31 December 2016
VALLE INFERIOR J.V.	80.00
VANDELLÓS J.V.	24.00
VARIANTE DE MONZÓN J.V.	70.00
VARIANTE MANCHA REAL J.V.	67.00
VELÓDROMO J.V.	60.00
VERTEDERO CASTAÑEDA J.V.	62.50
VÍA ACCESOS SANTIAGO J.V.	50.00
VÍA PAJARES J.V.	50.00
VIADUCTOS PREFABRICADOS METRO RIYAD J.V.	50.00
VIC - RIPOLL J.V.	34.00
VIGO-DAS MACEIRAS J.V.	50.00
VILARIÑO (VÍA IZQUIERDA) J.V.	90.00
VILLAR – PLASENCIA J.V.	70.00
YELTES J.V.	75.00
YESA J.V.	33.33
ZONA MANIOBRA J.V.	50.00
ZONAS VERDES ENSANCHE DE VALLECAS J.V.	33.33
OTHER ACTIVITIES	
C.G.T. – JEREZ CB J.V.	50.00
LASGARRE J.V.	50.00
MEL 9 J.V.	49.00
OPERACIÓN TRANVÍA DE MURCIA J.V.	50.00
PERI AR.8 LA MADRAZA J.V.	99.00
PINO MONTANO P5 J.V.	50.00
SAGUNTO PARCELA M17-3 J.V.	50.00
SEMINARIO P3-2 J.V.	99.00

Directors' Report

Fomento de Construcciones y Contratas, S.A. and Subsidiaries (Consolidated Group) as at 31 December 2016 (in thousands of euros)

This report was prepared in accordance with the guidelines established in the "Guide for the preparation of directors' reports of listed companies" published by the Spanish National Securities Market Commission (CNMV).

01. The company's situation

1.1. Company situation: Organisational structure and management decision-making process

The organisational structure of FCC Group is based on a first level made up of areas, which are divided into two large groups which are operational and functional.

The operating Areas encompass all the activities relating to the production line. As described in greater detail in Note 1 to the consolidated financial statements, the FCC Group is composed of the following operating Areas:

- **Environmental Services.**
- **End-to-End Water Management.**
- **Construction.**
- **Cement.**

Each of these operating Areas is presided over by one or various Specialised Companies, which report to FCC and encompass the activities inherent to the Group.

The functional Areas that provide support to the operating Areas are as follows:

- **Administration and Finance:** the Administration and Finance Department is made up of the Administration, IT Systems, Finance, Investor Relations and Management Control, Corporate Marketing and Branding, Procurement, and Human Resources units.

  The Administration unit runs the administrative management of the FCC Group. Its duties regarding information systems and internal control include the following:

  – General accounting.

  – Accounts standardisation.

  – Consolidation.

  – Tax consulting.

  – Tax procedures.

  – Tax compliance.

  – Administrative procedures.

- **Internal Auditing and Risk Management:** its purpose is to provide the Board of Directors, via the Auditing and Control Committee, and the FCC Group's senior management with support for their responsibilities to supervise the internal control system by exercising a function of single, independent governance aligned with professional standards, to contribute towards good corporate governance, verify due compliance with the applicable rules and regulations, both internal and external, and reduce to reasonable levels any impact of risks on the FCC Group's achievement of its objectives.

  To do this, it is structured into two independent roles: Internal auditing, and risk and compliance management.

- **General Secretary's Office:** depending directly on the Group' Chief Executive, its main duty is to support the Chief Executive's management and that of the heads of FCC's other divisions, by providing all the services detailed in the corresponding sections on FCC's various divisions and departments, whose performance and supervision is the responsibility of the General Secretary.

  The office is made up of these units: Legal Department, Quality Assurance, Corporate Security and General Services and Corporate Responsibility.

  On a secondary level, the Areas may be divided into Sectors –operating Sectors– and Divisions functional Divisions– creating spheres permitting greater specialisation when required.

The structure of the main decision-making bodies is as follows:

– **Board of Directors:** this is the body with the widest-reaching, unrestricted powers, except for those expressly reserved by the Spanish Limited Liability Companies Law or the Bylaws to the powers of the shareholders at the General Meeting.
– **Audit and Control Committee:** its main function is to support the Board of Directors in its supervisory tasks, through the periodic review of the process for preparing economic and financial information, its internal controls and independence of the external auditor.
– **Nomination and Remuneration Committee:** this supports the Board of Directors in relation to the proposals for the nomination, re-election, ratification and termination of Directors, establishes and controls the remuneration policy of the Company's Directors and Senior Executives and the fulfilment by the Directors of their duties, particularly in relation to situations of conflicts of interest and related party transactions.
– **Management Committee:** each of the business units has its own Management Committee or other committee with similar duties.

More detailed information on the functions of the FCC Group's decision-making bodies is provided in section 1 of the Internal Control over Financial Reporting system (ICFR) report.

1.2. Company situation: Company business model and strategy

FCC is one of the main European groups specialised in environmental services, water and infrastructure development, with a presence in over 34 countries worldwide. Over 48% of its billings arise from international markets, mainly Europe, Latin America and the US.

Environmental Services

In Spain FCC provides environmental services to more than 3,600 municipal districts all over the country, serving a population of more than 28 million. The services provided in this sector include solid-waste collection and street-cleaning, which accounted for 38% and 31%, respectively, of the turnover obtained in this market in 2016. These activities are followed in importance by waste treatment and elimination, cleaning and maintenance of buildings, parks and gardens, and, to a lesser extent, sewerage. Together they cover nearly 98% of the domestic business, with the remainder corresponding to miscellaneous services.

In turn, the international business is carried on chiefly in the UK and Central and Eastern Europe through the subsidiaries FCC Environment Limited (UK) and FCC environment CEE, respectively. For a good number of years now FCC has led markets both in integral urban solid waste management and in other environmental services. The services provided in this sector include waste treatment, elimination and collection, which accounted for 58% and 18%, respectively, of total turnover in 2016.

The Environmental Services Unit also specialises in the integrated handling of industrial and commercial waste, recovery of by-products and soil decontamination, through FCC Ámbito. Its extensive network of handling and valuation facilities means that waste can be handled correctly, thereby assuring the protection of the environment and people's health.

Internationally, considerable growth has been Noted in USW and industrial-waste collection in the United States.

The strategy in Spain will focus on staying competitive through quality and innovation, extending the efficiency and quality of services based on innovation and accumulated know-how, and continuing to make progress in providing smarter services for more sustainable and responsible cities.

However, the waste-treatment business will be slowed down by the high volume of investment required and the non-implementation of the National Waste Plan.

This year we will continue to focus on the efficiency of operations and growing our business. In this regard, the inclusion of new technologies will enable us to further consolidate our strength in the markets for waste recycling and valuation in Europe and position ourselves as key players in the circular economy. With regard to the United States, the business will continue to be developed in the years to come.

End-to-End Water Management

Globally, FCC Aqualia serves more than 23 million users and provides services to more than 1,100 municipal districts in 21 countries, offering the market full solutions for the needs of public and private entities and organisations at every stage of the integrated water cycle and for all uses: human, agricultural or industrial.

FCC Aqualia's business focuses on concessions and services, covering concessions for distribution networks, BOT, O&M and irrigation services, as well as technology and network tasks covering EPC contracts and industrial water-treatment activities.

In 2016, the Spanish market accounted for 75.7% of total turnover and 77.7% of the unit's EBITDA, and the trend for billing volumes to recover that began last year has continued. The legal framework in which contracts are undertaken does not lead us to expect any significant risks for the business in the short term. Central and regional governments are not currently calling for tenders for major water-infrastructure concessions, mainly because of the tax-consolidation and debt-reduction process that the authorities are continuing to apply, thus increasing the shortfall in infrastructure renewal and growth. Despite this, we have won new contracts or secured extensions to existing ones for integrated-water-cycle concessions with a high level of loyalty being shown by the local authorities we work with. Aqualia has also made considerable efforts to extend its presence in the facilities O&M market (WWTPs, DWTPs, desalinisation plants), winning several major contracts in Spain.

The international market achieved a turnover and EBITDA accounting for 24.3% and 22.3% of the total, respectively. FCC Aqualia focuses its business in Europe, North Africa, the Middle East and the Americas, currently holding contracts in more than 15 countries.

The unit continues to seek to stay competitive in markets with a consolidated local presence (Europe) and make the most of any opportunities that arise with regard to the management of public services for the urban water cycle. In other expansion markets, growth through BOT will be strengthened (North Africa, Latin America and the Middle East), together with O&M, while further options in others will be explored (e.g., United States). FCC Aqualia always makes full use of its experience in the integrated management of the water cycle to seek new business opportunities in countries where the political and social climate is stable.

Construction

This Area is mainly involved in the design and construction of large civil engineering and industrial works and building construction projects. It operates in highly complex public Works such as railways, tunnels and bridges, which, with industrial installation and maintenance projects, account for a large part of its activity.

65% of all earnings come from abroad, including the building of major infrastructure projects such as Riyadh Metro lines 4, 5 and 6, Lima Metro line 2, Doha Metro, the Mersey Bridge and Panama Metro line 2, with some still in the early stages of construction. In 2016 the contracts won included electromechanical facilities at stations and tunnels for Riyadh Metro lines 4, 5 and 6 (Saudi Arabia), worth EUR 115 million, and the extension of the Port of Playa Blanca (Lanzarote, Canary Islands), worth EUR 36.4 million, and the refurbishment of fuel facilities at Dublin Airport (Ireland), worth EUR 33 million.

The unit's strategy focuses on the development and construction of major, technically complex infrastructure projects, with assured funding and in countries with a stable presence, in order to optimise the profitability of the experience and the technical skills of its work teams.

Cement

The FCC Group carries on its cement activity through Cementos Portland Valderrivas (CPV). Its business is devoted to manufacturing cement, which in 2016 accounted for about 90% of all the business's earnings, with the remaining 10% mostly coming from the concrete, mortar and aggregate businesses. Its business is based at various cement-production sites in Spain (7) and Tunisia (1).

With regard to its geographical diversification, 65% of revenue came from international markets. CPV has a presence in Spain, Tunisia and the US (the latter through a 45% stake in Giant Cement), although the company also exports mainly to the UK, North Africa and Canada.

The company enjoys a position of leadership both in its main market, Spain, and in Tunisia.

CPV's main objective continues to be to remain competitive in terms of both costs and market share in the markets in which it operates, attempting to retain its status as an industry benchmark in all the countries in which it has a presence.

02. Business performance and results

2.1. Business performance

2.1.1. Highlights

FCC Medio Ambiente expanded its international portfolio in the UK and the US

FCC Medio Ambiente expanded its international portfolio with contracts in Scotland and the United States. In Scotland, it began development work on the Edinburgh and Midlothian energy-from-waste (EfW) plant, which has an associated backlog of €511 million. Additionally, in December it was awarded a contract by competitive tender to collect municipal solid waste in Polk county, Florida. The contract is for ten years and represents a backlog of approximately USD 102 million. And in November, the City Council of University Park, Texas, awarded FCC a five-year service contract for the treatment and marketing of all the city's recyclables, with scope for a five-year extension. Contract revenues could exceed €3.2 million, depending on its final duration and on commodity prices.

These contracts are in addition to the backlog in Spain, where the largest increase came in September when Madrid City awarded FCC one of the three municipal waste collection contracts in the Western area, which covers much of downtown Madrid. This contract is for four years and represents a backlog of €227.5 million.

FCC Aqualia obtained new international contracts, worth €318 million

FCC Aqualia obtained a number of international contracts, including construction and management of two sewage treatment plants in Colombia worth €148 million, which will serve over 3 million people, and a desalination plant in El-Alamein (Egypt) worth €114.6 million. It also landed network contracts in Riyadh (Saudi Arabia) worth €23 million. Order intake enabled the total order book to remain at record highs: close to €15 billion at year-end.

FCC Construction exceeds €500 million in order intake in industrial construction

FCC Industrial greatly expanded business in 2016. The contracts it obtained during the year, such as the Samalayuca-Sasabe gas pipeline in Mexico, upgrading of fuelling facilities at Dublin airport (Ireland), and the electromechanical installations on Riyadh Metro lines 5 and 6 (Saudi Arabia), boosted the order book considerably in 2016: by 14.4% with respect to 2015.

Further steps towards consolidation and financial optimisation of the Group

In September, the bulk of the FCC, S.A. convertible bond was repaid early and this, combined with smaller payments in subsequent months, resulted in the repayment in 2016 of a nominal amount of €417.7 million, nearly 93% of the total. This led to a substantial reduction in the interest expenses on this issue (6.5% interest rate). This followed the repayment in April of 77% of Tranche B of FCC, S.A.'s syndicated loan by means of a Dutch auction in which an average 15% haircut was obtained. The new funding structure for CPV, the company that heads the Cement division, came into force in July after repayment of over €270 million with funds from the March equity issue, including arrangement of a 5-year maturity and a substantial reduction in funding costs, which will make it possible to adapt the area's funding structure in order to generate cash flow as planned.

These transactions enabled the FCC Group to make substantial progress in strengthening and optimising the capital structure, providing a sound funding platform with stronger capacity and operational flexibility.

Delisting bid for CPV

The period for acceptance of the delisting bid for 100% of the shares representing the capital stock of Cementos Portland Valderrivas, S.A. (CPV), in which FCC owns 77.9%, in order to delist that company from the Madrid and Bilbao Stock Exchanges, where it is currently listed, commenced on 30 December. The deadline for acceptance is 13 February 2017.

FCC Aqualia and FCC Medio Ambiente lead a new biogas production project

The Methamorphosis project, headed by FCC Aqualia and FCC Medio Ambiente in association with other private- and public-sector agents — including Greater Barcelona (AMB), Catalan Energy Institute (ICAEN) and SEAT — seeks to develop an innovative process and new techniques for enhancing biofuel production from municipal and agribusiness waste. The project envisages the installation and operation of prototypes to increase biogas output and enrich its content at a waste treatment centre owned by AMB and managed by FCC Medio Ambiente.

2.1.2. Executive Summary

- Consolidated Group EBITDA increased by 2.3% in 2016, to €833.7 million. This resulted in a sizeable increase in the EBITDA margin to 14.0% in 2016 (12.6% in 2015).
- EBITDA expanded despite the 8.1% reduction in revenues to €5,951.6 million, which was due mainly to the 17.1% decline in the Construction division and, to a lesser extent, to the 4.5% decline in the Environment division because of sterling's depreciation and the conclusion of the construction phase of a municipal waste recycling and recovery plant.
- Operating profitability increased steadily in almost all areas due to concentrating on more profitable operations, to efficiency improvements in overheads achieving synergies and to measures to increase productivity. All in all support costs were reduced by 12.6% with respect to 2015.
- The attributable consolidated loss of €165.2 million in 2016 (compared with a loss of €46.3 million in 2015) is due to the impairment of goodwill in the Cement area in the amount of €299.9 million in the third quarter. This impairment, which has no impact on Group cash flow, is due to the delay in the expected demand recovery in Spain caused by the additional setback in public expenditure this year. But for that adjustment, group EBT would have amounted to €133.8 million.
- As a result of strong operating cash flow and the changes to the capital structure, net interest-bearing debt was reduced by 34.3% in 2016 to €3,590.9 million. That €1,882.7 million reduction was due broadly to: (i) the capital increase performed in March; (ii) deconsolidation of Giant Cement in the Cement division; (iii) receipt of an advance for commissioning a waste treatment plant in the UK; (iv) control over capital expenditure and the divestment of certain investees; and (v) measures to contain costs and improve cash conversion of current assets.
- The backlog ended the year at €30,589.9 million, 85.4% of which is concentrated in water and waste management, which ensures a high degree of visibility and strength for the Group's prospects.

Note:

The stake in GVI was derecognised from the "assets held for sale" item following completion of the sale in the first quarte r of 2016. At 2016 year-end, this item contained only the assets and liabilities of Cemusa Portugal (see Note 5.2). The income from this investment and that from the sale of GVI are recognised under "income from discontinued operations" (Note 4.5.2).

Key figures

(M€)

	Dec. 16	Dec. 15	Chg. (%)
Net sales	5,951.6	6.476.0	-8.1%
EBITDA	833.7	814.6	2.3%
EBITDA margin	14.0%	12.6%	1.4 p.p
EBIT*	93.6	323.8	-71.1%
EBIT margin	*1.6%*	*5.0%*	*-3.4 p.p*
Income attributable to equity holders of the parent company	(161.6)	(46.3)	N/A
Operating cash flow	1,024.9	600.3	70.7%
Investing cash flow	(94.7)	(412.6)	-77.0%
Net equity	936.8	487.2	9.3%
Net interest-bearing debt	3,590.9	5,473.6	-34.4%
Backlog	30,589.9	32,499.7	-5.9%

* Includes impairment at CPV amounting to €299.9 million.

2.1.3. Summary by business area

(M€)

Area	Dec. 16	Dec. 15	Chg. (%)	% of 2016 total	% of 2015 total
REVENUES BY BUSINESS AREA					
Environmental Services	2,728.1	2,855.6	-4.5%	45.8%	44.1%
Water	1,009.8	1,033.5	-2.3%	17.0%	16.0%
Construction	1,652.6	1,992.9	-17.1%	27.8%	30.8%
Cement	536.2	580.4	-7.6%	9.0%	9.0%
Corp. services and adjust.	24.9	13.6	83.1%	0.4%	0.2%
Total	**5,951.6**	**6,476.0**	**-8.1%**	**100.0%**	**100.0%**
REVENUES BY GEOGRAPHIC AREA					
Spain	3,072.5	3,407.8	-9.8%	51.6%	52.6%
United Kingdom	889.3	1,029.1	-13.6%	14.9%	15.9%
Middle East & N. Africa	725.5	610.8	18.8%	12.2%	9.4%
Central Europe	535.9	520.2	3.0%	9.0%	8.0%
Latin America	336.1	491.5	-31.6%	5.6%	7.6%
US and Canada	247.7	256.5	-3.4%	4.2%	4.0%
Others	144.6	160.1	-9.7%	2.4%	2.5%
Total	**5,951.6**	**6,476.0**	**-8.1%**	**100.0%**	**100.0%**
EBITDA*					
Environmental Services	438.7	425.3	3.2%	52.6%	52.2%
Water	231.4	227.5	1.7%	27.8%	27.9%
Construction	55.0	75.8	-27.4%	6.6%	9.3%
Cement	89.2	94.3	-5.4%	10.7%	11.6%
Corp. services and adjust.	19.4	(8.3)	N/A	2.3%	-1.0%
Total	**833.7**	**814.6**	**2.3%**	**100.0%**	**100.0%**

(M€)

Area	Dec. 16	Dec. 15	Chg. (%)	% of 2016 total	% of 2015 total
EBIT**					
Environmental Services	221.8	191.5	15.8%	N/A	59.1%
Water	144.1	145.3	-0.8%	N/A	44.9%
Construction	(47.4)	(19.2)	146.9%	N/A	-5.9%
Cement	(120.4)	28.6	N/A	N/A	8.8%
Corp. services and adjust.	(104.5)	(22.4)	N/A	N/A	-6.9%
Total	**93.6**	**323.8**	**-71.1%**	**N/A**	**100.0%**
NET DEBT					
With recourse	2,329.1	3,254.3	-28.4%	64.9%	59.5%
Without recourse					
Environmental Services	439.0	659.6	-33.4%	12.2%	12.1%
Water	246.2	249.8	-1.4%	6.8%	4.6%
Construction	0.0	0.0	-	0.0%	0.0%
Cement	511.4	1,248.9	-59.1%	14.2%	22.8%
Corporate	65.2	61.0	6.7%	1.8%	1.1%
Total	**3,590.9**	**5,473.6**	**-34.4%**	**100.0%**	**100.0%**
BACKLOG*					
Environmental Services	11,151.7	11,825.7	-5.7%	36.5%	36.4%
Water	14,955.9	14,443.7	3.5%	48.9%	44.4%
Construction	4,482.3	6,230.3	-28.1%	14.7%	19.2%
Total	**30,589.9**	**32,499.7**	**-5.9%**	**100.0%**	**100.0%**

* See definition on page 30, in accordance with ESMA rules (2015/1415en).

** Includes impairment at CPV amounting to €299.9 million.

2.1.4. Income Statement

(M€)

	Dic. 16	Dic. 15	Var. (%)
Net sales	**5,951.6**	**6,476.0**	**-8.1%**
EBITDA	**833.7**	**814.6**	**2.3%**
EBITDA margin	*14.0%*	*12.6%*	*1.4 p,p*
Depreciation and amortisation	(404.8)	(433.2)	-6.6%
Other operating income	(335.3)	(57.6)	N/A
EBIT*	**93.6**	**323.8**	**-71.1%**
EBIT margin	*1.6%*	*5.0%*	*-3.4 p,p*
Financial income	(289.1)	(354.3)	-18.4%
Other financial results	(22.2)	(10.6)	109.4%
Equity-accounted affiliates	56.4	35.4	59.3%
Earnings before taxes (EBT) from continuing operations	**(161.2)**	**(5.7)**	**N/A**
Corporate income tax expense	(35.0)	40.8	-185.8%
Income from continuing operations	**(196.2)**	**35.1**	**N/A**
Income from discontinued operations	(7.3)	(89.3)	-91.8%
Net income	**(203.5)**	**(54.2)**	**N/A**
Non-controlling interests	41.9	7.9	N/A
Income attributable to equity holders of the parent company	**(161.6)**	**(46.3)**	**N/A**

* Includes impairment at CPV amounting to €299.9 million

2.1.4.1. Net sales

Consolidated Group revenues declined by 8.1% in 2016 €5,951.6 million. This was due mainly to the continuing decline in demand in the Construction area in Spain, caused by the persisting reduction in investment in public works. A range of minor factors, concentrated in the UK, led to a 4.5% reduction in revenues in Environmental Services. Revenues in the Water area declined by 2.3% to €1,009.8 million, due entirely to the Technology and Networks area. The decline in revenues in these two areas did not have a negative impact on earnings since their overall contribution to the Water division is minor, and it was offset by the reduction in operating expenses throughout the Group in 2016. Cement revenues shrank by 7.6%, largely due to the effect of the deconsolidating the revenues from the company that heads US operations in November, after FCC's stake was diluted in a capital increase at that subsidiary.

The Group's two main areas, Water and Environmental Services, experienced differing impacts. Environmental Services revenues declined by 4.5% due to the average 11.4% depreciation by sterling in the period and also to completion of construction of a treatment plant in the UK that came into service in June. Adjusting for those two effects, revenues were stable in Environmental Services, commensurate with business performance in a situation of generally stable prices, in line with the broad economy. Water revenues declined by 2.3% due entirely to the persistent contraction of the Technology and Networks area (design, engineering and outfitting of water infrastructure) because of cutbacks in government spending to address the budget deficit.

Revenue breakdown, by region (M€)

	Dic. 16	Dic. 15	Var. (%)
España	3,072.5	3,407.8	-9.8%
Reino Unido	889.3	1,029.1	-13.6%
Oriente Medio & Norte de África	725.5	610.8	18.8%
Centro Europa	535.9	520.2	3.0%
Iberoamérica	336.1	491.5	-31.6%
Estados Unidos y Canadá	247.7	256.5	-3.4%
Otros	144.6	160.1	-9.7%
Total	**5,951.6**	**6,476.0**	**-8.1%**

In Spain, revenues fell by 9.8% to €3,072.5 million due almost entirely to the aforementioned contraction of the domestic Construction business (35.4%). Cement revenues declined by 5.9% because of falling sale prices and a slight reduction in volumes.

Outside Spain, revenues expanded by 18.8% in the Middle East and North Africa due to progress with major projects, particularly Riyadh Metro, as well as a higher contribution by network and water treatment projects in the Water division in Saudi Arabia (Riyadh and Mecca).

In the UK, the Group's second largest market, revenues declined by 13.6% due to a combination of factors that were concentrated in the Environmental Services area. One was the depreciation by sterling (-11.4%) as a result of the Brexit vote, and another was the completion of construction work on treatment plants following the commissioning of the Buckinghamshire plant in June, plus the reduction in revenues as a result of lower collection of landfill fees for the Administration.

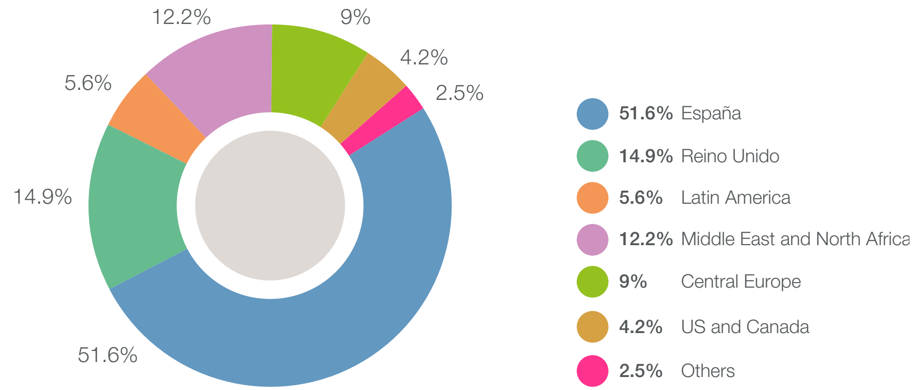
Revenues in Latin America fell by 31.6% due to the time lag between the completion of major construction works, such as Panama Metro Line 1 and projects in Colombia and Costa Rica, and the start of other projects such as Lima Metro and Panama Metro Line 2. In the Water division, a number of projects in Chile and Mexico also concluded, although this effect was partly offset by progress with canalisation in Montevideo (Uruguay).

Revenues in Central Europe increased by 3%, due to increased activity in the Environmental Services division in most countries in the region, particularly the Czech Republic and, to a lesser extent, Austria.

In the United States and Canada, revenues declined 3.4% as a result of deconsolidating the parent company of the Cement business in that region in November 2016. Adjusting for this change, like-for-like revenues in the United States and Canada increased by 40.9% as a result of faster progress with construction of the Gerald Desmond Bridge in Los Angeles, in the Construction area, and the start-up of two waste collection and treatment contracts (in Florida and Texas) in the first half of the year within the Environmental Services division.

The 9.7% decline in Other markets was due entirely to completion of a number of construction contracts in Portugal.

% Revenues by region



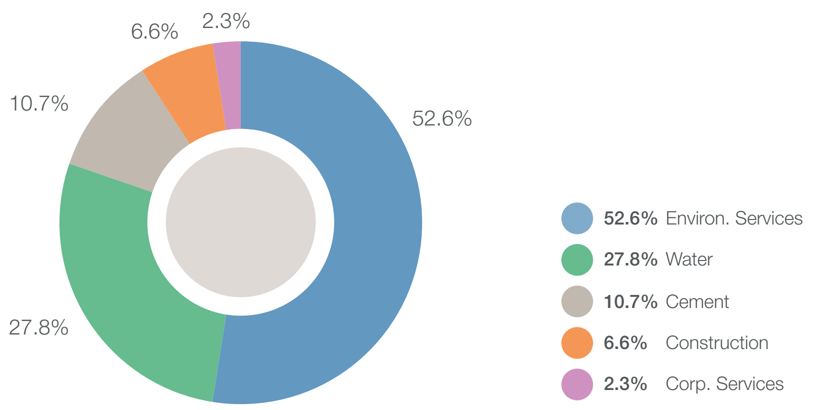
2.1.4.2. EBITDA

EBITDA amounted to €833.7 million in 2016, a 2.3% increase year-on-year due to a sharp reduction in support and administration expenses throughout the Group. These expenses continued to decline, having fallen by 12.6% in 2016. Notable savings have been achieved in Corporate Services, which contributed a net €19.4 million of EBITDA in 2016, contrasting with a loss of €-8.3 million in 2015.

Environmental Services achieved 3.2% growth to €438.7 million despite sterling's depreciation in the year, which cut €13.9 million off this area's EBITDA. Results in the period show a limited contribution from the Buckinghamshire recycling plant, which came into service in the third quarter. Water achieved a 1.7% increase due to the higher contribution from concessions, as operating efficiency is increasing and value-added contracts are coming into operation.

The main impact in Cement was the deconsolidation on 1 November of the Cement business in the US after FCC's stake was diluted to 35.6% attributable to FCC (as a result, it is now equity-accounted). Although its EBITDA declined by 5.4% in 2016, to €89.2 million, it actually registered a 2.4% increase year-on-year in like-for-like terms, since higher exports and a general reduction in energy expenses offset the effect of slack demand in Spain. The reduction in Construction was mainly due to the decline in revenues mentioned above.

% EBITDA by Business Area



As a result, at 31 December 2016, the Environmental Services and Water areas accounted for 80.4% of Group EBITDA, while 19.6% came from cyclical businesses, linked to demand for infrastructure and building.

2.1.4.3. EBIT

EBIT amounted to €93.6 million, compared with €323.8 million in 2015. The difference between years is attributable mainly to two factors: one was the impairment of goodwill in the Cement area in September, amounting to €299.9 million (€187.2 million in the Cement area and the remainder in the stake in the parent company) to reflect the impact on this item of the delay in the demand recovery in Spain, attributable primarily to the decline in public expenditure this year. The other was an extraordinary provision of €53.4 million booked in the Construction area in May to adjust overheads to the ongoing decline in infrastructure investment in Spain. Adjusting for those two extraordinary items and other lesser factors such as the €54.3 million adjustment to the Cement interest in the US after the loss of control, EBIT would have increased by 21.2% with respect to 2015.

2.1.4.4. Earnings before taxes (EBT) from continuing operations

Earnings before taxes from continuing operations were negative in the amount of €161.2 million, compared with €5.7 million in 2015, due to the extraordinary provisions discussed in the section on EBIT and to the following items:

2.1.4.4.1. Financial income

Net financial expenses declined by 18.4% year-on-year in 2016, to €289.1 million, mainly as a result of higher financial revenues and the progressive impact of measures to reduce debt and the associated interest expenses. The financial result in the first half of 2016 included a positive contribution of €58 million from the reduction of the Tranche B debt in April by means of a Dutch auction, while the reduction in interest expenses includes the decline in the Cement area and the effect of repaying much of the FCC, S.A. convertible bond.

2.1.4.4.2. Other financial results

This item, amounting to €-27.1 million (vs. €-10.6 million in 2015), reflects the €22.1 million variation in the value of financial instruments and other impairments that were partly offset by the €13.8 million gain on the sale of a 10% stake in the Malaga Metro concession.

2.1.4.4.3. Equity-accounted affiliates

Companies accounted for using the equity method contributed €56.4 million in income, mainly as a result of the haircut on Realia debt agreed upon with the lenders, which enabled this investee to contribute €31.5 million, and the €16.4 million in dividends received from a stake in a renewable energy company.

2.1.4.5. Income attributable to equity holders of the parent company

Net attributable income in 2016 amounted to €-165.2 million, compared with a loss of €-46.3 million in 2015. This was the result of incorporating the following items into EBT:

2.1.4.5.1. Income tax

The corporate income tax expense amounted to €33.8 million in 2016, contrasting with revenue of €40.8 million in 2015 due to application of tax credits in the Environmental Services area.

2.1.4.5.2. Income from discontinued operations

Discontinued operations contributed a loss of €7.3 million, corresponding to GVI (unchanged since the beginning of the year), due to the impact on earnings of the sale of GVI in the first quarter, mainly from the cancellation of the related financial instruments.

2.1.4.5.3. Non-controlling interests

Non-controlling interests, concentrated mainly in the Cement business, were attributed a loss of €41.9 million, compared with €7.9 million in 2015. The increase is due to their share of the impairment of goodwill booked in this area in the third quarter.

2.1.5. Balance Sheet

(M€)

	Dec. 16	Dec. 15	Change (M€)
Intangible assets	2,536.3	3,026.4	(490.1)
Property, plant and equipment	2,534.6	3,146.4	(611.8)
Equity-accounted affiliates	669.0	587.0	82.0
Non-current financial assets	322.3	392.8	(70.5)
Deferred tax assets and other non-current assets	946.6	1,031.8	(85.2)
Non-current assets	**7,008.7**	**8,184.3**	**(1,175.6)**
Non-current assets available for sale	14.9	235.9	(221.0)
Inventories	581.6	648.6	(67.0)
Trade and other accounts receivable	1,754.7	2,217.1	(462.4)
Other current financial assets	263.7	230.7	33.0
Cash and cash equivalents	1,146.1	1,345.5	(199.4)
Current assets	**3,761.1**	**4,677.8**	**(916.7)**
TOTAL ASSETS	**10,769.8**	**12,862.1**	**(2,092.3)**
Equity attributable to equity holders of parent company	791.3	280.7	510.6
Non-controlling interests	145.5	206.5	(61.0)
Net equity	**936.8**	**487.2**	**449.6**
Grants	225.5	248.3	(22.8)
Non-current provisions	1,175.6	1,254.1	(78.5)
Long-term interest-bearing debt	4,590.1	5,612.2	(1,022.1)
Other non-current financial liabilities	69.2	66.6	2.6
Deferred tax liabilities and other non-current liabilities	535.3	536.7	(1.4)
Pasivos no corrientes	**6,595.6**	**7,717.8**	**(1,122.2)**
Liabilities linked to non-current assets available for sale	14.9	15.9	(1.0)
Non-current provisions	202.9	194.7	8.2
Short-term interest-bearing debt	411.0	1,437.6	(1,026.6)
Other current financial liabilities	82.2	91.8	(9.6)
Trade and other accounts payable	2,526.3	2,917.0	(390.7)
Current liabilities	**3,237.3**	**4,657.0**	**(1,419.7)**
TOTAL LIABILITIES	**10,769.8**	**12,862.1**	**(2,092.3)**

2.1.5.1. Equity-accounted affiliates

The investment in equity-accounted companies (€669.0 million) comprised the following at 31 December 2016:

1) €206.0 million for the 36.9% stake in Realia, which increased substantially due to two capital increases and to income for the year.

2) €74.7 million for investments in companies in the Water area, mainly service concession companies in other countries (North Africa and Mexico).

3) €77.3 million for holdings in companies in the Environmental Services area (recycling and municipal services, mainly in Spain and the UK).

4) €48.8 million for the 35.6% stake in Giant Cement Holding, the parent company of the Cement division in the US, which is now equity-accounted, whereas it was fully consolidated at 2015 year-end.

5) €262.2 million for the other holdings (transport infrastructure concessions and renewable energy companies) and loans to affiliated companies.

2.1.5.2. Non-current assets and liabilities available for sale

The balance of €14.9 million in non-current assets available for sale at the end of the year was practically unchanged and related entirely to the residual business of Cemusa in Portugal. Those assets had associated liabilities for the same amount: €14.9 million.

The decline in the balance with respect to 2015 year-end is due to completion of the sale of 50% of GVI in the first quarter of 2016.

2.1.5.3. Cash and cash equivalents

The reduction of €199.4 million in 2016, to a balance of €1,146.1 million, is due mainly to the inflow of funds from the capital increase completed in March (€709.5 million), which was amply offset by repayment of €417.7 million of principal of the FCC, S.A. convertible bond in the fourth quarter of 2016, and by the use of part of the funds from the capital increase to cancel the former financing of the Cement area in the third quarter, as well as partial repayment of the FCC, S.A. syndicated loan in the second quarter.

2.1.5.4. Net equity

At 2016 year-end, net equity amounted to €936.8 million, a sizeable increase over 2015 year-end due to the additional capital raised in the period, which strengthened the Group's structure and finances and absorbed the impairment booked in the Cement area in the third quarter in response to the delay in the projected recovery in demand in Spain.

2.1.5.5. Net interest-bearing debt

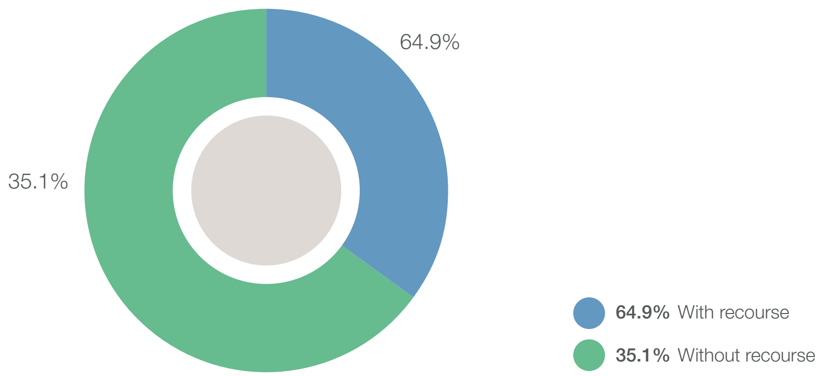
(M€))

	Dec. 16	Dec. 15	Change (M€)
Bank borrowings	4,536.1	5,647.7	(1,111.6)
Debt instruments and other loans	232.4	1,088.5	(856.1)
Accounts payable due to financial leases	49.4	62.1	(12.7)
Derivatives and other financial liabilities	183.1	251.5	(68.4)
Gross interest-bearing debt	**5,001.1**	**7,049.8**	**(2,048.7)**
Cash and other current financial assets	(1,410.1)	(1,576.2)	166.1
Net interest-bearing debt	**3,590.9**	**5,473.6**	**(1,882.7)**
With recourse	*2,329.1*	*3,254.3*	*(925.2)*
Without recourse	*1,261.8*	*2,219.3*	*(957.5)*

At the end of 2016, net interest-bearing debt amounted to €3,590.9 million, a notable €1,882.7 million reduction with respect to 2015 year-end. This reduction was the result of several factors, including notably: The net influx of cash (€708 million) from the capital increase performed in March. The effect of deconsolidating the debt connected with the cement business in the US after FCC lost control (€436.4 million at 2015 year-end). Receipt of the advance for completion and commissioning of the Buckinghamshire recycling and incineration plant in June (€219.6 million), and realisation of customer receivables. Other current financial assets increased by €106 million due to the second instalment (due in February 2017) of the price of the sale of GVI, which took place in the first quarter of 2016.

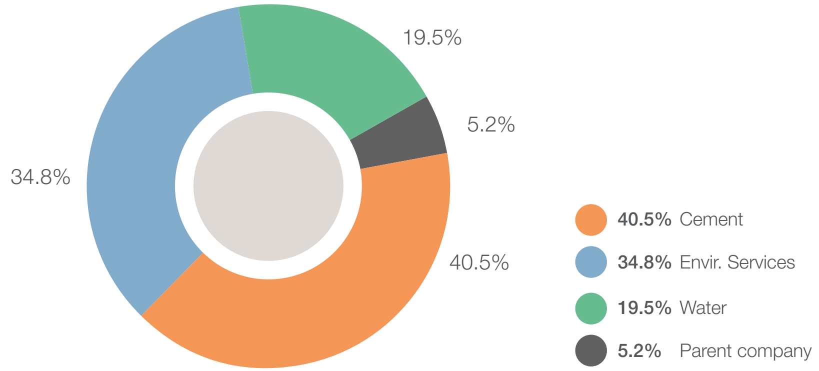
Gross interest-bearing debt, which is the basis of financial expenses, declined substantially, by €2,048.7 million to €5,001.1 million, due mainly to repayment of €386.4 million of Tranche B (including a 15% haircut), repayment of the debt associated with the Buckinghamshire project, repayment of Tranche A of the syndicated loan (€140.9 million), repayment of debt at the Cement division parent company (€284 million) under the new funding structure instituted in the third quarter, repayment of the bulk of the FCC, S.A. convertible bond (€417.7 million of principal and €10 million of accrued coupon), and deconsolidation of debt in the US Cement operations, as discussed earlier.

Debt with and without recourse



Net financial debt is divided between corporate debt (64.9%) and debt without recourse (35.1%). Net debt with recourse amounted to €2,329.1 million at 31 December 2016, including mainly legacy debt from the acquisition of a number of operating companies in the various divisions, excluding Cement, structured as a syndicated loan.

Net debt without recourse, by area



Net interest-bearing debt without recourse to the Group parent company amounted to €1,261.8 million at year-end. A large proportion of that is connected to the Cement area (€511.4 million). Environmental Services accounts for €439 million (€342.1 million in the UK, €70.7 million in Central Europe and the remainder in other waste treatment and recycling plants in Spain and Portugal). Net debt without recourse in the Water area amounted to €246.2 million, of which €181.7 million relate to the Czech Republic and the other €64.5 million to a number of end-to-end water concessions in Spain. The €65.2 million at parent company level are the net project debt of the concession companies for the Coatzacoalcos tunnel in Mexico and the Conquense highway in Spain.

2.1.5.6. Other current and non-current financial liabilities

The balance of other current and non-current financial liabilities, which do not qualify as interest-bearing debt, was €151.4 million at 2016 year-end. It includes financial liabilities such as those associated with hedging derivatives, suppliers of fixed assets, and deposits and guarantees received.

2.1.6. Cash flow

(M€)

	Dec. 16	Dec. 15	Chg. (%)
EBITDA	**833.7**	**814.6**	**2.3%**
(Increase)/decrease in working capital	331.4	(35.7)	N/A
Income tax (paid)/received	(48.6)	(77.2)	-37.0%
Other operating cash flow	(91.6)	(101.4)	-9.7%
Operating cash flow	**1,024.9**	**600.3**	**70.7%**
Investment payments	(448.6)	(431.9)	3.9%
Divestment receipts	294.2	38.5	N/A
Other investing cash flow	59.7	(19.2)	N/A
Investing cash flow	**(94.7)**	**(412.6)**	**-77.0%**
Interest paid	(316.3)	(269.5)	17.4%
(Payment)/receipt of financial liabilities	(1,452.7)	(90.2)	N/A
Other financing cash flow	677.7	(32.8)	N/A
Financing cash flow	**(1,091.3)**	**(392.5)**	**178.0%**
Exchange differences, change in consolidation scope, etc.	(38.3)	13.1	N/A
Increase/(decrease) in cash and cash equivalents	**(199.4)**	**(191.6)**	**4.1%**

2.1.6.1. Operating cash flow

Operating cash flow improved substantially in 2016 to a positive figure of €1,024.9 million, a sizeable €424.6 million improvement on the figure one year earlier.

This was due to a high level of cash conversion and a strong positive variation in working capital. It also reflects the effect of the reduction of accounts payable in June following handover of the recycling plant in the UK by the Environmental Services division. This improvement, coupled with higher realisation of customer receivables, amply offset the payment of €126.3 million for deferral of prior years' taxes. The refund in 2016 is deemed to conclude the payments for these deferrals, and no amount remains outstanding.

(M€)

	Dec. 16	Dec. 15	Change (M€)
Environmental services	326.2	(71.7)	397.9
Water	21.6	(3.3)	24.9
Construction	41.0	71.0	(30.0)
Cement	(10.4)	9.9	(20.3)
Corporate services and adjustments	(47.0)	(41.6)	(5.4)
(Increase)/decrease in working capital	**331.4**	**(35.7)**	**367.1**

Other operating cash flow reflects the application of €73.1 million in provisions in the Construction area, linked partly to the structure adjustment plan that was completed in 2016, as well as other lesser amounts in the Water and Environmental Services areas.

2.1.6.2. Investing cash flow

Investing cash flow amounted to €94.7 million, contrasting with a negative €412.6 million in 2015.

Investment payments in 2016 amounted to €448.6, similar to 2015, though this year it included €87.3 million (in proportion to the Company's 36.9% stake) of two capital increases completed at Realia in the year. Investment in Environmental Services, one of the most capital-intensive areas, declined to €216.5 million, from €270.7 million the previous year, due to completion of construction of the Buckinghamshire (UK) waste incineration plant in May and efforts to contain costs throughout this division.

Receipts increased substantially to €294.2 million in 2016, compared with €38.5 million in 2015. This increase was due to a number of divestments. In Corporate Services, the first instalment for the sale of GVI, amounting to €103.8 million (to be followed by a second instalment in February 2017), plus €76 million received for a number of concession divestments. Additionally, it includes €63.4 million in the Environmental Services area as the advance received for the financial asset corresponding to completion and commissioning of the recycling plant in the UK.

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

(M€)

	Dec. 16	Dec. 15	Change (M€)
Environmental services	(150.9)	(250.1)	99.2
Water	(55.0)	(71.3)	16.3
Construction	(22.7)	(40.1)	17.4
Cement	0.9	(12.6)	13.5
Corporate services and adjustments	73.3	(19.3)	92.6
Net investments *(Payments - Receipts)*	**(154.4)**	**(393.4)**	**239.0**

Other investing flows refer to the financial interest received plus other changes in loans to third parties and investees, mainly in the Water and Construction divisions.

2.1.6.3. Financing cash flow

Consolidated financing cash flow amounted to €1,091.3 million in 2016, far higher than the 2015 figure (€392.5 million). That figure includes the aforementioned cash outflows, i.e. repayment of €417.7 million of the FCC, S.A. convertible bond and €140.9 million in principal of the parent company's syndicated loan, repayment of the bulk of Tranche B of that loan, by means of a Dutch auction, for €315.3 million, repayment of €284 million due to cancellation of the pre-existing funding of the Cement division's parent company, and repayment of €219.6 million in debt in the Environmental Services division as a result of collecting the advance in June upon entry into service of a treatment and recycling plant in the United Kingdom.

Cash inflows include €708 million raised in the capital increase on 4 March 2016.

Interest expenses amounted to €316.3 million in 2016, compared with €269.5 million in 2015; this variation is due to the substantial reduction in debt in 2016 and to the calendar of accruals and actual payment of debt servicing costs.

2.1.6.4. Exchange differences, change in consolidation scope, etc.

This item was negative in the amount of €38.3 million in 2016, contrasting with the positive difference of €13.1 million in 2015. This change is due to the impact of currency fluctuations on cash, concentrated in the Environmental Services area (UK) and, to a lesser extent, in other markets in the Water division.

2.1.6.5. Variation in cash and cash equivalents

Combining the foregoing flows, and broadly as a result of the reduction in gross interest-bearing debt, the Group's cash position was reduced by €199.4 million with respect to 2015 year-end, to €1,146.1 million at 31 December 2016.

2.1.7. Business Performance

2.1.7.1. Environmental Services

The Environmental Services area accounts for 52.6% of FCC Group EBITDA. A total of 95.3% of its activities involve municipal solid waste collection, treatment and disposal, along with other municipal services such as street cleaning and green area upkeep. The other 4.7% corresponds to industrial waste collection and management.

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

2.1.7.1.1. Results

(M€))

	Dec. 16	Dec. 15	Chg. (%)
Revenues	2,728.1	2,855.6	-4.5%
Environment	*2,598.7*	*2,731.5*	*-4.9%*
Industrial Waste	*129.4*	*124.1*	*4.3%*
EBITDA	438.7	425.3	3.2%
EBITDA margin	16.1%	14.9%	1.2 p,p
EBIT	221.8	191.5	15.8%
EBIT margin	*8.1%*	*6.7%*	*1.4 p,p*

Revenues in the Environmental Services area declined by 4.5% to €2,728.1 million in 2016, mainly as a result of a reduction in revenues in the United Kingdom.

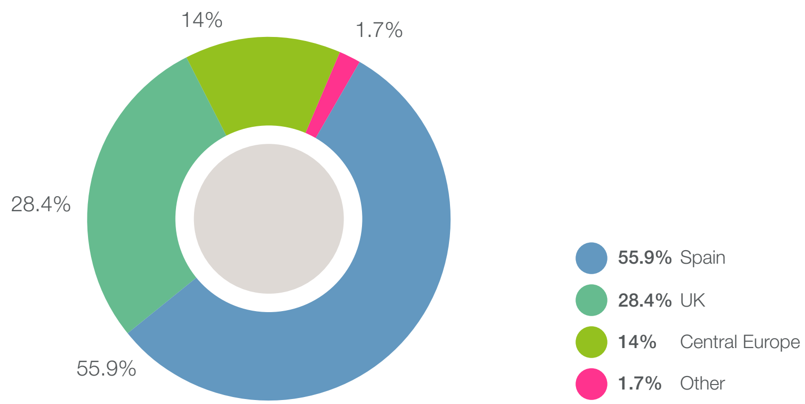
Revenue breakdown, by region *(M€)*

	Dec. 16	Dec. 15	Chg. (%)
Spain	1,526.0	1,518.1	0.5%
United Kingdom	776.0	926.9	-16.3%
Central Europe	381.7	369.0	3.4%
Portugal, etc.	44.4	41.6	6.7%
Total	**2,728.1**	**2,855.6**	**-4.5%**

Revenues in Spain amounted to €1,526 million, in line with the previous year, whereas revenues in the UK declined by 16.3% to €776 million due mainly to the negative effect of sterling's depreciation (-11.4%) and, to a lesser extent, to completion of construction of the Buckinghamshire waste incineration plant, which came into service in June under a 30-year concession.

Revenues in Central Europe increased by 3.4% to €381.7 million, supported basically by expanding business in the Czech Republic and, to a lesser extent, in Austria. Revenues in other markets increased by 6.7% due to the contribution by the United States — mainly revenues from the waste collection contract in Orange County (Florida).

Revenue breakdown, by region



EBITDA amounted to €438.7 million, a 3.2% increase on 2015, favoured by a 1.2 percentage point improvement in the EBITDA margin to 16.1%. This increase in the margin, achieved despite depreciation of the pound sterling, is due, among other factors, to the higher contribution resulting from entry into service of the Buckinghamshire waste incineration plant, as well as the effect of winding down the landfill business in the UK.

EBIT amounted to €221.8 million, a 15.8% increase year-on-year, due mainly to lower depreciation and amortisation.

Backlog breakdown, by region *(M€)*

	Dec. 16	Dec. 15	Chg. (%)
Spain	6.663.9	7.112.0	-6.3%
International	4.487.8	4.713.7	-4.8%
Total	**11.151.7**	**11.825.7**	**-5.7%**

The area's backlog declined by 5.7% with respect to 2015 year-end. The backlog declined by 6.3% in Spain due to a lower order intake, while it fell by 4.8% in the international areas, basically as a result of sterling's depreciation against the euro, which had an impact of close to €570 million. The contract to build and operate the Edinburgh and Midlothian (Scotland) incineration plant, worth €511 million, was added to the backlog in the fourth quarter after it achieved financial completion. The total backlog amounts to over 4 times revenues in the last twelve months.

2.1.7.1.2. Cash Flow

(M€)

	Dec. 16	Dec. 15	Chg. (%)
EBITDA	**438.7**	**425.3**	**3.2%**
(Increase)/decrease in working capital	326.2	(71.7)	N/A
Income tax (paid)/received	(41.6)	(26.4)	57.6%
Other operating cash flow	(7.6)	7.0	N/A
Operating cash flow	**715.7**	**334.2**	**114.2%**
Investment payments	(216.5)	(270.7)	-20.0%
Divestment receipts	65.6	20.6	N/A
Other investing cash flow	7.6	16.2	-53.1%
Investing cash flow	**(143.3)**	**(233.9)**	**-38.7%**
Interest paid	(85.2)	(95.4)	-10.7%
(Payment)/receipt of financial liabilities	(506.2)	(6.3)	N/A
Other financing cash flow	(54.5)	(120.5)	-54.8%
Financing cash flow	**(645.9)**	**(222.2)**	**190.7%**
Exchange rate variations, etc.	(30.5)	11.1	N/A
Increase/(decrease) in cash and cash equivalents	**(104.0)**	**(110.8)**	**-6.1%**

	Dec. 16	Dec. 15	Change (M€)
Without recourse	439.0	659.6	(220.6)

Operating cash flow increased notably to €715.7 million, €381.5 million more than in 2015. This was due mainly to an improvement in EBITDA and a significant reduction in working capital, which includes the €156.2 million advance collected upon completion of development of the Buckinghamshire incineration plant, and a larger volume of non-recourse factoring.

Investment payments amounted to €216.5 million, 20% less than in 2015, mainly as a result of the lower impact of construction of the Buckinghamshire plant, and also of the containment of capital expenditure in this area as a whole.

Divestment receipts amounted to €65.6 million, related almost entirely, once again, to the part of the Buckinghamshire plant that was recognised as a financial asset under development at the end of the first half of 2016, as required by the accounting standards.

Net financial debt without recourse in this area declined sharply, by €220.6 million, driven by receipt of the advance associated with the Buckinghamshire incinerator, and also the positive effect of sterling's depreciation. Of the total outstanding debt, €342.1 million relates to the UK, €70.7 million to Central Europe and the remaining €26.2 million to waste treatment and recycling plants in Spain and Portugal.

2.1.7.2. End-to-end Water Management

The Water area accounted for 27.8% of FCC Group EBITDA in the period. Public concessions and end-to-end water management (capture, purification, distribution and treatment) account for 89.6% of total revenues, and Technology and Networks (design, engineering and outfitting of water infrastructure) account for the other 10.4%.

FCC serves more than 13 million people in over 850 municipalities in Spain. In Central Europe, FCC serves 1.3 million users, mainly in the Czech Republic. It also has a strong presence in Italy and Portugal. FCC designs, equips and operates water treatment plants in Latin America, the Middle East and North Africa. Overall, FCC Aqualia supplies water and/or sewage treatment services to over 23 million people.

2.1.7.2.1. Results

(M€)

	Dec. 16	Dec. 15	Chg. (%)
Revenues	1,009.8	1,033.5	-2.3%
Concessions and services	*904.3*	*872.5*	*3.6%*
Technology and networks	*105.5*	*161.0*	*-34.5%*
EBITDA	231.4	227.5	1.7%
EBITDA margin	*22.9%*	*22.0%*	*0.9 p,p*
EBIT	144.1	145.3	-0.8%
EBIT margin	*14.3%*	*14.1%*	*0.2 p.p*

This area's revenues declined by 2.3% year-on-year, to €1,009.8 million, mainly as a result of the decline in the technology and networks business in the domestic market as public administrations cut back investment in water infrastructure. However, this decline was partly offset by the incipient contribution from the contracts obtained recently in Latin America and the Middle East.

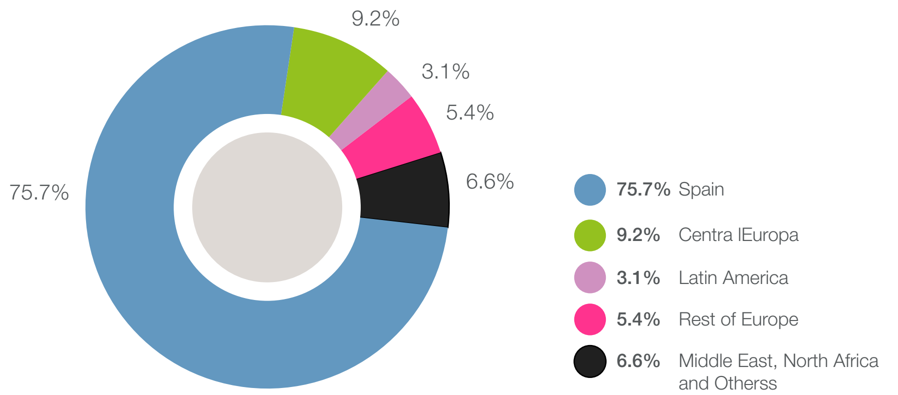
Revenue breakdown, by region *(M€)*

	Dec. 16	Dec. 15	Chg. (%)
Spain	764.8	779.8	-1.9%
Central Europe	93.2	92.1	1.2%
Latin America	31.7	62.0	-48.9%
Rest of Europe (Portugal and Italy)	54.4	62.8	-13.4%
Middle East, North Africa and Others	65.8	36.8	78.8%
Total	**1,009.8**	**1,033.5**	**-2.3%**

Central Europe increased by 1.2% as a result of updated tariffs and higher billing volumes in the water contract in the Czech Republic, operated through subsidiary SmVAK.

The decline in revenues in Latin America is due to the completion of several major projects in Mexico. However, this effect was broadly offset by growth in the Middle East and North Africa due to work on networks in Riyadh and a treatment plant in Djerba (Tunisia).

Revenue breakdown, by region



Despite the decline in revenues, EBITDA increased by 1.7% with respect to 2015, to €231.4 million, due to a significant increase in the EBITDA margin, to 22.9%. This was attributable to the combined effect of a lower contribution by the technology and network business and an increase in the profitability of the concession business, mainly as a result of improvements in contract operating efficiency and in structural and support expenses.

Backlog breakdown, by region *(M€)*

	Dec. 16	Dec. 15	Chg. (%)
Spain	8,753.0	9,924.2	-11.8%
International	6,202.9	4,519.5	37.2%
Total	**14,955.9**	**14,443.7**	**3.5%**

The backlog expanded by 3.5% with respect to 2015 year-end, to €14,955.9 million, i.e. close to 15 times revenues in the last 12 months. The international backlog expanded by 37.2% to €6,202.9 million, driven by the extension of business in the Czech Republic, a new contract to build a desalination plant in Egypt (€114.6 million), and another €148 million for the construction and operation of two waste water treatment plants in Colombia.

(M€)

	Dec. 16	Dec. 15	Chg. (%)
EBITDA	**231.4**	**227.5**	**1.7%**
(Increase)/decrease in working capital	21.6	(3.3)	N/A
Income tax (paid)/received	(31.6)	(38.6)	-18.1%
Other operating cash flow	(3.3)	18.0	-118.3%
Operating cash flow	**218.1**	**203.6**	**7.1%**
Investment payments	(55.4)	(78.8)	-29.7%
Divestment receipts	0.4	7.5	-94.7%
Other investing cash flow	(58.9)	(88.4)	-33.4%
Investing cash flow	**(113.9)**	**(159.7)**	**-28.7%**
Interest paid	(37.6)	(37.2)	1.1%
(Payment)/receipt of financial liabilities	(47.8)	38.3	N/A
Other financing cash flow	(10.8)	(69.9)	-84.5%
Financing cash flow	**(96.2)**	**(68.8)**	**39.8%**
Exchange rate variations, etc.	(6.6)	(2.8)	135.7%
Increase/(decrease) in cash and cash equivalents	**1.4**	**(27.7)**	**-105.1%**

	Dic. 16	Dic. 15	Var. (Mn€)
Without recourse	246.2	249.8	(3.6)

2.1.7.2.2. Cash Flow

Operating cash flow increased by 7.1% to €218.1 million due to the improvement in working capital, favoured by efforts made in this area to reduce the balance of customer receivables. The change includes the payment of €16.9 million of deferred taxes, compared with €22.9 million in 2015.

Payments for investments declined to €55.4 million, while other investing cash flow reflected a lower cash outflow for loans to other Group companies. This effect is eliminated at Group level and, consequently, has no impact on the consolidated cash flow statements.

Net debt without recourse declined slightly in 2016, to €246.2 million. Of that amount, €181.7 million is related to the business in the Czech Republic and the other €64.5 million to an end-to-end water concession in Spain (Aquajerez).

2.1.7.3. Construction

The Construction area is mainly involved in the design and construction of large civil engineering and industrial works in certain geographies. It operates in highly complex public works such as railways, tunnels and bridges, which, with industrial installation and maintenance projects, account for a large part of its activity.

2.1.7.3.1. Results

(M€)

	Dec. 16	Dec. 15	Chg. (%)
Revenues	1,652.6	1,992.9	-17.1%
EBITDA	55.0	75.8	-27.4%
EBITDA margin	*3.3%*	*3.8%*	*-0.5 p.p*
EBIT	(47.4)	(19.2)	146.9%
EBIT margin	*-2.9%*	*-1.0%*	*-1.9 p.p*

This area's revenues amounted to €1,652.6 million in 2016, down 17.1% year-on-year due almost entirely to the 35.4% decline in Spain. As in previous quarters, this reduction is due to the ongoing cutback in government expenditure on infrastructure in Spain.

The fall in revenues in Spain is partly offset by revenues from other countries, which shrank by a more moderate 2.1% and now account for 64.8% of the area's total. The reduction in international revenues was a temporary effect, which lessened steadily as the year advanced, due to the completion of certain projects that were not fully offset by the commencement of new projects.

Revenue breakdown, by region *(M€)*

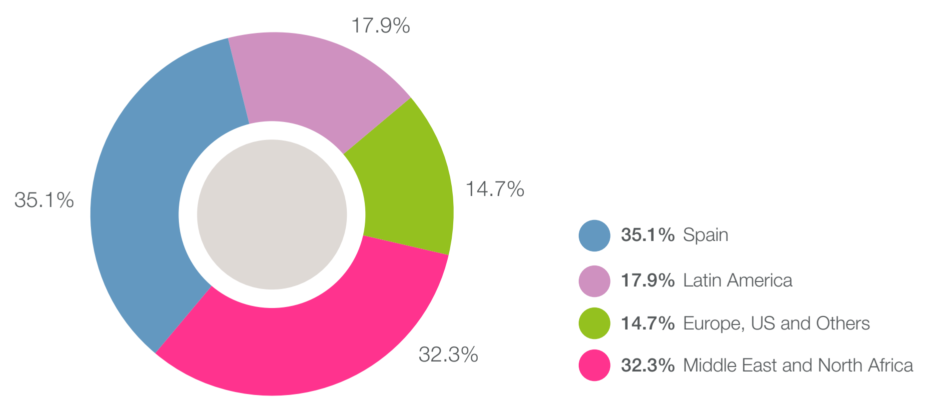
	Dec. 16	Dec. 15	Chg. (%)
Spain	580.8	898.7	-35.4%
Middle East and North Africa	534.3	439.6	21.5%
Latin America	295.5	419.4	-29.5%
Europe, US, etc.	242.0	235.2	2.9%
Total	**1,652.6**	**1,992.9**	**-17.1%**

Revenues in the Middle East and North Africa continued to rise rapidly (+21.5%), mainly due to the execution of the Riyadh Metro project.

Revenues in Latin America continued to decline, as in previous periods, having fallen by 29.5% year-on-year due to the completion of major projects, such as Panama Metro Line 1, the Chucas hydroelectric dam, and the Panama Canal expansion. Nevertheless, the decline eased off as the year advanced due to the growing contribution from new projects, including notably Lima Metro in Peru and Panama Metro Line 2.

Revenues in Europe, the US and other markets increased by 2.9% due to the higher contribution from the Mersey and Gerald Desmond bridges, and to faster progress with a number of rail projects in Romania.

Revenue breakdown, by region



EBITDA amounted to €55.0 million, 27.4% less than in 2015. This was due to the continuing low volume of activity in the domestic market, recognition of losses on certain international projects, and certain provisions. Earnings recovered during the year, and margins improved slightly, which diluted the exceptional negative effects that were recognised in the year.

EBIT was negative in the amount of €47.4 million, due basically to a €53.4 million provision booked in May to adjust production resources to the decline in demand for infrastructure investment in Spain.

Backlog breakdown, by region *(M€)*

	Dec. 16	Dec.15	Chg. (%)
Spain	1,038.7	1,358.8	-23.6%
International	3,443.6	4,871.5	-29.3%
Total	**4,482.3**	**6,230.3**	**-28.1%**

The area's backlog declined to €4,482.3 million, 28.1% less than at 2015 year-end. The decline in the backlog in Spain is due to persisting low demand for civil engineering. The reduction in the international backlog (-29.3% to €3,443.6 million) is due to the low order intake in the period, with bids being concentrated in large infrastructure projects, and also, to the readjustment caused by early completion of some projects in North Africa.

Backlog breakdown, by region

(M€)

	Dic. 16	Dic.15	Chg. (%)
Obra civil	3,467.2	5,008.2	-30.8%
Edificación	654.9	907.2	-27.8%
Proyectos Industriales	360.2	314.9	14.4%
Total	**4,482.3**	**6,230.3**	**-28.1%**

Civil engineering and industrial projects retained their importance, accounting for 85.4% of the total due to the increased order intake in connection with industrial facility projects, while building (almost entirely non-residential) accounted for the remaining 14.6%.

2.1.7.3.2. Cash Flow

(M€)

	Dec. 16	Dec. 15	Chg. (%)
Resultado Bruto de Explotación (EBITDA)	**55.0**	**75.8**	**-27.4%**
(Increase)/decrease in working capital	41.0	71.0	-42.3%
Income tax (paid)/received	8.4	(25.6)	-132.8%
Other operating cash flow	(108.4)	(25.7)	N/A
Operating cash flow	**(4.0)**	**95.5**	**-104.2%**
Investment payments	(50.3)	(52.4)	-4.0%
Divestment receipts	27.6	12.3	124.4%
Other investing cash flow	(57.3)	130.9	-143.8%
Investing cash flow	**(80.0)**	**90.8**	**-188.1%**
Interest paid	(12.2)	(11.7)	4.3%
(Payment)/receipt of financial liabilities	70.9	(72.5)	-197.8%
Other financing cash flow	0.1	0.0	N/A
Financing cash flow	**58.8**	**(84.2)**	**-169.8%**
Exchange rate variations, etc.	3.5	(39.1)	-109.0%
Increase/(decrease) in cash and cash equivalents	**(21.7)**	**63.0**	**-134.4%**

The area's operating cash flow was negative in the amount of €4 million, contrasting with a positive €95.5 million in 2015. This was attributable mainly to the reduction in EBITDA coupled with less favourable performance by working capital. Additionally, other operating cash flow included the release of provisions in connection with the workforce adjustment that took place between May and December 2016, and the closure of certain projects.

Working capital in 2016 included a €29.4 million payment of taxes deferred in prior years, with the result that the Area is up to date with its tax obligations.

Investment payments amounted to €50.3 million, a 4.0% decline year-on-year, and include mainly the investment in specialised machinery for certain contracts, particularly underground civil engineering work, and investment payments in connection with companies in the area. The sale of various machinery assets provided €27.6 million in divestment proceeds in the period. Other investing cash flow, which amounted to €57.3 million, basically refers to changes in loans to Group companies.

2.1.7.4. Cement

The Cement area accounted for 10.7% of FCC Group EBITDA in 2016, through the 77.9% stake in Cementos Portland Valderrivas (CPV). This area produces mainly cement; it has seven factories in Spain and one in Tunisia.

2.1.7.4.1. Results

(M€)

	Dec. 16	Dec. 15	Chg. (%)
Revenues	536.2	580.4	-7.6%
Cement	*480.1*	*514.9*	*-6.8%*
Other	*56.1*	*65.5*	*-14.3%*
EBITDA	89.2	94.3	-5.4%
EBITDA margin	*16.6%*	*16.2%*	*0.4 p.p*
EBIT	(120.4)	28.6	-521.0%
EBIT margin	*-22.5%*	*4.9%*	*-27.4 p.p*

* Includes impairment at CPV amounting to €187.2 million.

This area's revenues declined by 7.6% with respect to 2015, to €536.2 million, due to a decline of 6.8% in cement sales and of 14.3% in other businesses (concrete, mortar, aggregate and waste treatment). Revenues were affected by deconsolidation of the cement business in the United States (Giant Cement) as a result of dilution of FCC's stake in Cementos Portland Valderrivas to 45% and the resulting decision to recognise it by the equity method starting November.

Revenue breakdown, by region *(M€)*

	Dec. 16	Dec. 15	Chg. (%)
Spain	185.5	197.2	-5.9%
US and Canada	186.1	212.8	-12.5%
Tunisia	68.7	80.3	-14.5%
UK and others	95.9	90.1	6.5%
Total	**536.2**	**580.4**	**-7.6%**

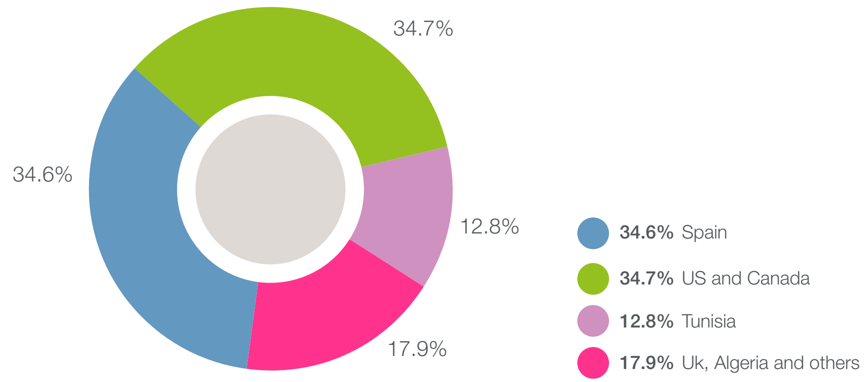
Revenues in Spain declined by 5.9%, due to the combination of slightly lower prices and a year-on-year decline in cement consumption due to shrinkage of the domestic market during the year.

Revenues fell by 12.5% in the United States and Canada due, as discussed in the previous point, to deconsolidating the US business in November, which had been providing more than one-third of the division's turnover. In the first nine months of 2016, revenues increased by 4.6% year-on-year, driven by a market recovery in terms of both cement volumes and prices.

Revenues declined by 14.5% in Tunisia, despite stable prices, because of the decline in domestic consumption and exports and, above all, of the dinar's 11% depreciation against the euro.

Revenues from exports to the UK and other markets increased by 6.5%, despite the adverse impact of the pound's depreciation, because of greater sales penetration in the UK.

Revenue breakdown, by region



EBITDA declined by 5.4% to €89.2 million, compared with €94.3 million in 2016. This decline was due mainly to the lower contribution from the business in the US, which was deconsolidated in November, and the negative impact of selling zero CO_2 emission rights in the period, contrasting with 3.9 million in 2015.

The Cement area recognised impairment of goodwill in the amount of €187.2 million in the third quarter, with the result that EBIT was negative in the amount of €120.4 million. This impairment, which has no impact on the area's cash flow, is due to the delay in the expected recovery by demand and prices in Spain caused by the additional setback in public expenditure this year. This item includes other income, including an accounting capital gain of €54.3 million as a result of the adjustment to the valuation of the stake in Giant Cement on changing it from global consolidation to the equity method.

2.1.7.4.2. Cash Flow

(M€)

	Dec. 16	Dec. 15	Chg. (%)
EBITDA	**89.2**	**94.3**	**-5.4%**
(Increase)/decrease in working capital	(10.4)	9.9	-205.1%
Income tax (paid)/received	0.2	(6.9)	-102.9%
Other operating cash flow	(4.2)	(10.7)	-60.7%
Operating cash flow	**74.8**	**86.6**	**-13.6%**
Investment payments	(11.9)	(16.8)	-29.2%
Divestment receipts	12.8	4.2	204.8%
Other investing cash flow	(2.5)	0.8	-412.5%
Investing cash flow	**(1.6)**	**(11.8)**	**-86.4%**
Interest paid	(94.0)	(94.0)	0.0%
(Payment)/receipt of financial liabilities	37.5	3.7	913.5%
Other financing cash flow	(20.2)	(2.3)	778.3%
Financing cash flow	**(76.7)**	**(92.6)**	**-17.2%**
Exchange rate variations, etc.	(2.1)	3.4	-161.8%
Increase/(decrease) in cash and cash equivalents	**(5.6)**	**(14.4)**	**-61.1%**

	Dec. 16	Dec.15	Change (M€)
Without recourse	511.4	1.248.9	(737.5)

Operating cash flow amounted to €74.8 million, a 13.6% decline with respect to 2015, due mainly to a temporary negative variation in working capital that will reverse in the coming months.

Financing cash flow in 2016 includes both interest payments and the early repayment of Giant Cement's debt in October.

Capital expenditure kept pace with demand and was confined to preventative and maintenance expenses. Cash outflows under this heading in 2016 amounted to €11.9 million, compared with €16.8 million in 2015. Additionally, recovery of deposits and sureties as a result of refinancing the debt of this area's parent company resulted in divestment receipts amounting to €12.8 million, compared with €4.2 million in 2015.

The area's interest-bearing debt to third parties is without recourse to FCC. The €737.5 million reduction in this item with respect to 2015 year-end is due mainly to the partial repayment of the area parent company's syndicated loan in the third quarter, and to the deconsolidation of the debt associated with the US business after the stake in Giant Cement was diluted to 45%.

2.2. Business performance. Environment

The information relating to the FCC Group's Environmental Policy is described in greater detail in Note 29 to the consolidated financial statements.

The FCC Group's strategy is based on a commitment to social responsibility in relation to environmental services, complying with the applicable legal requirements, respect for its relationship with its stakeholders and its desire to generate wealth and social well-being.

At the FCC Group, the following principles, which form the basis of its contribution to sustainable development, are encouraged and stimulated throughout the organisation:

- Continuous improvement: To promote environmental excellence through the setting of targets to achieve continuous improvement in the performance of activities, while minimising the negative impacts of the FCC Group's processes, products and services and strengthening the positive impacts.
- Control and monitoring: To establish environmental indicator management systems for the operational control of processes, which provide the necessary information for monitoring, assessing, taking decisions on and communicating the FCC Group's environmental efforts, and ensure compliance with the commitments acquired.
- Climate change and prevention of pollution: To lead the battle against climate change by implementing processes involving reduced emission of greenhouse gases and by promoting energy efficiency and the use of renewable energies. To prevent pollution and protect the natural environment through responsible management and consumption of natural resources and by minimising the impact of the emissions, discharges and waste generated and managed as a result of the FCC Group's activities.
- Care for the environment and innovation: To identify the risks and opportunities pertaining to the activities with respect to the changing natural environment in order to promote innovation and the use of new technologies, and to generate synergies among the FCC Group's various activities.
- Life cycle of the products and services: To make environmental considerations a priority in the planning of activities, purchase of materials and equipment and in relationships with suppliers and contractors.
- Ensure the participation of all: To promote awareness and application of the environmental principles among employees and other stakeholders.

2.3. Business performance. Employees

Following is a detail, by business area, of the FCC Group's headcount at 31 December 2016:

Areas	Spain	Abroad	Total	%s of Total	% Chg. 2015
Environmental Services	30.758	8.710	39.468	72%	2,03%
Water Management	6.178	1.774	7.952	15%	4,18%
Construction	3.516	2.155	5.671	10%	-17,22%
Cement	763	330	1.093	2%	-35,13%
Central Services and Other	283	-	283	1%	-3,74%
Total	**41.498**	**12.969**	**54.467**	**100%**	**-1,23%**

03. Liquidity and capital resources

Liquidity

To optimise its financial position, the FCC Group maintains a proactive liquidity risk management policy by monitoring cash and its projections on a daily basis.

The FCC Group meets its liquidity requirements through the cash flows generated by the businesses and through the financial agreements reached.

With a view to improving its financial position, the Group actively manages collection from its customers to ensure they meet their payment obligations.

For the purpose of ensuring liquidity and enabling it to meet all the payment obligations arising from its business activities, the Group has the cash disclosed in the consolidated balance sheet (see Note 17 to the consolidated financial statements), and financing (detailed in Note 20 to the consolidated financial statements).

Note 30 of the consolidated report explains the policy implemented by the FCC Group to manage its liquidity risk and associated mitigating factors.

Capital resources

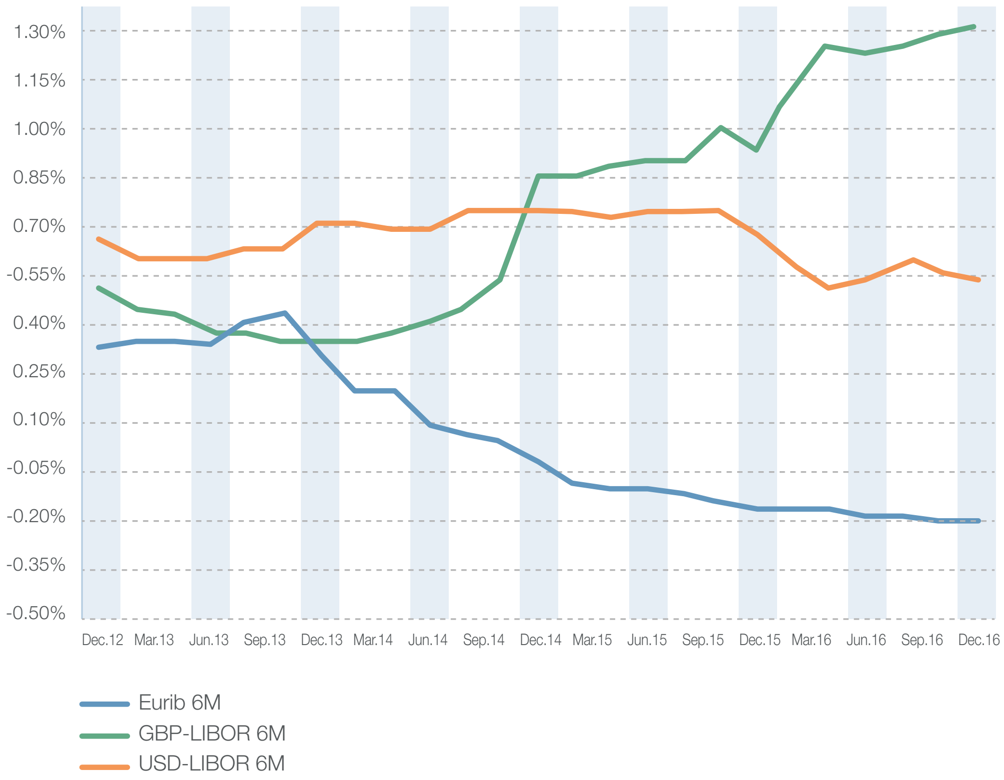
The Group manages its capital to ensure that the Group companies are capable of continuing as profitable and solvent businesses.

As part of capital management operations, the Group obtains financing through a wide variety of financial products from more than 50 Spanish and international financial institutions.

In 2014 the Group completed a EUR 4.528b global financing process and in recent years it has reached various limited recourse debt refinancing agreements (see Note 20 to the consolidated financial statements). At the end of 2014 a capital increase of almost EUR 1,000,000 thousand was effected, with another on 4 March 2016 for EUR 709,519 thousand, both allocated to strengthening the Company's capital structure.

In order to optimise the cost of capital resources, the FCC Group maintains an active interest rate risk management policy that includes ongoing monitoring of the market and assumes various positions based mainly on the financed asset.

How interest rates have evolved in recent years is shown below.



This section is discussed in further detail in Note 30 to the consolidated financial statements.

04. Main risks and uncertainties

The current risk-management policy, together with the system for developing it, was approved by the board of directors in October 2016. The risk-management policy and system have been designed to identify any potential events that if they were to occur would affect the FCC Group, and also to manage risks within the acceptable risk level, providing the board and management of FCC with a reasonable degree of assurance that their objectives can be met.

That is why it is key for them to be integrated into the organisation's business processes.

Risk management at FCC is governed by the following basic principles:

- Integrating the risk/opportunity vision
- Assigning responsibility
- Segregating duties/independence
- Homogenisation
- Monitoring and controlling risks
- Internal control
- Action plans
- Continuous assessment of the process
- Supervision by the Auditing and Control Committee.

The scope of application established under the risk-management policy and system of the FCC Group covers all the member companies, as well as affiliates in which FCC has effective control and companies newly taken over as soon as the acquisition is effective. It also covers employees of the FCC Group who are attached to consortia and JVs.

The activities that fall within the scope of the risk-management system of the FCC Group include preparing and updating of risk maps and risk matrix and control of business units to enable FCC's consolidated risk map to be drawn up, as well as preparing risk-materialisation reports and action plans. Other activities included within the system are training, document control, monitoring and reviews of the system and continuous improvement.

In addition, the risk-management system also establishes internal communication mechanisms at various different levels: within the business unit via risk-management performance reports, between the Risks and Compliance Committee and the Risk Management role (e.g., risk-materialisation reports), and between the Internal Auditing Department, Risk Management and the Auditing and Control Committee.

Risk maps and the matrix of risks and controls include identification of the main risks in the various business areas, as well as controls established by management to mitigate the effect of those risks and valuation in terms of the likelihood of their occurrence and their impact on the financial statements of the business area analysed.

The process of drawing up risk maps for the business units includes the stages of setting targets, identifying risks, identifying processes, assessing risks according to their potential impact if they were to materialise and the likelihood of their occurrence, and identifying the personnel responsible for managing the risks identified.

The process of preparing the matrix of risks and controls for business units includes the stages of identifying key control activities to mitigate risks, assigning responsibilities for control and designing key indicators to enable a system of alerts to be established to warn of any deviations or materialisations.

The Group's risk-management system is based on the existence of three levels of risk management. The first two are located within the business unit that, as part of its business, gives rise to the FCC Group's exposure to risk. The third consists, first of all, of the corporate staff reporting to senior management (corporate departments) and finally the Internal Auditing and Risk Management and Compliance staff, who report to the Auditing and Control Committee.

FCC Construcción has a Risks and Compliance Committee with an executive role, whose duties, in accordance with the approved risk-management policy and system, include implementing the system, assuring compliance of the risk-management processes defined and developing sufficient control environments to mitigate and maintain risks within acceptable levels.

As established under the Regulations of the FCC Board of Directors, it is the responsibility of the full board to approve the company's risk-management and control policy, identifying any risks that the company considers to be major and implementing and monitoring the appropriate internal-control and information systems, in order to assure future viability and competitiveness, as well as making the appropriate decisions for their optimal development.

The role of the Auditing and Control Committee also includes supervising and studying a risk-management and control policy that identifies:

- The various different types of risks faced by the company, including – among financial or economic risks — contingent liabilities and other risks off-book risks.
- Setting the risk level that the company considers to be acceptable.
- Measures provided to mitigate the impact of the risks identified, if they should ever materialise.
- The information systems to be used to control and manage those risks, including contingent liabilities or off-book risks, referring them to the board for approval.

The first level of risk management and internal control is located on the operational lines of the business unit, which act as risk takers and are responsible for appropriately managing, monitoring and reporting the risk generated, including tax risks, in accordance with the risk appetite and risk limits authorise.

The second level is made up of support, control and supervision teams who oversee the effective control of the risk and its management in accordance with the risk appetite, including tax risks.

The Risk Management and Compliance Department is part of the third level of risk management and internal control. Its duties are related to supervising, coordinating, monitoring and integrating the risk-management and control process within the organisation. This third level also includes corporate functions (HR, Tax, Administration, Legal, etc.) and the internal-auditing function as the last line of defence.

The risk scenarios considered have been classified into four groups: Strategic risks, operational risks, compliance risks and financial risks.

4.1. Main Risks and Uncertainties. Operational risks

- **Uncertainty and volatility of raw materials, energy and subcontracted services.**

  The FCC Group, in the course of its activities, consumes high volumes of raw materials and energy, as well as working with numerous subcontractors and industrial firms. Changing economic conditions and uncertainty in general could give rise to oscillating prices that would have an impact on the FCC Group's results.

- **Municipalisation of the management of services currently provided by the FCC Group.**

  Certain services provided by the FCC Group could be affected by decisions made by current or future local authorities. In certain cases, these decisions could result in municipalisation. In particular, for the FCC Group municipalisation could affect the Environmental Services and Water divisions, with a consequent negative impact on present and future results and orders.

- **Disasters.**

  The complexity of certain environments in which the FCC Group operates increases exposure to the risk of suffering the effects of unforeseen events causing damage to people, assets or the environment, including natural disasters, terrorism and criminal acts.

- **Information security.**

  Of particular relevance is the risk of criminal cyberattacks which, whether targeted directly at the company or otherwise, could affect its assets and hinder operations for a lengthy period of time. The FCC Group as an operational unit whose role is to prevent, detect, analyse and mitigate factors related to security events, such as hacking, attacks, etc.

- **Rescheduling of projects.**

  The financial and economic situation could cause public and private investment forecasts to be cut back, which could lead to various projects under way in Spain and abroad to be rescheduled, with considerable impact on their results, if clients fail to meet their undertakings while the FCC Group makes a constant effort to comply with its own.

- **Risks derived from links to third parties.**

  The FCC Group may operate jointly with public authorities or private entities through various forms of partnership (companies, consortia, economic interest groups, joint ventures and similar). The members of such partnerships share the operational, economic and financial risks associated with certain projects or activities. Nevertheless, adverse developments in a project or business, in the underlying economic and political climate or in the partners' economic position could cause conflicts to arise, with negative effects on their performance and therefore also on the FCC Group.

- **Repercussion of extraordinary costs in activities developed.**

  The FCC Groups' design and build activities expose it to certain risks that are inherent to contracting of that kind, such as the repercussion of extraordinary costs. In the Environmental Services, Water and Construction business areas, the FCC Group develops "turnkey" design and build contracts that are remunerated based on a fixed price. Whether the price of a turnkey contract is subject to review may vary according to the jurisdiction.

- **Unilateral termination or amendment of contracts.**

  Public Authorities may unilaterally amend or terminate certain contracts before they have been fully performed. In these cases, the compensation to be received by the FCC Group might not be sufficient to cover the losses incurred and, also, such compensation might be difficult to collect.

  Regardless of the nature and sum owed in compensation to the FCC Group under a concession or works contract terminated by the client, the FCC Group could need to take legal action or proceed to arbitration in order to receive it, thereby increasing its costs and delaying the receipt of compensation due.

- **The departure of key technical and management staff could hamper the success of business operations.**

  The success of the FCC Group's business operation largely depends on its key personnel with technical and management experience. If the FCC Group were to lose a substantial number of key personnel, although this is unlikely, they could be difficult to replace, complicating the successful management of the Group's business.

- **Industrial disputes**

  The Construction and Services divisions of the FCC Group are notably labour-intensive. Consequently, this, together with the fact that significant geographical diversity involves varying employment legislation, could give rise to individual or collective conflicts with employees for various reasons, undermining the company's production capacity and its reputation.

- **Adaptation the FCC Group's personnel to the operations planned.**

  Maintaining a workforce at FCC that is not aligned with the Group's forecast contract-completion needs, in terms of both numbers and quality, could result in an oversized workforce, with high personnel costs relative to production, or undersizing, with the risk of being unable to complete the projects contracted with sufficient quality, resulting in delays and associated costs.

4.2. Main risks and uncertainties. Financial risks

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

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

Capital risk

Capital risk is described in greater detail in point 3 in this consolidated Directors' Report.

Interest rate risk

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

Foreign currency risk

A Noteworthy consequence of the FCC Group's positioning in international markets is the exposure resulting from net positions in foreign currencies against the euro or in one foreign currency against another when the investment and financing of an activity cannot be made in the same currency. The FCC Group's general policy is to mitigate, as far as possible, the adverse effect on its financial statements of exposure to foreign currencies, with regard to both transactional and purely equity-related changes. The FCC Group therefore manages the effect that foreign currency risk can have on the balance sheet and the statement of profit or loss.

Solvency risk

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

The strong generation of operating funds and measures applied to the capital structure have enabled a substantial reduction in the net financial debt to be achieved.

Liquidity risk

Liquidity risk is described in greater detail in point 3 in this consolidated Directors' Report.

Concentration risk

This risk arises from the concentration of financing transactions with common features which are distributed as follows:

- Sources of financing: in order to diversify this risk, the FCC Group works with numerous Spanish and international financial institutions in order to obtain financing.
- Markets/Geographical area (Spanish, foreign): the FCC Group operates in a wide variety of Spanish and international markets. The Group's debt is concentrated mainly in euros and the remainder in various currencies in several international markets.
- Products: the FCC Group arranges various financial products, including loans, credit facilities, bonds, syndicated transactions, factoring, discounting, etc.
- Currency: the FCC Group finances its operations in a wide variety of currencies, corresponding, whenever possible, to the country of origin.

Credit risk

The provision of services or the acceptance of orders from customers, whose financial solvency cannot be guaranteed at the time of acceptance, is not known or cannot be assessed by the Group, together with situations that may arise during the provision of a service or execution of an order that could affect the customer's financial position, could result in the risk of nonpayment of the amounts owed.

The Group requests commercial reports and assesses the financial solvency of its customers before entering into agreements with them and also engages in ongoing monitoring of customers, and has a procedure in place to be followed in the event of insolvency. In the case of public customers, the Group's policy is to not accept projects without an allocated budget and financial approval. Offers exceeding a certain collection period must be authorized by management of the Financial Department. Furthermore, late payment is monitored on an ongoing basis on the various management committees.

Financial derivatives designated as hedging instruments

In general, the financial derivatives arranged by the FCC Group are treated, for accounting purposes, in accordance with the regulations on hedge accounting described in the Notes to the consolidated financial statements. The main financial risk hedged by the FCC Group using derivative instruments relates to fluctuations in the floating interest rates to which the FCC Group companies' financing is tied. Financial derivatives are measured by experts on the subject that are independent from the Group and the entities financing it, using generally accepted methods and techniques.

The financial risks to which the Group is exposed are discussed in greater detail in Note 30 to the FCC Group's financial statements.

05. significant events after the reporting period

On 13 February 2017 the acceptance period for the Cementos Portland Valderrivas S.A. exclusion public acquisition bid (exclusion OPA; see Note 5.a of the consolidated report) expired. The exclusion OPA was accepted for 9,356,605 shares, representing 87.81% of the shares to which the OPA originally referred. Consequently, no forced sales are needed. The Group's effective participating interest following the operation is now 97.45%. On 24 February 2017 all the shares of Cementos Portland Valderrivas (51,786,608 in all) were excluded from trading.

Receipt from the sale of the shares of Xfera Móviles S.A. and transfer of participatory loans occurred on 7 February 2017 for a final sum of EUR 29,139 thousand. The sum initially estimated as at 31 December 2016 was EUR 24,285 thousand, i.e. impairment of the participatory loans of EUR 11,047 thousand. On the date of preparing these annual financial statements, in accordance with FRS 10 "Events Subsequent to Closure", the sum of that impairment has been adjusted accordingly (Note 14 of the consolidated report).

On 28 February 2017 the Company received EUR 106,444 thousand corresponding to the deferred price of the sale of the shares of Global Vía Infraestructuras S.A. (Notes 4.b and 5 of the consolidated report). As the receivable was valued as a current financial asset at fair value with changes in profit and loss at EUR 106,040 thousand, in accordance with the regulations no adjustment has been made with regard to the difference with the sum recorded in these consolidated financial statements

06. Company outlook

Set forth below are the prospects for 2016 for the main business areas composing the FCC Group.

The countries where the **Environmental Services** division operates are undergoing a process of profound transformation, owing to the environmental requirements of national governments, driven by EU directives and being subject to a consolidation process, with an increase in concentration and the arrival of new competitors.

In the UK economic activity is expected to slow down in 2017, owing to cuts to public authorities' budgets.

As for central and eastern Europe, moderate growth in central Europe, with risks of greater intervention and municipalisation of services in certain eastern European countries, such as Hungary.

With regard to opportunities in the US market, a large number of tender processes for urban-waste services will be launched in the coming years.

In the industrial-waste sector in Spain, there is a need for inspections to be intensified by some authorities, in order to detect and prosecute illegal practices more efficiently. These practices may result in environmental problems that pose a serious risk to people's health.

In Portugal there are major business opportunities related to decontamination actions on environmental liabilities.

In the area of **end-to-end water management**, certain concession contracts in Spain are set to come to an end in 2017, with similar renewal rates to those in 2016 expected, i.e. close to 100%, with a more active market this year offering better contracting opportunities. In the water-infrastructure area, in 2017 various concessions are likely to be opened up in treatment infrastructure, in order to progress with compliance with the Wastewater Treatment Plan, which is very deficient in rural areas, and subject to sanctions for infringements of EU requirements.

With the formation of the new government in the final quarter of 2016 a number of legislative initiatives and the transposition of EU directives have been resumed. However, no progress has been made with the setting-up of a state regulator, despite the considerable demand from all the stakeholders involved.

Internationally, in the Americas the deficit in water infrastructure increases FCC Aqualia's growth options, which have multiplied significantly following FCC's withdrawal from the capital of Proactiva, a company in which it was partnered with the French operator Veolia.

In Mexico, the experience gained with various contracts is being put to good use by planning for similar projects, where more demanding technical and financial capacities have made FCC Aqualia a benchmark.

In Colombia, Peru, Paraguay and Panama the respective governments have launched various water-improvements programmes that present interesting opportunities for new business.

In Portugal, the concessions business is expected to be reactivated after the local elections in the last quarter of 2017, spurred by the budget deficit suffered by local authorities and the need to invest in infrastructure.

In the Czech Republic, tender processes are expected to be launched for the private management of water and sanitation services in major towns and cities.

In North Africa, sea water desalination and waste water purification constitute business opportunities in the countries in which Aqualia already has a presence, as is the case in Tunisia and Egypt.

In the Middle East, where population growth is reaching up to 8% per year in some countries, the serious reduction in earnings from oil is forcing nations in the Gulf to withdraw subsidies and use private initiatives to develop their water-infrastructure projects.

In the **Construction** area, although the Spanish economy has begun to show signs of recovery, this improvement is not expected to give rise to any significant growth in the amount of public contracting, which continues to present levels that are far below those recorded before the 2008–2013 economic crisis. Given this situation of less public tendering in the Spanish market, FCC tends to look towards diverse international markets, particularly in emerging countries, where the boom in infrastructure developments presents an opportunity.

One objective of the Group in 2017 will be to seek contracts, mainly through the international market, by means of demanding risk management to give access to a selective portfolio of projects with assured profitability, higher profits and better cash generation.

Taking into account the foregoing, it is estimated that revenue in Spain in 2017 will remain similar with respect to 2016, due mainly to budgetary restrictions in the public sector.

However, revenue from abroad in 2017 is expected to be similar to that earned in 2016, with the performance of large infrastructure construction projects obtained in 2016 and 2015 and the contribution made by new markets in the Americas (Central America, Chile, Peru, Colombia and the US), the Middle East (Saudi Arabia and Qatar) and Europe (the UK and Romania).

In the Cement area in Spain, although the recovery of the Spanish economy continued in 2016, supported by improved interior demand, with a growth of 3.2% in GDP and an drop in unemployment to 18.6%, this has not been reflected in higher cement consumption, the demand for which fell by 3.1% in 2016 to 11.1 million tonnes, partly offset by an 5.6% increase in exports to 9.8 million tonnes.

For 2017 the expected improvement in the Spanish economy, together with greater political stability following the formation of a new government, leads us to believe that cement consumption may begin to grow again.

In Tunisia the local market cooled somewhat in 2016, with a 3.9% decrease in volume to 7.2 million tonnes. Exports to Algeria and Libya also fell over the course of the year, in the case of Algeria because of an increase in its own production capacity, and in Libya because of the unstable situation in the country, which may well continue throughout the current year.

In the US market, where the business has not been consolidated since November 2016 owing to the loss of control that occurred, the PCA (Portland Cement Association) expects domestic demand to rise by 3.1%, although it believes that its cement-consumption forecasts could be affected by the policies of the new US administration and Congress's support for them.

In this context, the Cementos Portland Valderrivas Group will continue to implement its policies to contain expenditure and optimise investment and adapt all organisational structures to the reality of the various markets in which it operates, in order to improve cash flow generation.

07. RDI activities

In 2016 the FCC Group's RDI activities encompassed more than 50 projects.

Set forth below is a description of the activities of the various business Areas and of the main projects carried out in 2016.

Environmental services

In the environmental services area, aside from continuing with the research work in various projects that commenced in previous years, a new project, titled IoT, has been developed to devise a methodology for an efficient management system for street-cleaning services.

Notable projects in 2016 include:

- **VEMTESU**: Definition, design and development of an electric vehicle powered with batteries and ultra-condensers, with a self-supporting chassis and low cab.
- **CAMIÓN ELÉCTRICO ALCANTARILLADO:** Definition, design and development of a fully electric heavy truck for urban hydrodynamic cleaning services. This is a vehicle with permanent electric traction with no mechanical transmission.

  In addition, work continued on the **ADVANCED SOLUTION FOR THE GLOBAL MANAGEMENT OF ALL THE PROCESSES AND PLAYERS IN ENVIRONMENTAL CONTRACTS** project, which encompasses various objectives such as process improvement, swiftness of response vis à vis new business requirements, global access to more favourable functionalities, management of geo-referenced information, etc.

End-to-end water management

Aqualia's innovation activity was consolidated in 2016 with the addition of a new eco-efficiency line to each of the three areas developed previously: Sustainability, Quality and Smart Management, thanks to three new European projects under the umbrella of the H2020 programme.

The new eco-efficiency line covers the following projects:

- **RENOVAGAS:** project co-funded by Mineco Innpacto programme and led by Enagas. In October 2016 a methane-enrichment prototype was installed at the Jerez WWTP, using the CO_2 from biogas and hydrogen produced with renewable electricity. Thanks to the catalytic reactor developed by Tecnalia, in 2017 the quality of the biofuel produced will be demonstrated for two vehicles, which were delivered with another project being run in tandem (Smart Green Gas).
- **CLEANWATER:** project funded by the EU Eco-Innovation programme. A new method has been demonstrated for manufacturing hypochlorite on site at water plants, thereby avoiding the risks of using and transporting chlorine gas. The project has been undergoing trials since early 2016 in Almería, since September in Denia and beginning in 2017 in Nigrán.
- **SMART GREEN GAS:** project under the umbrella of the CDTI programme of Consorcios de Investigación Empresarial Nacional (CIEN). FCC Aqualia leads a consortium of five firms (Gas Natural Fenosa, Naturgas/EDP, Ecobiogas, Diagnostiqa, Dimasa Group) to develop efficient infrastructure for the production and management of biomethane networks. Aqualia's first actions in Jerez and Aranda del Duero have demonstrated that the quality control of the biomethane is sufficient to power vehicles.
- **MIDES:** a project under the H2020 Mides umbrella aims to revolutionise desalinisation by reducing the energy cost tenfold compared with conventional reverse osmosis. The technology used — the microbial desalinisation cell (MDC) was developed with Imdea Agua (in a previous IISIS project) — allows waste organic material (from effluents) to be used to activate bacteria that displace salts via membranes with no need for external energy sources. The project mobilises eleven partners from seven countries to implement the technology and set up three demonstration units on three continents: Europe (Spain), Africa and the Americas.
- **LIFE ANSWER:** under the umbrella of the Life Answer project, led by Mahou, also involves the University of Alcalá de Henares, which has developed the microbial-treatment-cell technology (fluidised MFC, in a previous ITACA project). The aim is to demonstrate the technology at Mahou's brewery in Guadalajara to achieve energy savings, combining it with an electro-coagulation pretreatment to enable aluminium to be recycled.

In the Sustainability area, projects include:

- **ALL-GAS:** consisting of producing bio-energy from wastewater treatment. The project is now in its final large-scale demonstration phase, with the building of 2 hectares of algae crops and a 2700 m^3 digester. In 2017, the transformation of up to 2,000 m^3/d of municipal effluent into biomethane to power up to 20 vehicles will be demonstrated. One car has already been running since the summer of 2016 using the biomethane produced by the 1,000 m^2 prototype.
- **INCOVER:** a project launched in 2016 and led by the Aimen technology centre, with Aqualia as the leading firm in a consortium of eighteen entities from seven countries. This project creates synergy with existing facilities and the knowledge acquired in ALL-GAS to extend the use of algae biomass in products of higher value, such as bio-fertilisers and bio-plastics, and improve the production of reusable water.
- **SABANA:** a project launched in 2016, led by the University of Almería, with Aqualia as the main principal industrial partner, together with Westphalia (Germany) and the Italian food group Veronesi in a consortium of eleven entities from five countries (also the Czech Republic and Hungary). The aim is to install 5 hectares of crops and a bio-refinery to achieve new bio-fertilisers and bio-pesticides as alternatives to chemical products, by using microalgae, to open the way to agriculture that is "safer" both for consumers and for the environment.

In the Quality area, projects include:

- **LIFE MEMORY:** in the framework of the development of the project a 50 m^3 reactor has been commissioned in Alcázar de San Juan, demonstrating the technical and economic feasibility of an innovative technology, an Anaerobic Membrane Bioreactor (SAnMBR), which makes it possible to convert the organic matter contained in waste water directly into biogas. Without the conventional aerobic stage, energy consumption and CO_2 emissions are reduced by up to 80%, with 25% less space required than a conventional aerobic WWTP and a reduction of around 50% in the volume of sludge produced.
- **LIFE BIOSOL:** a project titled Biosolar Water Reuse and Energy Recovery, led by the French SME Heliopur, has now completed the first demonstration stage at El Centa (Seville). The new solar wastewater treatment enables the water to be reused and organic waste to be recovered. Implementation on a larger scale at Almería WWTP is being assessed.
- **BIOWAMET BESTF2:** is being developed under the European ERANET programme, in partnership with Southampton and Delft universities. In synergy with the Life Memory project on anaerobic reactors with membranes, it is being implemented at a small EDAR in the Lower Ebro to obtain bio-energy and reusable water.
- **LIFE METHAMORPHOSIS:** Aqualia leads a consortium of six entities (with Área Metropolitana de Barcelona, FCC SA, Gas Natural, Icaen and SEAT). Three recently developed technologies are being built at Besós Ecopark, managed by the FCC Group: ANMBR, ELAN (autotrophic nitrogen elimination) and a biogas-washing system. The end product will be biomethane that can be injected into the natural-gas network or used as fuel for cars.
- **INNOVA E3N:** the project consists of the energy-efficient elimination of nitrogen, continuing on from the Innova Impactar project funded by the Cantabria Regional Government and optimising the pilot implemented in Santander's sewerage network to demonstrate decentralised compact treatment plants.
- **PIONEER:** part of the European ERA-N ET Cofund Water Works programme within the WATER JPI initiative, led by the USC, partners Aqualia with a network of universities (Verona/IT, DTU/DK and KTH/SE) to improve the elimination of micropollutants and reduce the environmental impact of treatment with technologies such as ELAN and estruvite precipitation.
- **MEDRAR:** co-funded by the Conecta Peme programme to foster RIS 3 priorities identified in Galicia and supported by the European Regional Development Fund, has the objective of improving treatment in small towns and villages. Together with two SMEs and led by the USC, compact automated modules are being developed, integrated into the rural environment, with minimum impact and costs.

Over the course of 2016, the research team at FCC Aqualia has obtained two new patents for key aspects of the feeding of a UASB anaerobic reactor and for the washing of biogas and elimination of H2S and CO_2.

Also during the year five patent applications were made for different demonstration technologies: ELAN, AnMBR, MDC, MFC and estruvite crystallisation.

In addition, the results of the related research were presented at major scientific congresses and events.

Construction

FCC Construcción fosters an active policy of technological development, while permanently applying innovation to its construction projects, with a firm commitment to research and development, sustainability and the contribution to quality of life in Society as competitiveness factors. This innovation policy is coordinated with the other business areas of the FCC Group.

The development and use of innovative technologies to carry out construction projects contribute significant value added and are differentiating factors in the current market, which is highly competitive and internationalised.

The projects developed by FCC Construcción and its investees are of three types: internal projects, projects with other FCC Group companies and projects carried out in conjunction with other companies in the industry or other related industries, frequently with technology-driven SMEs, which makes it possible to perform open innovation projects with a participation in the value chain and, occasionally, on a horizontal cooperation basis. Also, the presence of universities and technological institutes is fundamental in practically all the projects.

Also, the involvement of universities and technology centres is a key factor in practically all these projects.

Algunos de los proyectos se llevan a cabo en consorcio con Administraciones Públicas, como es el caso del Proyecto Europeo LIFE **IMPACTO CERO,** en el que participa el Administrador de Infraestructuras Ferroviarias (Adif).

Some of the projects are carried out in consortia with Public Authorities, such as the European LIFE **IMPACTO CERO**, Development and demonstration of an anti-bird strike tubular screen for High Speed Rail lines, with the participation of the Spanish Railway Infrastructure Manager (Adif).

In 2016 various new projects were approved:

- **CALA:** in the RETOS 2016 call for proposals, the objective of which is to improve hydrological security and increase the reservoir capacity of brick dams by implementing lateral spill-collection channels. Calculation code, experimental validation and construction process.
- **ROBIM:** as part of the CIEN programme, the objective of which is an autonomous robot to inspect and assess existing buildings with BIM integration, developing an automated, active and multidisciplinary technology for inspection, assessment and diagnosis of the composition, condition and energy efficiency of the walls of existing buildings, thereby facilitating the obtaining of reliable information in sufficient detail on building systems and pathologies and a comprehensive analysis of the building.
- **CYRENE:** approved by CDTI (Industrial Technological Development Centre) and developed by MATINSA, the objective of which is to develop a new system for the integrated management of road tunnels containing the control of all installations and implementing optimised global-management strategies.

FCC Construcción carries out both Spanish and international R&D+i projects.

In Europe, as part of the H2020 programme, the following projects are currently being worked on:

- **IN2RAIL** (Innovative Intelligent Rail), led by Network Rail. The aim of this project is to set the foundations for a resilient, consistent, cost-efficient, high capacity and digitised European railway network. Innovative technologies will be studied for a global approach that covers an intelligent infrastructure, intelligent mobility management (I2M), new power sources for railways and energy management. The results of this project will contribute to the Shift2rail initiative, a PPP dedicated to railways and falling within the Horizon 2020 programme, the objective of which is to make progress towards the introduction of the single European railway area.
- **NANOFASE:** (Nanomaterial Fate and Speciation in the Environment). The objective of this project is to determine the fate of nanomaterials in the environment.
- **REWASTEE:** under the Eco-Innovation call for proposals and aimed at the industrial validation, market deployment and replication of a developed technology for recycling steelmaking wastes and manufacturing multifunctional building products.
- **BUILDSMART:** (Energy Efficient Solutions Ready for the Market). The purpose of this project is to demonstrate that it is possible to construct buildings with very low energy consumption in an innovative and profitable way. The project includes the design, construction and monitoring of new residential and non-residential buildings in Sweden, Ireland and Spain.

- **IMPACTO CERO:** The objective of this project is to develop an anti-collision screen for birdlife based on the concept of equally-spaced tubular screens.
- **ASPHALTGEN:** project developed by Servià Cantó based on research into new asphalt aggregate paving with self-generating features based on technology consisting of ionic liquids encapsulated in inorganic materials.
- **GUIDENANO:** project developed by Servià Cantó that is developing innovative methodologies to evaluate and manage human and environmental health risks of nanoenabled products, considering the whole product life cycle.

The following Spanish projects carried out in 2016 are worthy of mention:

- **DOVICAIM:** project developed in conjunction with Instituto de Hidráulica Ambiental "IH Cantabria", and is aimed at developing an integrated methodology and the tools required to support the complete life cycle of the construction of vertical docks using prefabricated blocks in a floating dock, including design, optimisation, construction, installation and operation. The project is focused directly on the clear strategic priority of ensuring the international development of FCC Construcción.
- **SORT-i:** project from the Retos-Colaboración tender process, its main objective is the development of tools based on optical systems and new technologies for the identification, monitoring and management of structural risks of buildings and infrastructure in an intelligent, automatic and telemetric manner, as a means to maximise safety and minimize the risks of physical damage in high-potential situations of structural collapse.
- **SETH:** project developing a comprehensive structural monitoring system for buildings based on holistic technologies.
- **APANTALLA:** project consisting of developing new nanostructured materials with improved electromagnetic radiation shielding properties.
- **MERLIN:** project based on the development of better local refurbishment of infrastructure. This project was carried out in cooperation with the Cementos Portland Valderrivas Group.
- **TRILOBITES:** project based on detecting and identifying toxic gases.
- **DANAE:** project with the objective of achieving smart regulation of tunnel lighting, led by MATINSA.

FCC Construcción is participating in numerous European and Spanish R&D+i associations with the shared objective of articulating the role of the company as a driving force behind research, development and technological innovation in the Construction Area, pursuant to the approach taken in the EU's current H2020 programme.

Cementos Portland Valderrivas

The Cementos Portland Valderrivas Group's (CPVG) commitment to society takes the form of innovation in products, processes and technologies inherent to the materials it processes and manufactures.

Its innovation is designed strategically on the basis of three main axes:

- Product innovation. Leading to high-durability and high-mechanical performance cements.
- Sustainable construction. To obtain eco-efficient materials with a reduced carbon footprint.
- Construction solutions. Based on integral customer service.

In the Group's other activities the circular economy continues to be encouraged by using alternative raw materials and fuels in our production processes, thereby enabling us to achieve savings in CO_2 emissions.

Fuel derived from waste is used in the furnaces at production facilities, having previously been handled at appropriate treatment plants operated by firms duly authorised by the local authorities (authorised waste handlers). The main advantage of this process is its use of the heat energy that this waste contains, thereby reducing in part the consumption of traditional fossil fuels, mostly derived from oil.

In 2016 the Cementos Portland Valderrivas Group has consolidated heat replacement with alternative fuels in its clinker furnaces, achieving an average value of 12% across all its plants. Spain has maintained a rate of heat replacement of 11% in 2016. Part of these fuels consist of biomass, thereby avoiding emissions into the atmosphere of approximately 94,900 tonnes of CO_2, equivalent to the average annual emissions produced by 52,750 cars, i.e. approximately 0.2% of the cars in Spain. Worthy of mention here is the beginning of valuation testing at the Tunisia plant, using biomass.

Energy valuation is now a standard, consolidated practice in countries such as Germany, Austria, Belgium, Denmark, the Netherlands, Sweden and Switzerland, where landfills have practically disappeared, unlike the current situation in Spain, where more than half the waste generated ends up at a landfill.

In addition, the Group encourages the responsible use of natural resources by valuing the materials obtained from industrial by-products, replacing natural raw materials to save non-renewable resources and avoid the impact that their use has on the natural environment. In 2016, the consumption of raw materials was 565,000 tonnes of industrial by-products.

Among other activities this year, the work done the previous year on the R&D project **MERLIN**, approved in the INNPACTO call for proposals by the Ministry of Finance and Competitiveness, has been justified.

In 2016 new challenges were tackled such as the emergence of other lines of research at the R&D laboratories that the entity has been developing, relating mainly to cement quality or the improvement of its applications, through studies of durability performance in reinforced concrete structures, without overlooking the broadening of the range of special products offered.

Dissemination of the results led to the Group's participation in various international cement industry congresses.

All the initiatives carried out contribute to strengthening the image of the Cement Area, especially with the synergies established with a large number of potential users and external companies, technical research institutes, universities and government-controlled public sector bodies, positioning the Cementos Portland Valderrivas Group as a benchmark in RDI in the development and application of cement-based materials in the industry.

08. Acquisition and disposal of treasury shares

At 31 December 2016, the FCC Group held a total of 415,500 own shares directly and indirectly (0.11% of the company's capital).

On 18 December 2015, as required by current legislation, the Company announced suspension of the liquidity contract in force with an independent financial institution in view of the execution of the capital increase approved by the Board of Directors in December and completed in March 2016. Upon completion of the capital increase, on 4 March 2016, Inversora Carso announced a mandatory takeover bid for FCC; consequently, by virtue of section 2.b) of Rule 5 of CNMV Circular 3/2007, of 29 December, all operations under the liquidity contract were suspended from that date and continued to be suspended after the takeover had been settled, on 28 July. As a result, the liquidity contract was still suspended at the date of this report.

09. Other relevant information. stock market performance and other information

9.1 Stock Market Performance

	Jan. - Dec. 2016	Jan. - Dec. 2015
Closing price (€)[1]	7.5510	6.8178
Change in the period	10.8%	(40.4%)
High (€)[1]	9.3820	11.5757
Low (€)[1]	6.0387	5.4192
Average daily trading (shares)	1,679,079	1,952,572
Average daily trading (M€)	12.3	17.8
Market capitalisation at end of period (M€)	2,861	1,824
No. of shares outstanding	378,825,506	260,572,379

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

9.2 Dividends

In accordance with the principle of prudent management and in the best interest of all the Company's shareholders, in December 2012 FCC's Board of Directors resolved not to pay any dividends. This resolution remained unchanged in 2016.

This decision, included within the framework of the restructuring in progress since 2013, the purpose of which is to enhance operating efficiency and strengthen the balance sheet, must be ratified by the shareholders at the Annual General Meeting to be held in the first half of 2017.

10. Definition of alternative performance measures under esma rules (2015/1415es)

EBITDA

We define EBITDA as the profit from continuous operations before tax, profit or loss of companies by the equity method, financial profit or loss, amortisation expenses, impairment and profit or loss from disposals of non-current assets, subsidies and net variation in provisions and other non-recurring expenditure and income.

EBIT

This corresponds to the operating profit or loss in the profit and loss account and consolidated earnings presented in the enclosed consolidated financial statements.

CARTERA

The FCC Group uses its orders as an off-book measure for certain business areas. We calculate orders for our Environmental Services, Water and Construction divisions, as their business is based on contracts in the long or medium term. We do not calculate orders for the Cement division, owing to the typically short-term nature of the ordering cycle.

On a given date orders are defined as the production or services pending, i.e. contracted sums or clients' orders, excluding taxes, minus any sum under such contracts or orders that has already been recognised as income. Pending income is valued according to current prices on the calculation date. Only sums that are binding on clients under a contract in effect or confirmed order are included as orders.

In the Environmental Services division we recognise the orders resulting from waste-handling contracts only if the contract guarantees exclusivity in the geographical area where the plant, landfill or facility is located.

In the Water division, the FCC Group calculates the income portfolio based on long-term estimates over the course of the contract, which are used as the basis for contracts with clients and at the rates established under those contracts.

In the Construction division, the FCC Group recognises orders only when there is a contract or order signed by the end client.

Once a contract has been included in orders, the value of the production pending completion under that contract remains on the order book until it is completed or cancelled. However, we do make valuation adjustments to reflect any changes to prices and deadlines that may be agreed with the client. For example, after the calculation date a given price may rise or fall as a result of the production contracted owing to additional work to be done. Owing to multiple factors, some or all of the orders linked to a contract may give rise to actual earnings or not. As our orders are subject to projects being altered and cancelled, they cannot be taken as a reliable indication of future earnings.

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INFORME DE AUDITORÍA INDEPENDIENTE DE CUENTAS ANUALES CONSOLIDADAS

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

Informe sobre las cuentas anuales

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

Responsabilidad de los administradores en relación con las cuentas anuales

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

Responsabilidad del auditor

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

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

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

Opinión

En nuestra opinión, las cuentas anuales consolidadas adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio consolidado y de la situación financiera consolidada de la sociedad Fomento de Construcciones y Contratas, S.A. y sociedades dependientes a 31 de diciembre de 2016, así como de sus resultados consolidados y flujos de efectivo consolidados correspondientes al ejercicio anual terminado en dicha fecha, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea, y demás disposiciones del marco normativo de información financiera que resultan de aplicación en España.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Informe sobre otros requerimientos legales y reglamentarios

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

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

Javier Parada Pardo
10 de marzo de 2017

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

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Fomento de Construcciones y Contratas, S.A.:

Report on the financial statements

We have audited the accompanying consolidated financial statements of Fomento de Construcciones y Contratas, S.A. (the "Parent"), and subsidiaries (the "Group"), consisting of the consolidated balance sheet as of 31 December 2016, the consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

Directors' responsibility in relation to the financial statements

The Parent's directors are responsible for formulating the accompanying consolidated financial statements, so that they provide a true and fair view of the consolidated equity, consolidated financial position and consolidated results of Fomento de Construcciones y Contratas, S.A. and subsidiaries, in accordance with the International Financial Reporting Standard (IFRS) adopted by the European Union, and any other regulatory provisions in respect of financial reporting applicable to the Group in Spain, identified in Note 2 of the accompanying notes to the consolidated financial statements, as well as any internal controls considered necessary in order for the consolidated financial statements to be prepared free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the attached consolidated financial statements based on our audit work. We have performed our audit in accordance with the audit regulations in force in Spain. These standards require that we meet ethical standards, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement in the consolidated financial statements, whether due to fraud or error.

In making these risk assessments, the auditor take into account any relevant internal control for the preparation of the consolidated financial statements by the Parent's directors, in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of consolidated the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Deloitte S.L. Inscribed in the Companies Register of Madrid, volume 13650, section 8, folio 188, page M-54414, inscription 96. VAT No.: B-79104469.
Company's Registered Office: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020 Madrid

Opinion

In our opinion, the accompanying consolidated financial statements express, in all significant aspects, a true and fair view of the consolidated equity and consolidated financial position of Fomento de Construcciones y Contratas, S.A. and subsidiaries at 31 December 2016 and the consolidated results of its operations and its consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standard (IFRS) adopted by the European Union, and any other regulatory provisions in respect of financial reporting applicable in Spain.

Report on other legal and regulatory requirements

The accompanying consolidated Directors' report for 2016 contains the explanations which the Parent's Directors consider appropriate with regard to the position of Fomento de Construcciones y Contratas, S.A. and subsidiaries, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have verified that the accounting information contained in the Directors' report coincides with that of the consolidated financial statements for 2016. Our work as auditors was confined to checking the consolidated Directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Fomento de Construcciones y Contratas, S.A. and subsidiaries.

DELOITTE, S.L.
Official Spanish Account Auditing Registry (ROAC) Member No S0692

Javier Parada Pardo
10 March 2017

Financial Statements

Fomento de Construcciones y Contratas, S.A.

Balance sheet

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

ASSETS	31.12.2016		31.12.2015	
NON-CURRENT ASSETS		**4,398,490**		**4,527,606**
Intangible assets (Notes 5 and 8)		**76,802**		**108,498**
Property plant and equipment (Note 6)		**374,142**		**347,208**
Land and buildings	60,604		47,577	
Other items of property, plant and equipment	313,538		299,631	
Non-current investments in Group companies and associates (Notes 10 and 22.b)		**3,765,199**		**3,809,966**
Equity instruments	2,244,475		2,480,686	
Loans to companies	1,520,724		1,229,280	
Other financial assets	–		100,000	
Non-current financial investments Note 9.a)		**52,802**		**66,138**
Deferred tax assets (Note 19)		**103,262**		**168,619**
Non-current trade receivables (Note 8)		**26,283**		**27,177**
CURRENT ASSETS		**844,057**		**1,210,627**
Non-current assets classified as held for sale (Note 11)		**—**		**220,000**
Inventories (Note 6)		**6,406**		**21,900**
Trade and other receivables		**382,619**		**592,409**
Trade receivables for sales and services (Note 12)	286,472		443,756	
Trade receivables from Group companies and associates (Note 22.b)	71,424		100,152	
Tax receivables (Note 19)	8,793		33,740	
Other receivables	15,930		14,761	
Current investments in Group companies and associates (Notes 10.b and 22.b)		**216,998**		**221,812**
Current financial investments (Note 9.b)		**143,734**		**8,060**
Cash and cash equivalents		**94,300**		**146,446**
TOTAL ASSETS		**5,242,547**		**5,738,233**

The accompanying Notes 1 to 25 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2016.

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

EQUITY AND LIABILITIES	31.12.2016		31.12.2015	
EQUITY (Note 14)		**618,523**		**210,682**
Shareholders' equity		**609,782**		**201,295**
Share capital		**378,826**		**260,572**
Registered share capital	378,826		260,572	
Share Premium		**1,673,477**		**1,083,882**
Reserves		**953,167**		**920,181**
Treasury shares		**(5,503)**		**(5,503)**
Prior years' losses		**(2,093,413)**		**(2,058,727)**
Profit (Loss) for the year		**(299,362)**		**(34,686)**
Other equity instruments		**2,590**		**35,576**
Valuation adjustments		**8,027**		**8,017**
Grants, donations and legacies received		**714**		**1,370**
NON-CURRENT LIABILITIES		**3,506,929**		**4,541,927**
Long-term provisions (Note 15)		**307,501**		**312,815**
Non-current payables (Note 16)		**3,139,649**		**4,059,158**
Debt instruments and other marketable securities	32,200		446,523	
Bank borrowings	3,082,785		3,585,225	
Other financial liabilities	24,664		27,410	
Non-current payables to Group companies and associates (Note 10.d)		**16,279**		**110,308**
Deferred tax liabilities (Note 19)		**43,500**		**52,715**
Non-current trade and other payables (Note 17)		**–**		**6,931**
CURRENT LIABILITIES		**1,117,095**		**985,624**
Short-term provisions (Note 15)		**6,686**		**9,522**
Current payables (Note 16)		**290,610**		**286,655**
Debt instruments and other marketable securities	348		4,873	
Bank borrowings	231,838		209,140	
Other financial liabilities	58,424		72,642	
Current payables to Group companies and associates (Notes 10.e and 22.b)		**584,201**		**379,630**
Trade and other payables		**235,598**		**309,817**
Payable to suppliers	74,495		77,899	
Payable to suppliers - Group companies and associates (Note 22.b)	14,341		15,758	
Other accounts payable to public authorities (Notes 17 and 19)	41,415		109,857	
Other payables	105,347		106,303	
TOTAL EQUITY AND LIABILITIES		**5,242,547**		**5,738,233**

The accompanying Notes 1 to 25 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2016.

Statements of profit or loss

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

	31.12.2016	31.12.2015
CONTINUING OPERATIONS		
Revenue (Note 21)	**1,256,292**	**1,342,924**
Sales and services	1,179,068	1,195,304
Revenue from investments in Group companies and associates (Notes 21 and 22.a)	13,222	74,966
Financial revenue from marketable securities and other financial instruments of Group companies and associates (Note 10, 21 and 22.a)	64,002	72,654
Procurements	**(154,045)**	**(168,929)**
Other operating income	**93,056**	**88,836**
Staff costs (Note 21)	**(761,749)**	**(752,676)**
Other operating expenses	**(176,609)**	**(189,328)**
Depreciation and amortisation charge and allocation to profit or loss of grants (Notes 5, 6 and 14.g)	**(72,623)**	**(76,377)**
Excessive provisions (Note 15)	**19,870**	**5,499**
Impairment and gains or losses on disposals of non-current assets and other gains or losses (Note 21)	**10,194**	**4,615**
PROFIT (LOSS) FROM OPERATIONS	**214,386**	**254,564**
Finance income (Note 21)	**58,506**	**3,890**
Finance costs	**(199,897)**	**(204,590)**
On debts to Group companies and associates (Note 22.a)	(9,406)	(4,756)
On debts to third parties	(186,384)	(199,029)
Interest cost relating to provisions	(4,107)	(805)
Changes in fair value of financial instruments (Note 13)	**(22,775)**	**2,014**
Exchange rate differences (Note 21)	**(31,187)**	**11,460**
Impairment and gains or losses on disposals of financial instruments (Notes 9, 10 and 11)	**(278,963)**	**(90,949)**
FINANCIAL PROFIT (LOSS)	**(474,316)**	**(278,175)**
PROFIT (LOSS) BEFORE TAX	**(259,930)**	**(23,611)**
INCOME TAX (Note 19)	**(39,432)**	**(11,075)**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(299,362)**	**(34,686)**
PROFIT (LOSS) FOR THE YEAR	**(299,362)**	**(34,686)**

The accompanying Notes 1 to 25 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2016.

Statement of changes in equity

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

A) Statements of recognised income and expense (in thousands of euros)

	31.12.2016	31.12.2015
Profit (Loss) per statement of profit or loss	**(299,362)**	**(34,686)**
Income and expense recognised directly in equity		
Arising from available-for-sale financial assets	(39)	1,690
Arising from cash flow hedges	66	299
Grants, donations and legacies received	181	–
Tax effect	(56)	(90)
Income and expense recognised directly in equity	**152**	**1.899**
Transfers to profit or loss		
Arising from cash flow hedges	–	–
Grants, donations and legacies received	(129)	(308)
Tax effect	11	59
Total transfers to the statement of profit or loss	**(118)**	**(249)**
TOTAL RECOGNISED INCOME AND EXPENSE	**(299,328)**	**(33,036)**

Statement of changes in equity

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

B) Statement of changes in total equity (in thousands of euros)

	Share capital (Note 14.a)	Share premium (Note 14.b)	Reserves (Note 14.c)	Treasury Shares (Note 14.d)	Prior years' losses	Profit (loss) for the year	Other equity instruments (Note 14.e)	Valuation adjustments (Notes 13 and 14.f)	Grants (Note 14.g)	Equity
Equity at 31 December 2014	**260,572**	**1,083,882**	**922,199**	**(5,278)**	**(1,152,254)**	**(906,473)**	**35,576**	**6,118**	**1,619**	**245,961**
Total recognised income and expense						**(34,686)**		**1,899**	**(249)**	**(33,036)**
Transactions with shareholders and owners			**(2,018)**	**(225)**						**(2,243)**
OTreasury share transactions (net)			(2,018)	(225)						(2,243)
Other changes in equity					**(906,473)**	**906,473**				
Equity at 31 December 2015	**260,572**	**1,083,882**	**920,181**	**(5,503)**	**(2,058,727)**	**(34,686)**	**35,576**	**8,017**	**1,370**	**210,682**
Total recognised income and expense						**(299,362)**		**10**	**24**	**(299,328)**
Transactions with shareholders and owners	**118,253**	**589,595**								**707,849**
Capital increase	118,253	589,595								707,849
Other changes in equity	**—**	**–**	**32,986**		**(34,686)**	**34,686**	**(32,986)**		**(680)**	**(680)**
Equity at 31 December 2016	**378,826**	**1,673,477**	**953,167**	**(5,503)**	**(2,093,413)**	**(299,362)**	**2,590**	**8,027**	**714**	**618,523**

The accompanying Notes 1 to 25 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2016. In particular, Note 14, “Equity” explains this statement.

Statement of cash flows

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

	31.12.2016		31.12.2015	
Profit (Loss) for the year before tax		**(259,930)**		**(23,611)**
Adjustments to profit (loss)		**455,653**		**203,592**
Depreciation and amortisation charge (Notes 5 and 6)	72,752		76,685	
Impairment losses (Note 10)	278,817		89,442	
Changes in provisions (Note 15)	(20,597)		(3,280)	
Gains on derecognition and disposal of fixed assets (Note 21)	6,677		269	
Gains on derecognition and disposal of financial instruments (Note 10.a)	–		1,082	
Finance income (Note 21)	(135,729)		(151,510)	
Finance costs	199,898		204,589	
Exchange rates differences	31,187		(11,460)	
Changes in fair value of financial instruments	22,775		(2,014)	
Other income and expenses	(127)		(211)	
Changes in working capital		**118,123**		**(195,184)**
Trade and other receivables	173,421		(47,575)	
Trade and other payables	(55,058)		(145,811)	
Other current assets and liabilities	(240)		(1,798)	
Other cash flows from operating activities		**(139,029)**		**(7,216)**
Interest paid	(177,309)		(109,955)	
Interest and dividends received	56,419		117,125	
Income tax recovered/(paid) (Note 19)	(12,326)		(11,138)	
Other amounts received (paid)	(5,813)		(3,248)	
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**174,817**		**(22,419)**

The accompanying Notes 1 to 25 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2016.

Statement of cash flows

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

	31.12.2016		31.12.2015	
Payments due to investments		**(458,712)**		**(258,635)**
Group companies and associates (Note 10)	(371,187)		(188,810)	
Intangible assets and property, plant and equipment (Notes 5 and 6)	(77,637)		(65,972)	
Other financial assets	(9,888)		(3,853)	
Proceeds from disposals		**164,206**	**312,075**	
Group companies and associates (Note 10)	56,698		268,405	
Intangible assets and property, plant and equipment (Notes 5 and 6)	1,199		31,042	
Non-current assets classified as held for sale (Note 11)	103,322		4,750	
Other financial assets	2,987		7,878	
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		**(294,506)**		**53,440**
Proceeds and payments relating to equity instruments		**705,329**		**(19,378)**
Proceeds from issue of equity instruments (Note 14.a)	707,848		—	
Disposal of treasury shares	–		177,202	
Purchase of treasury shares	–		(179,445)	
Grants, donations and legacies received	181		—	
Other proceeds and/or payments relating to equity instruments	(2,700)		(17,135)	
Proceeds and payments relating to financial liability instruments (Note 16)		**(635,220)**		**(257,434)**
Proceeds from issue of:				
Bank borrowings	8,956		8,658	
Borrowings from Group companies and associates	297,024		63,694	
Other payables	1,844		12,546	

The accompanying Notes 1 to 25 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2016.

Statement of cash flows

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

	31.12.2016		31.12.2015	
Repayment and redemption of:				
Debt instruments and other marketable securities	(417,600)		–	
Bank borrowings (Note 16)	(497,141)		(75,678)	
Borrowings from Group companies and associates	(15,549)		(266,620)	
Other payables	(12,754)		(34)	
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		**70,109**		**(276,812)**
Effect of exchange-rate variations		**(2,566)**		**–**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**(52,146)**		**(245,791)**
Cash and cash equivalents at beginning of year		**146,446**		**392,237**
Cash and cash equivalents at end of year		**94,300**		

The accompanying Notes 1 to 25 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2016.

Notes to the financial statements

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

01. Company activities

Fomento de Construcciones y Contratas S.A. is a company incorporated in Spain in accordance with the Spanish Limited Liability Companies Law, the core business of which is to provide Environmental Services, which include the collection and treatment of solid waste and the cleaning of public streets and sewer systems, and Integral Water Management, which includes water treatment and distribution and other complementary services. The Company's registered office is at c/ Balmes, 36 (Barcelona) and it carries on its activities basically in Spain.

Fomento de Construcciones y Contratas S.A. is in turn Parent of the FCC Group, which comprises a broad spectrum of Spanish and foreign subsidiaries and associates that carry on various business activities grouped together in the following areas:

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

As part of the disinvestment process launched in prior years by the FCC for non-strategic assets, on 17 March 2016, once the suspension conditions stipulated in the contract for the sale of the shares of Globalvia Infraestructuras S.A. entered into on 23 October 2015 and amended on 17 November 2015 had been met, the "Operation Closure Agreement" was signed between the Company, FCC Construcción S.A. and Corporación Industrial Bankia S.A.U (vendors); and Optrust Infrastructure Europe I S.a.r.l., Stichting Depositary PGGM Infrastructure Funds and USS Nero Limited (purchasers). As at 31 December 2016 the contingent portion of the price pending remained to be determined and collected. As of the date of preparation of these statements, the "Agreement on the Contingent Price Pending" has been signed, with the agreed sum subsequently having been received (Note 11).

On 5 October 2016 the operation was formalised for the sale of shares of Xfera Móviles S.A., and the Contract of Debt Takeover Undertaking and y Capitalisation between Fomento de Construcciones y Contratas S.A. and Masmóvil Phone & Internet S.A.U. (debtor) and Masmóvil Ibercom S.A. (bound party) came into effect. This contract was still in effect as of 31 December 2016 and had concluded by the date of preparation of these annual statements. In this regard, by the date of preparation the assignment of the contractual position of Fomento de Construcciones y Contratas S.A. to Masmóvil Phone & Internet S.A.U. had been completed, resulting in receipts of EUR 29,139 thousand (Note 9.a).

02. Basis of presentation of the financial statements

The financial statements, which were prepared from the accounting records of Fomento de Construcciones y Contratas S.A. and the joint ventures in which it has interests, were prepared in accordance with the Spanish Commercial Code, Legislative Royal Decree 1/2010, of 2 July, approving the Consolidated Spanish Limited Liability Companies Law, amended by Law 31/2014, of 3 December, and Royal Decree 1514/2007 which introduced the Spanish National Chart of Accounts, together with the amendment introduced under Royal Decree 602/2016, of 2 December. Also included were all the accounting principles and rules contained in the legislative amendments established by Royal Decree 1159/2010, of 17 September, on industry plans, including Order EHA/3362/2010 implementing the Spanish National Chart of Accounts adapted for public infrastructure concession operators, and the applicable mandatory rules, resolutions and recommendations of the Spanish Accounting and Audit Institute (ICAC) and, accordingly, they present fairly the Company's equity, financial position, results and cash flows for 2015. It should be noted in particular that, as a result of the publication in 2009 by the ICAC of a request for a ruling regarding the presentation for accounting purposes of the income of holding companies, "Revenue from Investments in Group Companies and Associates" and "Finance Income - From Marketable Securities and Other Financial Instruments - Group Companies and Associates" were classified as "Revenue" in the accompanying statement of profit or loss.

These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes. The financial statements for 2015 were approved by the shareholders at the Annual General Meeting held on 28 June 2016.

The financial statements are expressed in thousands of euros.

Unincorporated temporary joint ventures and similar entities

The balance sheets, statements of profit or loss, statements of changes in equity and statements of cash flows of the unincorporated temporary joint ventures in which the Company has interests were proportionately consolidated on the basis of the Company's percentage of ownership of each joint venture.

The joint ventures were included by making the required timing and measurement uniformity adjustments, reconciliations and reclassifications and by eliminating reciprocal asset and liability balances and income and expenses. Any material amounts relating to the joint ventures are detailed in these notes to the financial statements.

The accompanying balance sheet and statement of profit or loss include the related items in proportion to the percentages of ownership of the joint ventures, the detail being as follows:

	2016	2015
Revenue	193,765	213,632
Profit from operations	21,663	24,246
Non-current assets	107,351	125,130
Current assets	210,673	233,695
Non-current liabilities	35,351	46,059
Current liabilities	266,714	279,918

The contributions made by joint ventures is lower than last year, mostly because in 2016 participating interests of the Water division in various JVs were assigned to subsidiaries, mostly to FCC Aqualia S.A., with Fomento de Construcciones y Contratas S.A. continuing to hold a residual stake of 1%.

Appendix II lists the joint ventures and indicates the percentage share of their results.

Grouping of items

Certain line items in the balance sheet, statement of profit or loss and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

Going concern

As at 31 December 2016 the Company presents negative goodwill of EUR 273,038 thousand. Despite this, the directors of Fomento de Construcciones y Contratas S.A. have prepared these statements on the principle of a going concern, as it was its debt with its subsidiaries (EUR 584,201 thousand) that gave rise to its negative goodwill, and there are no doubts as to the capacity of the Company and its group to generate resources through their operations, or the capacity for self-financing in the case of need for working capital, by means of credits assigned to banks by clients, with no possibility of recourse against Fomento de Construcciones y Contratas S.A., and also considering that the Company enjoys its shareholder's asset and financial support.

Consolidated financial statements

Since Fomento de Construcciones y Contratas S.A. is the head of the FCC Group, its Directors are obliged under current legislation to prepare consolidated financial statements separately. The aforementioned consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs), in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002, as well as all the provisions and interpretations implementing it. The consolidated financial statements of the FCC Group for 2016, which were prepared by the Directors, will also be submitted for approval by the shareholders at the Annual General Meeting.

The consolidated financial statements of Fomento de Construcciones y Contratas S.A. prepared in conformity with International Financial Reporting Standards (IFRSs) present total assets of EUR 10,770 million (31 December 2015: EUR 12,862 million) and equity attributable to the Company's shareholders of EUR 791 million (31 December 2015: EUR 281 million). In addition, consolidated sales amounted to EUR 5,952 million (31 December 2015: EUR 6,476 million). Lastly, the consolidated loss attributable to the Parent amounted to EUR 162 million (31 December 2015: a loss of EUR 46 million).

03. Distribution of profit or loss

The Directors of Fomento de Construcciones y Contratas S.A. will submit for approval by the shareholders at the Annual General Meeting the allocation of the loss for 2016, amounting to EUR 299,362 thousand, to “Prior Years' Losses”.

In addition, in 2015 the Company incurred a loss of EUR 34,686 thousand, which was also allocated to “Prior Years' Losses”.

04. Accounting policies

The principal accounting policies and measurement bases used by the Company in preparing its financial statements for 2016, in accordance with the Spanish National Chart of Accounts, were as follows:

a) Intangible assets

The concession arrangements are recognised in accordance with Ministry of Economy and Finance Order EHA/3362/2010 approving the rules for adapting the Spanish National Chart of Accounts for public infrastructure concession operators. In general, there are two clearly different phases:

- The first in which the concession operator provides construction or upgrade services which are recognised as intangible or financial assets in accordance with recognition and measurement standard 14, Income from Sales and Services of the Spanish National Chart of Accounts and the rules on the percentage of completion method contained in measurement standard 18, Sales, Income from Completed Work and Other Income of the rules for adapting the Spanish National Chart of Accounts for construction companies;
- And a second phase in which the concession operator provides a series of maintenance or operation services for the related infrastructure, which are recognised in accordance with recognition and measurement standard 14, Income from Sales and Services of the Spanish National Chart of Accounts.

An intangible asset is recognised when the demand risk is borne by the concession operator and a financial asset is recognised when the demand risk is borne by the concession grantor since the operator has an unconditional contractual right to receive cash for the construction or upgrade services. In certain bifurcated arrangements, the operator and the grantor may share the demand risk, although this is practically non-existent at the Company.

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

In addition, the borrowing costs arising from the financing of the infrastructure incurred from the construction until the entry into service of the infrastructure are included in the initial recognition of the intangible asset. When the infrastructure is ready to come into operation, the aforementioned costs are capitalised if they meet the requirements under the related rules, provided that there is reasonable evidence that future revenue will enable the capitalised amount to be recovered.

These intangible assets are amortised on the basis of the demand for, or the use of, the infrastructure, taken to be the changes in and best estimates of the production units of each activity.

Concessions classified as a financial asset are recognised at the fair value of the construction or upgrade services provided. In accordance with the amortised cost method, the related finance income is recognised as revenue in the statement of profit or loss based on the effective interest rate resulting from the expected cash inflows and outflows of the concession. The borrowing costs arising from the financing of these assets are classified under “Finance Costs” in the statement of profit or loss. As explained above, the income and expenses from the provision of maintenance and operation services are recognised in the statement of profit or loss in accordance with recognition and measurement standard 14, Income from Sales and Services, of the Spanish National Chart of Accounts.

Other intangible assets, concessions and software, among other items, are recognised at acquisition or production cost. They are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses. At 2016 year-end there were no indications that any of the Company’s intangible assets had suffered an impairment loss. The Company does not own any assets with indefinite useful lives.

Computer software maintenance costs are recognised in the statement of profit or loss for the year in which they are incurred.

As a general rule, intangible assets are amortised on a straight-line basis over their years of useful life.

b) Property, plant and equipment

Property, plant and equipment are carried at acquisition or production cost if the Company has performed in-house work thereon and are subsequently reduced by the related accumulated depreciation and by any impairment losses. At 31 December 2016, there was no indication that any of the items of the Company’s property, plant and equipment had suffered a significant impairment loss, since the recoverable amount of the assets is not lower than their carrying amount.

Property, plant and equipment upkeep and maintenance expenses are recognised in the statement of profit or loss for the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Non-current assets that necessarily take a period of more than twelve months to get ready for their intended use include such borrowing costs as might have been incurred before the assets are ready for their intended use and which have been charged by the supplier or relate to loans or other funds borrowed specifically or generally directly attributable to the acquisition or production of the assets.

In-house work on non-current assets is measured at accumulated cost (external costs plus in-house costs, determined on the basis of in-house materials consumption, direct labour and general manufacturing costs).

The Company depreciates its property, plant and equipment by the straight-line method at annual rates based on the years of estimated useful life of the assets, the detail being as follows:

	Years of estimated useful life
Buildings and other structures	25 — 50
Plant and machinery	5 — 15
Other fixtures, tools and furniture	8 — 12
Other items of property, plant and equipment	4 — 10

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

c) Impairment of intangible assets and property, plant and equipment

Whenever there are indications of impairment of assets with a finite useful life (i.e. all the Company's intangible assets and property, plant and equipment), the Company tests the tangible and intangible assets for impairment to determine whether the recoverable amount of the assets has been reduced to below their carrying amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. To determine the recoverable amount of the assets tested for impairment, an estimate is made of the present value of the net cash flows arising from the cash-generating units (CGUs) to which the assets belong, and to discount the cash flows, a pre-tax discount rate is applied that reflects current market assessments of the time value of money and the risks specific to each cash-generating unit.

Where an impairment loss on assets subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the value that would have been determined had no impairment loss been recognised for in prior years. The reversal of the impairment loss is recognised as income in the statement of profit or loss.

d) Leases

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

d.1) Finance leases

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

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

The assets recognised for transactions of this nature are depreciated on the basis of their nature and useful lives using criteria similar to those applied to items of property, plant and equipment taken as a whole.

There are no finance leases in which the Company acts as lessor.

d.2) Operating leases

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

When the Company acts as the lessor, lease income and expenses from operating leases are recognised in income on an accrual basis. Also, the acquisition cost of the leased asset is presented in the balance sheet according to the nature of the asset, increased by the investments arising from the lease agreements directly attributable to the lease, which are recognised as an expense over the term of such agreements, applying the same method as that used to recognise lease income.

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

e) Financial instruments

e.1) Financial assets

Classification

The financial assets held by the Company are classified in the following categories:

– Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

– Held-to-maturity investments: debt securities with fixed maturity and determinable payments that are traded in an active market and which the Company has the positive intention and ability to hold to the date of maturity.

– Held-for-trading financial assets: assets acquired with the intention of selling them in the near term and assets that form part of a portfolio for which there is evidence of a recent actual pattern of short-term profit-taking. This category also includes financial derivatives that are not financial guarantees and that have not been designated as hedging instruments.

– Other financial assets at fair value through profit or loss: this category includes the financial assets thus designated by the Company upon initial recognition, because either their designation as such eliminates or significantly reduces accounting mismatches or those assets form part of a group whose performance is evaluated by Company management on a fair value basis, in accordance with an established and documented strategy.

– Equity investments in Group companies, associates and jointly controlled entities: Group companies are deemed to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other investors.

– Available-for-sale financial assets: these include debt securities and equity instruments of other companies that are not classified in any of the aforementioned categories.

Initial recognition

These financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs, except for held-for-trading assets and investments in Group companies affording control, the costs of which are recognised directly in the statement of profit or loss.

Subsequent measurement

– Loans and receivables and held-to-maturity investments are measured at amortised cost.

– Held-for-trading financial assets and those classified as at fair value through profit or loss are measured at fair value and the gains and losses arising from changes in fair value are recognised in the statement of profit or loss for the year.

– Investments in Group companies and associates and interests in jointly controlled entities are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity (consolidated, as the case may be) of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill).

– Available-for-sale financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or it is determined that it has become impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the statement of profit or loss for the year, or if it is determined that it has become impaired, once the pre-existing gains in equity have been derecognised, they are taken to the statement of profit or loss.

At least at each reporting date the Company makes valuation adjustments to financial assets not measured at fair value through profit or loss where there is objective evidence of impairment if the value is lower than the carrying amount, in which case the impairment loss is recognised in the statement of profit or loss. In particular, the Company calculates valuation adjustments relating to trade and other receivables by taking into account the specific insolvency risk of each account receivable.

The Company derecognises a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred, such as in the case of firm asset sales, “factoring” of trade receivables in which the Company does not retain any credit or interest rate risk, provide any kind of guarantee or assume any other kind of risk. These transactions bear interest at market rates and the factor assumes the risk of insolvency and late payment of the debtor. Fomento de Construcciones y Contratas S.A. continues to manage collection.

e.2) Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company’s business and those which, not having commercial substance, cannot be classed as derivative financial instruments.

Accounts payable are recognised initially at the fair value of the consideration received. These liabilities are subsequently measured at amortised cost.

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

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

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

e.3) Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and the securities issued are recognised in equity at the proceeds received, after deducting issue costs net of taxes.

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

e.4) Derivative financial instruments

The Company uses derivative financial instruments to hedge the risks to which its business activities, operations and future cash flows are exposed. Basically, these risks relate to changes in interest rates and the market prices of certain financial instruments. The Company arranges hedging financial instruments in this connection (see Note 13).

In order for these financial instruments to qualify for hedge accounting, they are initially designated as such and the hedging relationship is documented. Also, the Company verifies, both at inception and periodically over the term of the hedge (at least at the end of each reporting period), that the hedging relationship is effective, i.e. that it is prospectively foreseeable that the changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) will be almost fully offset by those of the hedging instrument and that, retrospectively, the gain or loss on the hedge was within a range of 80-125% of the gain or loss on the hedged item.

The Company uses cash flow hedges. In hedges of this nature, the portion of the gain or loss on the hedging instrument that has been determined to be an effective hedge is recognised temporarily in equity and is recognised in the statement of profit or loss in the same period during which the hedged item affects profit or loss, unless the hedge relates to a forecast transaction that results in the recognition of a non-financial asset or a non-financial liability, in which case the amounts recognised in equity are included in the initial cost of the asset or liability when it is acquired or assumed.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the statement of profit or loss for the year.

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

Derivatives do not qualify for hedge accounting if the hedge fails the effectiveness test, which requires the changes in the fair value or in the cash flows of the hedged item directly attributable to the risk of the instrument to be offset by changes in the fair value or in the cash flows of the hedging instrument. When this does not occur, the changes in fair value of the instruments not classified as hedges are recognised in the statement of profit or loss.

The financial derivatives are measured by experts on the subject using generally accepted methods and techniques. These experts were independent from the Company and the entities financing it.

f) Inventories

Inventories are measured at the lower of acquisition or production cost and net realisable value. Trade discounts, rebates, other similar items and interest included in the face value of the related payables are deducted in determining the costs of purchase.

Assets received in payment of loans are measured at the lowest of the following three values: the amount at which the loan relating to the asset was recognised, production cost and net realisable value.

Production cost includes the costs of direct materials and, where applicable, direct labour and production overheads.

Net realisable value is the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The Company recognises the appropriate write-downs as an expense in the statement of profit or loss when the net realisable value of the inventories is lower than acquisition or production cost.

g) Foreign currency transactions

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be "foreign currency transactions" and are recognised by applying the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. Any resulting gains or losses are recognised directly in the statement of profit or loss in the year in which they arise.

h) Income tax

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

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

The Company recognises the deferred tax assets arising from temporary differences and tax loss carryforwards, except for those with respect to which there are reasonable doubts as to their future recovery or those which are expected to be recovered in a period exceeding ten years.

i) Revenue and expense recognition

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

The Company recognises each year as the period result on its contracts the difference between period production (measured at the selling price of the service provided during the period, as specified in the principal contract or in approved amendments thereto, and the selling price of other as yet unapproved services for which there is reasonable assurance of collection) and the costs incurred. Additionally, late-payment interest is recognised as income when it is approved or finally collected.

The difference between the amount of production and the amount billed until the date of the financial statements is recorded as "Unbilled Production" under "Trade Receivables for Sales and Services". Pre-billings for various items are recognised under "Current Liabilities – Trade and Other Payables – Customer Advances".

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income.

In accordance with the accounting principle of prudence, the Company only records realised income at year-end, whereas foreseeable contingencies and losses, including possible losses, are recognised as soon as they become known, by recording the appropriate provisions.

j) Provisions and contingencies

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

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

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

Provisions are classified as current or non-current in the accompanying balance sheet on the basis of the estimated maturity date of the obligation covered by them, and non-current provisions are considered to be those whose estimated maturity date exceeds the average cycle of the activity giving rise to the provision.

It should be noted that contingent liabilities due to possible obligations that arise from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Company's control, are not recognised in the financial statements as the probability that such obligation will have to be settled is remote.

k) Environmental assets and liabilities

As indicated in Note 1, the Company engages mainly in Environmental Services and Integral Water Management activities which, due to their nature, involve special care in controlling environmental impact. For example, with regard to the operation under concession of landfills, the Company is generally responsible for the sealing, control and reforestation thereof upon completion of its operations. Also, the Company has non-current assets for the protection of the environment and bears any costs required for this purpose in the performance of its business activities.

The acquisition costs of these non-current assets used in environmental conservation are recognised under "Property, Plant and Equipment" or "Intangible Assets" based on the nature of the investment, and are depreciated or amortised over the useful lives of the assets or on the basis of the demand for or the use of the infrastructure in the service concession arrangements. Also, in accordance with current accounting legislation, the Company recognises the expenses and provisions arising from its environmental obligations.

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

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

l) Pension obligations and similar

The Company has not established any pension plans to supplement the social security pension benefits. In accordance with the Consolidated Pension Plan and Fund Law, in specific cases where similar obligations exist, the Company externalises its obligations to its employees in this connection.

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

- Unilateral decision of the Company.
- Dissolution or disappearance of the Parent for whatever cause, including merger or spin-off.
- Death or permanent disability.
- Other causes of physical or legal incapacity.

– Substantial change in professional terms and conditions.

– Resignation of the executive on reaching 60 years of age, at the request of the executive and with the consent of the Company.

– Resignation of the executive on reaching 65 years of age, by unilateral decision of the executive.

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

The contributions made by the Company for both items are recognised under "Staff Costs" in the statement of profit or loss.

m) Grants

The Company accounts for grants received as follows:

m.1) Non-refundable grants

These are measured at the amount received or the fair value of the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss, except for grants received from shareholders, which are recognised directly in equity.

m.2) Grants related to income

Grants related to income are credited to income when granted, unless their purpose is to finance losses from operations in future years, in which case they are allocated to income in those years. If grants are received to finance specific expenses, they are allocated to income as the related expenses are incurred.

n) Use of estimates

In preparing the accompanying financial statements estimates were made by the Company's Directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

– The recoverability of deferred tax assets (see Note 19).

– The recoverability of the investments in Group companies and associates, and of any loans to or receivables from those companies (see Note 10).

– The evaluation of possible impairment losses on certain assets (see Note 4.c).

– The useful life of intangible assets and property, plant and equipment (see notes 4.a and 4.b).

– The market value of certain financial instruments (see Note 13).

– The calculation of certain provisions (see notes 4.j and 15).

– The market value of non-current assets classified as held for sale (see Note 11).

Although these estimates were made on the basis of the best information available at 31 December 2016, events that take place in the future might make it necessary to change these estimates. Changes in accounting estimates would be applied prospectively.

ñ) Related party transactions

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

Note 22 "Related Party Transactions and Balances" details the main transactions with the significant shareholders of the Company, its Directors and Senior Executives and between Group companies.

o) Non-current assets and associated liabilities classified as held for sale

The Company classifies assets under "Non-Current Assets Classified as Held for Sale" if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition and the sale is expected to be completed within one year from the date of classification.

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

The associated liabilities are classified under "Liabilities Associated with Non-Current Assets Classified as Held for Sale".

05. Intangible assets

The changes in "Intangible Assets" in the accompanying balance sheets in 2016 and 2015 were as follows:

	Concession arrangements	Concessions	Computer software	Other intangible assets	Accumulated amortisation	Impairment	Total
Balance at 31.12.14	**158,946**	**26,477**	**44,794**	**16,380**	**(131,817)**	**(3,223)**	**111,557**
Additions or charge for the year	458	419	7,281	6,066	(16,112)	(603)	(2,491)
Disposals or reductions	(1,144)	(973)	(405)	(5)	875	8	(1,644)
Transfers	38	381	913	(256)	—	—	1,076
Balance at 31.12.15	**158,298**	**26,304**	**52,583**	**22,185**	**(147,054)**	**(3,818)**	**108,498**
Additions or charge for the year	732	189	3,452	986	(14,721)	—	(9,362)
Disposals or reductions	(70,909)	(19,437)	(10,555)	(544)	78,348	111	(22,986)
Transfers	—	187	2	538	(75)	—	652
Balance at 31.12.16	**88,121**	**7,243**	**45,482**	**23,165**	**(83,502)**	**(3,707)**	**76,802**

The heading "Concession Arrangements" for 2016, includes the reduction of EUR 70,750 thousand related to the transfer of participating interests in joint ventures (Note 2), mostly in respect of the concession for integrated management of the Vigo municipal water supply and sanitation service. The Company has transferred 49% of its participating interest to the other partner, the wholly owned subsidiary FCC Aqualia S.A., continuing to hold a residual stake of 1%. The assets assigned had accumulated amortisation of EUR 55,991 thousand. This transfer gave rise to no profit or loss. With regard to 2015 there are no significant variations.

"Concessions", which relates mainly to businesses carried on through joint ventures, includes primarily the amounts paid for obtaining the urban cleaning concessions and water supply. The most significant change in 2016 is the decrease of EUR 17,618 thousand, for the reason mentioned above, and with accumulated amortisation de EUR 15,739 thousand. With regard to 2015 not are there any significant variations.

The balance of "Computer Software" relates mainly, on the one hand, to the implementation, development and improvement costs of the corporate information system and, on the other hand, to costs relating to information technology infrastructures. In 2016 unused applications and infrastructure have been deregistered.

The detail of the intangible assets and of the related accumulated amortisation at 31 December 2016 and 2015 is as follows:

	Cost	Accumulated amortisation	Impairment	Net
2016				
Concession arrangements	88,121	(36,460)	(3,707)	47,954
Concessions	7,243	(2,215)	—	5,028
Computer software	45,482	(29,823)	—	15,659
Other intangible assets	23,165	(15,004)	—	8,161
	164,011	**(83,502)**	**(3,707)**	**76,802**
2015				
Concession arrangements	158,298	(88,129)	(3,818)	66,351
Concessions	26,304	(18,902)	—	7,402
Computer software	52,583	(27,184)	—	25,399
Other intangible assets	22,185	(12,839)	—	9,346
	259,370	**(147,054)**	**(3,818)**	**108,498**

Of the net amount of intangible assets, EUR 16,525 thousand relate to assets used in joint ventures (31 December 2015: EUR 34,722 thousand).

At the reporting date, all the intangible assets were used in the various production processes. However, a portion of these intangible assets, basically computer software amounting to EUR 25,401 thousand, had been fully amortised (31 December 2015: EUR 23,416 thousand), while the amounts relating to joint ventures were not material.

At 31 December 2016, the Company did not have any intangible assets located outside Spain.

06. Property, plant and equipment

The changes in “Property, Plant and Equipment” in the accompanying balance sheets in 2016 and 2015 were as follows:

		Other items of property, plant and equipment			
	Land and buildings	Plant and other items of property, plant and equipment	Property, plant and equipment in the course of construction and advances	Accumulated depreciation	Total
Balance at 31.12.14	**106,846**	**917,995**	**6,688**	**(675,803)**	**355,726**
Additions or charge for the year	1,731	67,464	6,846	(60,630)	15,411
Disposals or reductions	(26,041)	(31,358)	(124)	31,368	(26,155)
Transfers	3,376	2,880	(4,101)	71	2,226
Balance at 31.12.15	**85,912**	**956,981**	**9,309**	**(704,994)**	**347,208**
Additions or charge for the year	357	53,928	17,277	(57,902)	13,660
Disposals or reductions	(613)	(67,835)	(436)	67,224	(1,660)
Transfers	15,588	17,469	(18,317)	194	14,934
Balance at 31.12.16	**101,244**	**960,543**	**7,833**	**(695,478)**	**374,142**

Under “Land and Buildings”, in order to bring all the Group’s property assets together under the property and land-management division, in 2015 certain non-productive assets were sold to the subsidiary FCC Construcción S.A., for a price of EUR 25,557 thousand. In 2016 EUR 15,588 thousand in assets was transferred to the property-assets from inventory, with plans to transfer these assets in 2017 to the Group company that specialises in the property business.

The other changes in “Property, Plant and Equipment” relate basically to assets associated with the services and water concession arrangements operated by the Company. Of Note is the award to the Company in November 2016 of the services contract for the treatment and sale of recyclable waste in Dallas, Texas. This contract came into effect on 2 January 2017. On 1 January 2016 the contract for the USW-collection service in Orange County, Florida, came into effect. Both these contracts account for practically all the material assets located abroad, totalling EUR 30,137 thousand net of accumulated amortisation. Investments in tangible assets for both contracts in 2016 stood at EUR 15,906 thousand (31 December 2015: EUR 15,516 thousand).

The detail of the property, plant and equipment and of the related accumulated depreciation at 31 December 2016 and 2015 is as follows:

	Cost	Accumulated depreciation	Net
2016			
Land and buildings	101,244	(40,640)	60,604
Plant and other items of property, plant and equipment	960,543	(654,838)	305,705
Property, plant and equipment in the course of construction and advances	7,833	—	7,833
	1,069,620	**(695,478)**	**374,142**
2015			
Land and buildings	85,912	(38,335)	47,577
Plant and other items of property, plant and equipment	956,981	(666,659)	290,322
Property, plant and equipment in the course of construction and advances	9,309	—	9,309
	1,052,202	**(704,994)**	**347,208**

The Company owns buildings, the value of which, net of depreciation, and that of the land, were as follows at year-end:

	2016	2015
Land	23,566	8,043
Buildings	37,038	39,534
	60,604	**47,577**

Of the net amount of intangible assets, EUR 57,908 thousand relate to assets used in joint ventures (31 December 2015: EUR 57,995 thousand).

In 2016 and 2015 the Company did not capitalise any borrowing costs to “Property, Plant and Equipment”.

At 2016 year-end the Company held various items of property, plant and equipment under finance leases (see Note 7).

At the reporting date, most of the items of property plant and equipment were used in the various production processes. However, a portion of these assets amounting to EUR 381,010 thousand was fully depreciated (31 December 2015: EUR 402,896 thousand), of which EUR 17,580 thousand were recognised under “Buildings” (31 December 2015: EUR 16,174 thousand), while the amounts relating to joint ventures were not material.

The Company’s property, plant and equipment subject to restrictions on title relate mainly to assets held under finance leases.

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At 2016 year-end the property, plant and equipment were fully insured against these risks.

07. Leases

a) Finance leases

The Company has recognised assets leased under leases with basically a maximum term of five years and, in general, lease payments payable in arrears. Consequently, the present value of the payments does not differ significantly from their face value. The leased assets include notably the trucks and machinery used in the waste collection and cleaning services provided by the Company.

The detail of the finance leases in force at the end of 2016 and 2015 are as follows:

	2016	2015
Carrying amount	**37,439**	**34,011**
Accumulated depreciation	13,111	13,817
Cost of the assets	**50,550**	**47,828**
Finance costs	12,526	4,786
Capitalised cost of the assets	**63,076**	**52,614**
Lease payments paid in the year	(9,171)	(7,563)
Lease payments paid in prior years	(18,003)	(15,574)
Lease payments outstanding, including purchase option	**35,902**	**29,477**
Unaccrued finance charges	(8,943)	(2,071)
Present value of lease payments outstanding, including purchase option	**26,959**	**27,406**
Contract term (years)	3 to 5	3 to 5
Value of purchase options	473	352

The payment dates of the outstanding lease payments of the committed payments are shown in Note 16.

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

b) Operating leases

The Company makes operating lease payments basically for the use of buildings and structures relating to the Central Services offices in Madrid and Barcelona, and for the leases of premises and industrial buildings used by the Company as offices, warehouses, changing rooms and garages in the course of its activities.

The amount relating to the aforementioned leases in 2016 totalled EUR 38,175 thousand (31 December 2015: EUR 38,454 thousand).

Also worthy of Note among the operating lease agreements entered into by Fomento de Construcciones y Contratas S.A. due to the magnitude of the sums involved are those relating to the corporate headquarters of the FCC Group:

– Office buildings located at Federico Salmón, 13, Madrid, and Balmes, 36, Barcelona.

  On 29 December 2011, the owners of these buildings and Fomento de Construcciones y Contratas S.A. entered into two lease agreements relating thereto for a minimum period of 30 years, extendable for two five-year periods at the discretion of the Company, with an initial annual rent adjustable based on the CPI. These buildings were transferred by the Company to their current owners under a sale and leaseback agreement. The owners, in turn, granted a purchase option to Fomento de Construcciones y Contratas S.A., which can be exercised only at the end of the lease term at the higher of fair value and the CPI-adjusted selling price. On 1 June 2016, the Company assigned its contractual position to the wholly owned company Fedemes S.L., which has entered into subletting contracts with the various FCC Group companies that occupy the buildings, including Fomento de Construcciones y Contratas S.A., for the same duration as under the original contract.

– Office building located in Las Tablas (Madrid).

On 19 December 2010, the owner and the Company entered into an agreement to lease the aforementioned building, the lease period commencing once construction of the building had been completed on 23 November 2012. The term of this lease is 18 years, extendable at the Company's discretion by two five-year periods, each with an annual rent adjustable each year based on the CPI.

In addition, on 18 July 2016, an addendum was added to the contract between the Company and Hewlett Packard Servicios España S.L., originally entered on 19 November 2010 and renegotiated on 30 May 2014, through which information technology infrastructure operating services were outsourced, in order to improve efficiency and create greater flexibility and competitiveness at an international level. The term was set to end in October 2020.

At 2016 year-end there were non-cancellable future committed payments in relation to the aforementioned items amounting to EUR 277,700 thousand (2015: EUR 373,019 thousand). The detail, by maturity, of the non-cancellable future minimum payments at 31 December 2016 and 2015 is as follows:

	2016	2015
Within one year	41,287	44,979
Between one and five years	105,266	140,250
After five years	131,147	187,790
	277,700	**373,019**

In its position as a lessor, when the Company holds lease contracts it bills the FCC Group investees on the basis of the use they make of the related properties and recognises these amounts as operating income.

08. Service concession arrangements

This Note presents an overview of the Company's investments in concession businesses, mainly Environmental Services and Integral Water Management, which are recognised within the following balance sheet line items: intangible assets for the concessions classified as intangible assets and non-current and current trade receivables for the concessions classified as financial assets (see Note 4.a).

The following table details, by asset class and concession activity, the total amount of the assets held by the Company under service concession arrangements.

	Environmental Services	Integral Water Management	Total
2016			
Intangible assets	47,643	311	47,954
Financial assets	29,338	—	29,338
	76,981	**311**	**77,292**
2015			
Intangible assets	51,096	15,255	66,351
Financial assets	30,282	—	30,282
	81,378	**15,255**	**96,633**

The detail of the Company's most significant service concession arrangements is as follows:

a) Intangible assets

– El Campello urban solid waste treatment plant (Environmental Services)

Construction and operation of the El Campello (Alicante) Integrated Urban Solid Waste Centre. It was granted to the Company in 2003 by the Plan Zonal XV consortium of the Valencia Autonomous Community and the construction phase was completed in November 2008. The initial operating phase of 20 years began at this time and was subsequently extended to 21 years and nine months. The net assets relating to the aforementioned arrangement total EUR 36,418 thousand (31 December 2015: EUR 38,905 thousand). It is classified as an intangible asset as the billings are determined in accordance with the tonnes treated and, consequently, the demand risk is assumed by the concession operator.

– Integrated management of the municipal water supply and sewerage service of Vigo.

Contract awarded to the Aqualia-FCC-Vigo joint venture (1% Fomento de Construcciones y Contratas S.A. and 99% FCC Aqualia S.A., wholly owned by the Company). In 2016 the Company assigned a 49% participating interest in this JV to the other partner (notes 2 and 5). The operation of the concession includes investments for the extension, renovation and/or upgrade of the existing infrastructures that the grantor placed at the disposal of the joint venture. It was granted in 1991 for an initial term of 25 years, extendible for five-year periods up to a maximum legal term of 50 years. The grantor extended the concession in 2011 for an additional five years until 2020. The net assets relating to the aforementioned arrangement total EUR 260 thousand the current percentage participating interest (31 December 2015: EUR 14,232 thousand). The users are charged for the service and it is classified as an intangible asset, as the amount collected depends on the use made of the service and is therefore variable. The demand risk is therefore assumed by the concession operator.

b) Financial assets

– Urban solid waste treatment plant in Manises (Valencia). (Environmental Services).

Grant by the Entidad Metropolitana para el Tratamiento de Residuos to the Gestión Instalación III joint venture (in which Fomento de Construcciones y Contratas S.A. holds a 34.99% ownership interest) for the construction and operation of the urban solid waste management system of certain areas of the province of Valencia. It was granted in 2005 for an initial period of 20 years from the operational start-up of the plant which occurred in December 2012. As a result of an amendment to the arrangement, this concession was reclassified as a financial asset in 2013. The assets relating to the aforementioned arrangement total EUR 26,230 thousand (31 December 2015: EUR 27,235 thousand). A fixed amount plus a variable amount per tonne treated is charged; this second component is residual. In addition, the cost of the construction services is substantially covered through the fixed charge and therefore the entire concession is considered to be a financial asset.

09. Non-current and current financial investments

a) Non-current financial investments

The detail of "Non-Current Financial Investments" at the end of 2016 and 2015 is as follows:

	Equity instruments	Loans to third parties	Derivatives (Note 13)	Other financial assets	Total
2016					
Loans and receivables	—	9,805	—	28,790	38,595
Available-for-sale financial assets	11,319	—	—	—	11,319
Held-for-trading financial assets	—	—	30	—	30
Other financial assets at fair value through profit or loss	—	—	—	2,858	2,858
	11,319	**9,805**	**30**	**31,648**	**52,802**

2015					
Loans and receivables	—	31,230	—	7,716	38,946
Available-for-sale financial assets	22,300	—	—	—	22,300
Held-for-trading financial assets	—	—	1,816	—	1,816
Other financial assets at fair value through profit or loss	—	—	—	3,076	3,076
	22,300	**31,230**	**1,816**	**10,792**	**66,138**

The operation to sell the shares of Xfera Móviles S.A. and transfer the participatory loans granted to the Company to the latter, which began on 20 June with the signing of: (i) a sale and purchase contract between the Company (vendor) and Masmóvil Phone & Internet S.A.U. (purchaser), subject to compliance with certain suspension conditions); (ii) a contract of acknowledgment of debt an undertaking to assume debt and capitalisation, under which Masmóvil Phone & Internet (debtor) and Masmóvil Ibercom S.A. (bound party), undertook to pay certain sums to the Company in consideration of the transfer of the shares and participatory loans. On 5 October the contract for the sale of the shares and transfer of the participatory loans was finalised, whereupon the contract for the undertaking to assume debt and capitalisation came into effect, with the Company receiving in guarantee of receipt a bank guarantee on demand of EUR 24,282 thousand. The latter contract was still in effect as of 30 December. Subsequently, on 7 February 2017, the assignment of the contractual position of Fomento de Construcciones y Contratas S.A. to Masmóvil Phone & Internet S.A.U. was completed, resulting in receipts of EUR 29,139 thousand for the Company. At year end, the estimate of the value of the contract was updated by this sum (Note 9.b), in consequence of which the impairment and result from the disposal of financial instruments in the profit and loss account is EUR 6,190 thousand.

The detail, by maturity, of the loans and receivables is as follows:

	2018	2019	2020	2021	2022 and subsequent years	Total
Loans and receivables	10,797	169	42	35	27,552	38,595

Loans and receivables

The loans and receivables include basically escrow deposits related to the sale of Globalvia Infraestructuras S.A., for EUR 17,059 thousand (Note 11), and with the ordinary amortisation of the refinancing contract (Note 16.b) for EUR 4,625 thousand. This heading also includes the guarantees and deposits relating to legal and contractual obligations in the pursuit of the Company's business activities, together with the amounts granted to public entities to carry out works and build facilities. With regard to Xfera Móviles S.A., as a result of the aforementioned operation to sell shares and transfer participatory loans the latter were deregistered from the balance sheet (EUR 24,114 thousand). Also deregistered were the guarantees granted to Xfera Móviles S.A. to the value of EUR 12,384 thousand.

Available-for-sale financial assets

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

	Effective percentage of ownership	Fair Value
2016		
Vertederos de Residuos, S.A.	16.03%	10,817
Other		502
		11,319
2015		
Vertederos de Residuos, S.A.	16.03%	10,817
Xfera Móviles, S.A.	3.44%	11,215
Other		268
		22,300

The movements during the year were mostly due to the sale of the shares of Xfera Móviles S.A. described in the previous paragraph.

b) Current financial investments

The balance of the accounts under this heading at the end of 2016 mostly refers to the part of the deferred price corresponding to the operation to sell the shares of Globalvia Infraestructuras S.A. for EUR 106,040 thousand (Note 11), together with the estimate of the value of the contract of undertaking to assume debt and capitalisation due to the Company in consideration of the transfer of the shares and participatory loans of Xfera Móviles S.A. (EUR 29,139 thousand; Note 9.a).

10. Investments in and payables to group companies and associates

a) Non-current investments in Group companies and associates

The detail of “Non-Current Investments in Group Companies and Associates” at 31 December 2016 and 2015 is as follows:

	Cost	Accumulated impairment losses	Total
2016			
Equity instruments of Group companies	4,502,543	(2,490,466)	2,012,077
Equity instruments of associates	488,225	(255,827)	232,398
Loans to Group companies	1,549,429	(29,546)	1,519,883
Loans to associates	841	—	841
	6,541,038	**(2,775,839)**	**3,765,199**
2015			
Equity instruments of Group companies	4,502,507	(2,204,031)	2,298,476
Equity instruments of associates	454,305	(272,095)	182,210
Loans to Group companies	1,256,195	(26,942)	1,229,253
Loans to associates	27	—	27
Other financial assets	100,000	—	100,000
	6,313,034	**(2,503,068)**	**3,809,966**

The changes in the line items in the foregoing table are as follows:

	Equity instruments of Group companies	Equity instruments of associates	Loans to Group companies	Loans to asso-ciates	Other financial assets	Net impairment losses	Total
Balance at 31.12.14	**4,316,102**	**423,780**	**1,166,812**	**26**	**200,000**	**(2,361,466)**	**3,745,254**
Additions or charge for the year	88,064	30,581	37,661	1	—	(193,648)	(37,341)
Disposals or reversals	(1,659)	(56)	(48,278)	—	—	104,839	54,846
Transfers	100,000	—	100,000	—	(100,000)	(52,793)	47,207
Balance at 31.12.15	**4,502,507**	**454,305**	**1,256,195**	**27**	**100,000**	**(2,503,068)**	**3,809,966**
Additions or charge for the year	86	50,617	239,094	814	—	(289,195)	1,416
Disposals or reversals	(50)	(16,424)	(45,860)	—	—	16,424	(45,910)
Transfers	—	(273)	100,000	—	(100,000)	—	(273)
Balance at 31.12.16	**4,502,543**	**488,225**	**1,549,429**	**841**	**—**	**(2,775,839)**	**3,765,199**

Equity instruments of Group companies

In 2016 there were no significant movements. However, worthy of Note is the public acquisition bid (OPA) launched by Fomento de Construcciones y Contratas S.A. (FCC) on 29 July for 100% of the shares representing the capital of Cementos Portland Valderrivas S.A. (CPV), for their exclusion from the stock markets where they are admitted for negotiation (Madrid and Bilbao). The launch of the OPA was studied by the FCC board of directors, following a request made by the Inversora Carso S.A. de C.V., approved by the board on 25 May, conditional on approval by CPV's shareholders, which was granted on 29 June. The OPA refers to 10,655,503 shares (representing 20.58% of CPV's share capital) at a cash price of EUR 6 per share, making the maximum sum to be disbursed by FCC EUR 63,933 thousand. The operation was authorised by the Spanish Stock Market Commission (CNMV) on 22 December, with the period for acceptance running from 30 December 2016 until 13 February 2017 (Note 25).

The most significant changes in 2016 detailed in the foregoing table were as follows:

- Subscription of the capital increase through the partial conversion into capital of the short-term receivables of the wholly-owned investee Azincourt Investments S.L. in July amounting to EUR 100,000 thousand. Also, impairment losses on investments amounting to EUR 33,356 thousand were reversed due to the increase in the net assets of FCC Environment (UK).
- Contribution made in September to the equity of the subsidiary Dédalo Patrimonial S.L.U. to offset losses amounting to EUR 85,802 thousand. As a result of the foregoing, the impairment losses on the long-term and short-term loans granted to the subsidiary (EUR 32,948 thousand and EUR 52,793 thousand, respectively) were transferred to impairment losses on investments.
- Capital payments payable at Valoración y Tratamiento de Residuos Urbanos S.A., amounting to EUR 1,500 thousand.
- Contribution to the equity of FCC Power Generation S.L.U. to offset losses amounting to EUR 750 thousand through the partial conversion into capital of loans granted and the subsequent sale of the shares in this subsidiary to FCC Industrial e Infraestructuras Energéticas S.A.U. Group in the framework of an internal restructuring. The ownership interest transferred had a gross carrying amount of EUR 1,659 thousand and impairment of EUR 804 thousand. The sale price was EUR 278 thousand. Both transactions were arranged in December 2016.

The detail, by company, of the investments in Group companies and associates is presented in Appendices I and III, respectively, indicating for each company in which a direct ownership interest is held the company name, registered office, line of business, the percentage of the capital held directly or indirectly, the amount of equity (capital, reserves and other), profit or loss, dividends received, whether or not it is listed and the carrying amount of the ownership interest.

Equity instruments of associates

The most significant changes in 2016 were as follows:

- Subscription of the 63,271,533 shares to which the Company was entitled in the exercise of its pre-emption rights in the capital increase at Realia Business S.A. effected and paid up in December 2016. The increase was performed at a price of EUR 0.80 per share (EUR 0.24 par value + EUR 0.56 share premium), giving rise to a total amount of EUR 50,617 thousand.
- Return of contributions by means of the partial distribution of the issue premium of the company FM Green Power S.L., to the value of EUR 16,424 thousand. The Company has proceeded to revert the accumulated impairment in this company for the same amount as the sum returned.

With regard to 2015, the most significant movements were as follows:

- Subscription of the 52,726,278 shares to which the Company was entitled in the exercise of its pre-emption rights in the capital increase at Realia Business S.A. The increase was performed at a price of EUR 0.58 per share (EUR 0.24 par value + EUR 0.34 share premium), giving rise to a total amount of EUR 30,581 thousand, which were paid in early January 2016.
- Reversal of the impairment losses on the investment of EUR 66,090 thousand, as a result of the improvement in the equity of Realia Business. The net investment in this company therefore amounted to EUR 125,617 thousand at 31 December 2015 and the value of the ownership interest, in accordance with its share price at that date, amounted to EUR 80,144 thousand without taking into account in both cases the amount of shares subscribed in the capital increase in progress, since at 31 December 2015 these shares were not listed. The carrying amount of the investment in Realia Business is recoverable on the basis of its value in use.

Long-term loans to Group companies

The most significant amounts are as follows:

	2016	2015
Cementos Portland Valderrivas, S.A.	423,289	128,419
FCC Aqualia, S.A.	362,815	360,732
FCC Versia, S.A.	169,075	168,000
FCC Medio Ambiente, S.A.	136,606	136,606
FCC Construcción, S.A.	126,976	88,159
FCC PFI Holdings Limited	78,425	107,401
Enviropower Investments Limited	44,972	49,297
FCC Ámbito, S.A. Unipersonal	44,646	44,646
FCC Industrial e Infraestructuras Energéticas, S.A.	34,386	34,386
Serviá Cantó, S.A.	10,700	10,700
Mantenimiento de Infraestructuras, S.A.	10,000	10,000
Other	107,539	117,849
	1,549,429	**1,256,195**
Impairment:		
FCC Versia, S.A.	(29,546)	(26,942)
	1,519,883	**1,229,253**

The following should be noted in relation to the foregoing table:

– Loans arising from the refinancing process. Under the refinancing agreements described in Note 16, the Company assumed, expressly, irrevocably and unconditionally, as the debtor, the contractual position of the subsidiaries vis-à-vis the existing syndicated financing and credit facilities, which led, in turn, to the execution of loan agreements between Fomento de Construcciones y Contratas S.A. and the subsidiaries. These loans total EUR 689,076 thousand, (31 December 2015: EUR 652,630 thousand) the detail being as follows:

	2016	2015
FCC Aqualia, S.A.	209,063	206,979
FCC Medio Ambiente, S.A.	136,606	136,606
FCC Construcción, S.A.	126,976	88,159
FCC Ámbito, S.A.	44,646	44,646
FCC Industrial e Infraestructuras Energéticas, S.A.	34,386	34,386
FCC Versia, S.A.	29,075	28,000
Servià Cantó, S.A.	10,700	10,700
Mantenimiento de Infraestructuras, S.A.	10,000	10,000
Other	87,624	93,154
	689,076	**652,630**

The increase in 2016 is due mainly to the provision of the amount of the guarantees executed in FCC Construcción and FCC Aqualia S.A.

The interest rate to apply is the effective rate assumed by Fomento de Construcciones y Contratas S.A. in the refinancing.

– The participating loan of EUR 149,250 thousand granted on 1 May 2010 to the subsidiary FCC Aqualia S.A. It was established with an indefinite due date, although the lender may ask the borrower for full or partial repayment at any time, provided that at least one month's advance notice is given. In this regard, on 22 December 2016, Fomento de Construcciones y Contratas S.A. informed the subsidiary of its request to declare the loan due on 31 January 2017. Without prejudice to the foregoing, Fomento de Construcciones y Contratas S.A. and FCC Aqualia S.A. agreed to refinance its return by adding the balance of the participatory loan to the ordinary loan due at the end of June 2018 identified in the chart above. For this reason, it continues to be classified in non-current assets on the Company's balance sheet as at 31 December 2016. The interest rate is calculated as having a fixed portion and a floating portion, the latter in accordance with profitability indicators for the borrower. In May 2015 the fixed interest rate was amended and set at 4.86%, as was the total maximum interest rate (fixed + floating) which may not exceed Euribor + 10%. This participating loan earned interest of EUR 10,230 thousand in 2016 (31 December 2015: EUR 9,308 thousand).

- The long-term loan of EUR 140,000 thousand granted on 9 February 2007 to FCC Versia S.A., which initially matured in two years, automatically renewable for additional successive two-year periods. The interest rate is established on the basis of the average 3-month Euribor of the month prior to the month on which it is to be revised, plus a spread of 0.75%. This loan was reduced by EUR 45,000 thousand which were converted into a participating loan in 2015. The loan matures on 31 January 2018 and is automatically renewable for additional successive two-year periods. The interest rate is calculated as having a fixed portion (7%) and a floating portion, in accordance with profitability indicators for the borrower. The total maximum interest rate (fixed and floating) may not exceed the limit of 10%. At 2016 year-end this loan had earned interest of EUR 3,865 thousand (31 December 2015: EUR 1,129 thousand).
- Contribution of EUR 4,405 thousand made on 27 June 2016 to Cementos Portland Valderrivas S.A. (CPV) as part of the contingent debt, under the terms of the Restructuring Framework Agreement and Deferment Contract. On 29 July, as part of the process of restructuring CPV's financial debt, the non-terminating amendment renewal of the contract for the above subordinated loan and the contracts for EUR 20,000 thousand and EUR 100,000 thousand granted by the Company to CPV in September 2014 and February 2015, respectively, was entered into. This renewal amends, inter alia, the interest-accrual clause and binds the Company to capitalise the loans mentioned within 12 months following the renewal date. Also, on 29 July a new subordinated-loan contract was granted to CPV for EUR 271,171 thousand, under the same terms as the renewal mentioned with regard to interest accrual and the obligation to capitalise. On 2 November a subordinated loan contract was entered into between the Company (lender) and CPV (borrower) for the assumption by the latter of the loan granted by the former to Uniland Acquisition Corporation on 29 March 2016 (USD 14,625 thousand), for EUR 13,919 thousand, including the principal and interest due but not paid. The terms of these contract are the same as for the loans described above. At 2016 year-end this loan had earned interest of EUR 5,375 thousand (31 December 2015: EUR 8,418 thousand).

The other loans relate to amounts granted to Group companies that mature in more than one year and earn interest at market rates.

Net impairment losses

The most significant changes, in addition to those indicated in "Equity Instruments of Group Companies and Associates", are as follows:

- Impairment of EUR 96,321 thousand of the investment in FCC Construcción S.A. in 2016 (31 December 2015: EUR 96,587 thousand). The impairment test is assessed according to the updated cash flows after tax for the traditional construction business for the time horizon considered (5 years + terminal value). Analysis justifies the impairment noted, as a result of the low level of contracting in 2016, particularly in Spain, giving rise to lower earnings and Ebitda. Under the hypotheses used, the average accumulated growth of turnover is considered to be 4.4%, mostly in the industrial and international areas, from 2018 onwards (annual increase of 4.2%), as in 2017 growth is only expected to be 1.9%. In the final year of the period considered earnings of EUR 2 billion were recorded, positioning the target Ebitda margin at 4.6% of earnings, reached in the third year, from the margin of 3.3% obtained in 2016. The terminal value has been calculated as perpetual income with zero growth, representing 79% of the recoverable value obtained from the pure construction business. The discount rate applied, which includes tax impact, was 6.62%. When the test is stressed by reducing cash flows by 10%, the resulting sum to be impaired is EUR 140,295 thousand; similarly an increase of 200 basic points in the discount rate would result in impairment of EUR 206,547 thousand. Also considered in the recoverable value is the concession business and the property and land-management business, as they are legally dependent on FCC Construcción S.A. With regard to the former, aggregated book value of each of the concessions (EUR 231 million) has been added. The value of the property business is represented by the sum that FCC Construcción will receive for the transfer of that unit to another FCC Group company, once a "business-branch segregation" operation has been completed as part of the reorganisation that is under way (EUR 281 million).
- The Company has assessed the recoverability of its investment in the Cementos Portland Valderrivas (CPV) group, based on its value in use, as its liquidation or sale is not under consideration, the OPA authorised for 100% of the shares for exclusion from negotiation on stock markets (Note 10.a) is still ongoing, and the Company continues to provide financial support to CPV (see previous section). As at 31 December 2016, net investment stands at EUR 649,099 thousand, including EUR 225,810 thousand in orders and EUR 423,289 thousand in credit. The value of the ownership interest, in accordance with its share price at that date, amounted to EUR 217,537 thousand.

As there are no expectations as to when CPV will be in a position to distribute dividends, and given that it does not fall within the finance perimeter of the FCC Group's syndicated debt, the most appropriate method of assessing the need for impairment has been considered to be the percentage of equity attributable to the controlling company in the consolidated financial statements, with no tacit gains being considered to exist on the valuation date. At 31 December 2016, an impairment loss of EUR 169,754 thousand was recognised in order to bring the value of the investment in Cementos Portland into line with the underlying carrying amount of the ownership interest that Fomento de Construcciones y Contratas S.A. held in this company at that date.

– In 2015, impairment loss on the investment in FCC Versia S.A. of EUR 55,193 thousand in the value of the portfolio and of EUR 26,942 thousand in the value of loans, as a result of the asset impairments suffered by this company, arising from the sale of its subsidiary Corporación Europea de Mobiliario Urbano S.A. formalised in November 2015.

b) Current investments in Group companies and associates

"Current Investments in Group Companies and Associates" includes basically the loans and other non-trade credit facilities granted to Group companies and associates to cater, inter alia, for certain specific cash situations, and other short-term investments. These investments are measured at the lower of cost and market value, plus the related interest at market rates.

The most significant amounts are as follows:

	2016	2015
Azincourt Investment, S.L. (Sole-Shareholder Company)	101,161	95,074
FCC Environment (UK) Ltd.	28,894	30,704
FCC Aqualia, S.A.	26,340	44,917
Grupo FCC-PFI Holding	16,570	15,534
FCC Construcción, S.A.	13,036	251
FCC Medio Ambiente, S.A.	7,417	14,549
Other	23,580	20,783
	216,998	221,812

These loans mature annually and earn interest at market rates.

c) Other non-current financial assets

The framework agreement for restructuring Cementos Portland Valderrivas S.A. entered into on 21 November 2014 included an undertaking by Fomento de Construcciones y Contratas S.A. to provide financial support totalling EUR 200,000 thousand, the recall of which it was agreed to postpone until the final due date of the finance contract under the agreement formalised on 24 March 2014. In 2015 EUR 100,000 thousand was provided, thereby reducing the deferred contingent debt. The remaining sum is replaced by a new contingent undertaking, linked to how the business of Cementos Portland Valderrivas S.A. progresses, as well as a variable sum that will not be greater than EUR 100,000 thousand (Note 10.d).

d) Non-current payables to Group companies and associates

Variations in the year largely correspond to the payables to Cementos Portland Valderrivas S.A. for the contingent contribution discussed above. This undertaking was called in both in 2014. However, in fulfilment of the obligations assumed in the refinancing agreement of Fomento de Construcciones y Contratas S.A. (Note 16), on 24 March 2014 an agreement was formalised whereby the contingent capital contribution was deferred until the date of final maturity of the Company's refinancing agreement. Subsequently, the restructuring framework agreement entered into on 21 November 2014 provided for the partial contribution of EUR 100,000 thousand, which were disbursed, and in 2015 the remaining sum was replaced by a new contingent undertaking, linked to how the business of Cementos Portland Valderrivas S.A. progresses, plus a variable sum that will not be greater than EUR 100,000 thousand. Given their contingent nature, neither these liabilities nor the linked assets (Note 10.c) are recorded on the attached balance sheet.

e) Current payables to Group companies and associates

The most noteworthy balances of "Current Payables to Group Companies and Associates", which includes the loans received by the Company bearing interest at market rates and trade accounts payable to those companies, recognised on the liability side of the accompanying balance sheet, are as follows:

	2016	2015
Asesoría Financiera y de Gestión, S.A.	410,661	172,009
Per Gestora Inmobiliaria, S.L.	49,602	49,274
Ecoparque Mancomunidad del Este, S.A.	29,717	20,783
FCC Medio Ambiente, S.A.	27,299	779
Fedemes, S.L.	20,992	19,240
Sistemas y Vehículos de Alta Tecnología, S.A.	13,474	10,541
Cementos Portland Valderrivas, S.A.	8,493	8,700
FCC Construcción, S.A.	5,612	29,306
Realia Business, S.A.	—	30,581
FM Green Power Investments, S.L.	—	16,086
Other	18,351	22,331
	584,201	**379,630**

The most significant movements in 2016 were as follows:

– Increase of the debt with the subsidiary Asesoría Financiera y de Gestión S.A. derived from cash pooling for EUR 238,652 thousand. In 2015 cash-pooling contracts were entered into between that company and FCC Group companies, including the parent, Fomento de Construcciones y Contratas S.A., such that financial movements would be channelled through that subsidiary. The increase of the debt with that subsidiary is to address the Company's cash and bank needs.

– Payment of the disbursement for the capital increase effected in 2015 by Realia Business S.A. for EUR 30,581 thousand, on 7 January 2016 (Note 4.a).

– Return of the deposit signed in October 2015 with FM Green Power Investments S.L., for EUR 16,086 thousand, on 20 January 2016.

11. Non-current assets classified as held for sale

At the end of year, Fomento de Construcciones y Contratas S.A. presented no balance under this heading (31 December 2015: EUR 220,000 thousand, corresponding to the investment in Globalvia Infraestructuras S.A.).

On 17 March the agreement was completed to close the sale of the shares of Globalvia Infraestructuras S.A., the contract for which had been signed on 23 October 2015 and amended on 17 November 2015, once the suspension conditions stipulated had been met, between the Company, FCC Construcción S.A. and Corporación Industrial Bankia S.A.U. (vendors); and Optrust Infraestructure Europe I S.a.r.l., Stichting Depositary PGGM Infraestructure Funds and USS Nero Limited (purchasers).

The total sale price includes an initial payment received by the Company when the operation was closed (EUR 83.8 million) and a deferred price, consisting of sum to be determined by a formula linked to the stake that would be held by Globalvia Infraestructuras S.A. in Globalvia Inversiones S.A. on the conversion date of the convertible bond, plus interest accrued. During the year, before the closure of the operation was signed, the Company received EUR 6 million and EUR 2.7 million in dividends, in February and March 2016 respectively.

The Company will also receive the sum released from the cash guarantee set up, by opening an escrow account on the closure date of the operation, held by Corporación Industrial Bankia S.A.U. and Fomento de Construcciones y Contratas S.A., with an initial balance of EUR 54.6 million (EUR 27.3 million corresponding to the Company), resulting from a share of dividends and a reduction of capital with return of contributions at Globalvia Infraestructuras S.A. This escrow account guarantees the purchasers any execution of guarantees lodged by the company to third parties to cover financial undertakings. The Company will receive the cash as the guarantees are released, although it was agreed that partial releases would be made three and six months after the closure date. As a result of this, the Company has received EUR 6.8 million and EUR 3.4 million in July and October 2016, respectively. It will also receive the sum, net of expenses, obtained from the sale or liquidation of the companies excluded from the perimeter for the transaction that legally remain as subsidiaries of Globalvia Infraestructuras S.A. In 2016, the sum received for this item was EUR 1.1 million.

On 23 January 2017 the agreement on the deferred price was signed, fixing the deferred amount at EUR 181.8 million (EUR 90.9 million corresponding to the Company), with EUR 31 million in interest (EUR 15.5 million for the Company). On 28 February 2017 the Company received EUR 106.4 million (Note 25).

In these annual financial statements the balance of the escrow account (EUR 17.1 million) is recorded under non-current financial investments (Note 9.a), for which, owing to the extended timeframe and uncertainty as to recovery, the appropriate non-current provision has been made for liabilities and contingencies, totalling EUR 16.9 million (Note 15.a).

The loss from the operation, including sale costs, recorded in the profit and loss statement was EUR 15.2 million.

12. Trade receivables for sales and services

"Trade Receivables for Sales and Services" in the accompanying balance sheet includes the present value of the Company's sales and services.

	2016	2015
Production billed not yet collected	147,056	319,784
Unbilled production	139,416	123,972
Trade receivables for sales and services	286,472	443,756
Customer advances	(14,423)	(12,246)
Total trade receivables, net	**272,049**	**431,510**

The foregoing total is the net balance of trade receivables after deducting the balance of "Other Payables - Customer Advances" on the liability side of the accompanying balance sheet which, as required by accounting regulations, includes the collected and uncollected pre-billings for various items and the advances received (normally in cash).

"Production Billed Not Yet Collected" reflects the amount of the billings issued to customers for services provided not yet collected at the balance she111et date.

"Unbilled Production" reflects the difference between the production recognised by the Company on each contract and the amount of the billings issued to the customers. The balance of this account relates basically to the price revisions under the various contracts which, although as yet unapproved, the Company considers will be duly billed since there are no doubts as to their being accepted.

The Company has the capacity to finance itself should it need working capital through the factoring of trade receivables to banks without recourse against Fomento de Construcciones y Contratas S.A. in the event of default. The amount deducted from the trade receivables balance at 2016 year-end in this connection amounted to EUR 200,771 thousand (31 December 2015: EUR 6,915 thousand), largely as a result of the sale operation without recourse of clients' invoices guaranteed by the finance group Inbursa (Note 22.e), for a maximum sum of EUR 200,000 thousand.

Of the net balance of trade receivables, EUR 58,702 thousand (31 December 2015: EUR 68,936 thousand) relate to balances from contracts performed through joint ventures.

Past due trade receivables not provided for by the Company amounted to EUR 218,022 thousand at 31 December 2016 (31 December 2015: EUR 202,349 thousand). It should be noted that this constitutes all of the Group's past due assets, as there are no significant past due financial assets. All matured balances that have not been settled by the counterparty are considered to be past due. However, it should be taken into account that, although certain assets are past due, there is no default risk, as most are public-sector customers from which the corresponding late-payment interest arising from collection delays may be claimed. In general, except in the case of certain receivables from Spanish Municipal Councils, there are no significant balances more than one year old which have not been written down. In some specific cases the balances are more than one year old and have not been written down, for example because the collection right is included in the 2015 financial restructuring fund in Spain.

13. Derivative financial instruments

The detail of the assets and liabilities relating to derivatives included under "Other Non-Current Financial Assets", "Non-Current Payables - Other Financial Liabilities" and "Current Payables - Other Financial Liabilities" in the accompanying balance sheet and of the related effects on equity and the statement of profit or loss is as follows:

	Fair Value			
	Assets (Note 9)	Liabilities (Note 16)	Impact on equity	Impact on the statement of profit or loss
2016				
Hedging derivatives	—	2,393	(1,683)	49
Other derivatives	30	—	—	(1,786)
	30	**2,393**	**(1,683)**	**(1,737)**
2015				
Hedging derivatives	—	2,508	(1,732)	25
Other derivatives	1,816	—	—	(4)
	1,816	**2,508**	**(1,732)**	**21**

Hedging derivatives

Following is a detail of the hedging derivatives arranged by the Company for 2016 and 2015, all of which are cash flow hedges, subdivided according to the hedged transaction, and including the type of derivative, the amounts arranged or notional amounts, the expiry date, the fair value at year-end, the impact on equity net of the related tax effect and the impact on the statement of profit or loss in respect to the ineffective portion:

				Fair Value			
Hedged transaction	Type of deri-vative	Amount arranged	Expiry	Assets	Liabilities	Impact on Equity	Impact on the statement of profit or loss
2016							
Other payables (Note 16.b)	IRS	7,836	02/04/2024	—	1,138	(800)	23
	IRS	3,918	02/04/2024	—	569	(400)	12
	IRS	2,511	02/04/2024	—	365	(256)	7
	IRS	2,212	02/04/2024	—	321	(227)	7
Total				**2,393**	**(1,683)**	**49**	
2015							
Other payables (Note 16.b)	IRS	8,376	02/04/2024	—	1,192	(824)	11
	IRS	4,188	02/04/2024	—	596	(412)	5
	IRS	2,684	02/04/2024	—	382	(264)	4
	IRS	2,364	02/04/2024	—	338	(232)	5
Total			**—**	**2,508**	**(1,732)**	**25**	

The detail, by maturity, of the notional amount of the hedging transactions arranged at 31 December 2016 is as follows:

	Notional maturity				
	2017	2018	2019	2020	2021 and subsequent years
IRS (Other payables)	1,154	1,179	1,270	1,365	11,509

Other derivatives

Following is the detail for 2016 and 2015 of the derivative financial instruments that do not qualify for hedge accounting, subdivided according to the hedged transaction, and including a detail of the type of derivative, the amounts arranged or the notional amount, the expiry date, the fair value at year-end and the impact on the statement of profit or loss under "Changes in Fair Value of Financial Instruments":

				Fair Value		
	Type of derivative	Amount arranged	Expiry	Assets	Liabili-ties	Impact on the statement of profit or loss
2016						
Convertible bonds (Note 14.e)	TrigerCall	32,200	30/10/2020	30	—	(1,786)
				30	**—**	**(1,786)**
2015						
Convertible bonds (Note 14.e)	TrigerCall	449,800	30/10/2020	1,816	—	(4)
				1,816	**—**	**(4)**

14. Equity

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

The funds obtained from the capital increase have been used in part for the discounted buy-back (Dutch auction) of debt corresponding to Tranche B of the financial debt of Fomento de Construcciones y Contratas S.A., as regulated under the refinancing contract, totalling EUR 386,443 thousand after deducting a haircut of EUR 58,082 thousand. Also, EUR 289,495 thousand was allocated to financially supporting the subsidiary Cementos Portland Valderrivas S.A., with the remainder being used for corporate purposes, including the exercise of the preference subscription right for capital increases at Realia Business S.A. (EUR 87,301 thousand).

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

Share capital increase	118,253
Share capital	**118,253**
Issue premium increase	591,266
Extension expenses after tax	(1,671)
Share premium	**589,595**
Profit from haircut	58,082
Tax effect	(14,521)
Year's profit (loss)	**43,561**
Total impact on equity	**751,409**

a) Share capital

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

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

The shares of Fomento de Construcciones y Contratas S.A. are included in the selective IBEX 35 index, are publicly listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges and are traded through the Spanish stock market interconnection system.

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

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

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

– The inclusion of Nueva Samede, a company associated with Esther Koplowitz Romero de Juseu, in the agreement, as a new shareholder of Fomento de Construcciones y Contratas S.A. (FCC) following the new capital increase.

– Amendment of FCC’s corporate governance arrangements regarding share transfers in the event that, as a result of the new capital increase and subscription undertaking Control Empresarial de Capitales S.A. de C.V. (CEC) and/or the Guarantor, Inversora Carso S.A. de C.V. (Carso) should exceed 29.99% of the capital with voting rights or should acquire control of FCC, and the elimination of the provision regarding the parties’ maximum stakes in the Company’s capital.

– Amendments to FCC’s articles of association and the make-up of the board of directors, if CEC and/or Carso should reach a percentage of voting rights that is equal to or greater than 30% or should in any other way acquire control of the Company.

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

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

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

b) Share premium

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

c) Reserves

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

	2016	2015
Legal reserves	26,114	26,114
Other reserves	927,053	894,067
	953,167	**920,181**

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

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

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

“Other Reserves” includes most notably EUR 6,034 thousand of restricted reserves, equal to the par value of the treasury shares retired in 2002 and 2008 which, in accordance with Article 335.c of the Spanish Limited Liability Companies Law, are restricted, unless the same requirements as those stipulated for capital reductions are met.

d) Treasury shares

The changes in treasury shares in 2016 and 2015 were as follows:

Balance at 31 December 2014	**(5,278)**
Sales	179,220
Acquisitions	(179,445)
Balance at 31 December 2015	**(5,503)**
Sales	—
Acquisitions	—
Balance at 31 December 2016	**(5,503)**

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

2016		2015	
Number of shares	Amount	Number of shares	Amount
415,500	(5,503)	415,500	(5,503)

At 31 December 2016, the shares of the Company represented 0.11% of the share capital (31 December 2015: 0.16%).

e) Other equity instruments

In accordance with recognition and measurement standard 9 of the Spanish National Chart of Accounts, “Other Equity Instruments” includes the measurement of the equity component resulting from accounting for the issue of bonds convertible into shares of the Company (Note 16.a).

In October 2009 Fomento de Construcciones y Contratas S.A. launched an issue of bonds exchangeable for shares of the Company, maturing on 30 October 2014. Certain terms and conditions were amended and approved by the General Assembly of the Syndicate of Bondholders on 5 May 2014 and by the shareholders at the Company's Annual General Meeting on 23 June 2014, as indicated in Note 16.a. The main features following the amendments are as follows:

- The amount of the issue was EUR 450,000 thousand with final maturity on 30 October 2020. On 12 May 2014, EUR 200 thousand of bonds were converted into 5,284 treasury shares of the Company.
- The bonds were issued at par with a face value of EUR 50 thousand.
- The bonds accrue interest at a fixed annual rate of 6.50% payable every six months.
- The price for which the bonds could be exchanged for shares of the Company was adjusted and established at EUR 30.00 per ordinary share, resulting in each nominal amount of EUR 50 thousand in bonds entitling the owner to receive 1,666.66 ordinary shares. Subsequently, as a result of the dilution arising from the capital increases in 2014 and 2016, the conversion price was adjusted to EUR 22.19 per ordinary share in 2014, representing that each nominal sum of EUR 50 thousand in bonds would entitle the holder to receive 2,253.27 ordinary shares, and at EUR 21.50 per ordinary share in 2016, resulting in each nominal amount of EUR 50 thousand in bonds entitling the owner to receive 2,325.58 ordinary shares.
- The entitlement to convert the bonds may be exercised at the request of each of the holders, at any time until 30 October 2020, pursuant to the terms and conditions of the bonds.
- A new case of optional repayment for the issuer from 30 October 2018 is included.
- Following the restructuring, the convertible bonds are no longer subordinated.

The shareholders at the Annual General Meeting held on 23 June 2014 at which the terms and conditions of the bonds were amended also adopted the following relevant resolutions in relation to the bonds:

- The disapplication of pre-emption rights required by the approval of the amendment of the terms and conditions that would otherwise have corresponded to the Company's shareholders in relation to the bonds pursuant to Article 416 of the Spanish Limited Liability Companies Law.
- In accordance with Article 414 of the Spanish Limited Liability Companies Law, it was resolved to increase the Company's capital by the amount required to cater for the conversion of such bonds as the holders thereof might request pursuant to the amended terms and conditions of the bonds up to an initially envisaged maximum of EUR 15,000 thousand corresponding to 15,000,000 new shares, but subject to possible modifications based on the amended terms and conditions. This capital increase will be carried out, in full or in part, by the Board of Directors, with express powers of delegation to any of the Board members, whenever necessary in order to cater for the conversion of the bonds, through the issue of new ordinary shares with the same par value and carrying the same rights as the ordinary shares outstanding on the date or dates on which the capital increase resolution is implemented.

Under the terms and conditions of the Convertible Bond (Note 16.a), in 2016 a put period of 60 working days was triggered, in which each individual bondholder had the right to ask the Company to return the principal of the bond plus interest accrued since the payment date of the last coupon (30 April 2016). On the expiry of this period, which ran from 30 June until 29 August, 92.7% of the bondholders exercised this right, with the consequent cancellation of the convertible bond by the same proportion. At the request of each of the holders and under the same conditions as prior to their partial cancellation, the conversion right may be exercised at any time until 30 October 2020. In addition, Fomento de Construcciones y Contratas S.A. is entitled to amortise in advance all the bonds from October 2018 at their par value plus the interest accrued by that date. The sum of amortised bonds in 2016 stands at EUR 417,600 thousand, with bonds for a nominal sum of EUR 32.200 thousand remaining active as at 31 December 2016. Consequently, in 2016, the proportional part of the equity component in respect of the amortisation of 2016 bonds has been transferred to the heading "voluntary reserves".

With regard to the issue of convertible bonds, we it should also be noted that the Company's purchase option enabling the bonds to be repurchased in certain circumstances (Trigger Call) was valued as at 31 December 2016 at EUR 30 thousand (31 December 2015: EUR 1,816 thousand (Note 13).

f) Valuation adjustments

The detail of "Valuation Adjustments" is as follows:

	2016	2015
Available-for-sale financial assets (Note 9)	9,710	9,749
Hedges (Note 13)	(1,683)	(1,732)
	8,027	**8,017**

g) Grants

The movements in non-returnable capital subsidies were as follows:

	Balance at beginning of year	Additions net of tax impact	Transfers to profit or loss and gains net of tax impact	Other variations (Note 2)	Balance at year end
2016	1,370	141	(118)	(679)	714
2015	1,619	—	(249)	—	1,370

The aforementioned amount relates mainly to grants received by the joint ventures through which the Company jointly performs contracts.

The decrease recorded under "other variations" is due to the assignment of a 49% stake in the Aqualia–FCC–Vigo JV to the other partner, the wholly owned subsidiary FCC Aqualia S.A. (Note 2).

15. Long-term and short-term provisions

a) Long-term provisions

The changes in 2016 were as follows:

	Actions on infrastructures	Litigation	Liability and contingencies	Guarantees and contractual and legal obligations	Other	Total
Balance at 31.12.14	**13,284**	**385**	**196,118**	**87,983**	**10,368**	**308,138**
Charge for the year	1,343	945	13,065	11,666	2,349	29,368
Amounts used	(3,904)	(22)	(284)	(2,738)	(266)	(7,214)
Reversals (Note 21)	—	(28)	(11,940)	(5,475)	(34)	(17,477)
Balance at 31.12.15	**10,723**	**1,280**	**196,959**	**91,436**	**12,417**	**312,815**
Charge for the year (Note 11)	1,113	2,148	26,864	9,620	4,178	43,923
Amounts used	(10)	(553)	(2,518)	(5,019)	(1,081)	(9,181)
Reversals (Note 21)	(2,011)	(282)	(12,576)	(19,514)	(5,673)	(40,056)
Balance at 31.12.16	**9,815**	**2,593**	**208,729**	**76,523**	**9,841**	**307,501**

Provisions for actions on infrastructure

Under the service concession arrangements, these provisions cover the actions required to hand over the infrastructure at the end of the concession term, namely dismantling, removing or restoring these assets, replacement and major repair work and actions taken to upgrade the infrastructure and increase its capacity. Also, provisions to replace and repair the infrastructure are systematically recognised in the statement of profit or loss as the obligation is incurred (Note 4.a).

Provisions for litigation

Provisions for litigation cover the Company's contingencies when it acts as defendant in certain proceedings in relation to the liability inherent to the business activities carried on by it. The lawsuits, although numerous, are not expected to have an impact on the Company according to estimates regarding their final outcomes.

Provisions for liability and contingencies

Provisions for liability and contingencies cover the risks, not included in other categories, to which the Company may be exposed as a result of the activities it carries on. These liabilities, include the risks to cover the expansion of the Company's international activities and, in particular, the EUR 64,000 thousand included to challenge the sale of Alpine Energie. The following paragraphs describe the situation in relation to the insolvency proceeding of the Alpine subgroup, a legal subsidiary of FCC Construcción S.A., in greater detail.

On 19 June 2013, Alpine Bau GmbH (the head of the group of operating companies of the Alpine Group) presented a petition for insolvency proceedings with court-ordered liquidation and a winding-up proposal to the Vienna Commercial Court This application resulted in the closing of the business and the liquidation of its corporate assets (Schlie ung und Zerschlagung). On 28 June 2013, Alpine holding GmbH (the parent of Alpine Bau GmbH) directly filed for insolvency and liquidation. During the insolvency proceedings, the insolvency managers reported, in the liquidation process, recognised liabilities amounting to approximately EUR 1.750 million at Alpine Bau GmbH and EUR 550 million at Alpine Holding GmbH.

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

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

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

The provision for the challenge to the sale of Alpine Energie Holding AG amounting to EUR 75 thousand covers the risk relating to the action brought by the insolvency managers of Alpine Bau GmbH on 11 June 2014 against the Parent of the Group, Fomento de Construcciones y Contratas S.A. (provision of EUR 64,000 thousand) and two of its subsidiaries: Asesoría Financiera y de Gestión S.A. (provision of EUR 11,000 thousand) and Bveftdomintaena Beteiligunsgverwaltung GmbH. It should be noted in relation to the aforementioned proceedings that the expert commissioned by the Spanish Public Prosecutor's Office adjudged in October 2015 that the sale of Alpine Energie did not cause any damage or loss to Alpine Bau and that the sale conditions were in line with the prevailing market conditions at the time; therefore the judgement does not consider any dealings in assets with a view to defrauding creditors to have occurred. The Anti-Corruption and Economic Offences Prosecutor's Office has fully accepted the criteria set forth in the expert report, agreeing to close part of the investigation. Although this report was issued in the framework of criminal proceedings and the judge of the commercial court who processed the claim for retrospective annulment is under no obligation as a result of such conclusions, it is expected that if it has been considered that the sale was not detrimental to Alpine's assets, this should have a bearing on whether or not the retrospective annulment of the sale is upheld. However, in view of the uncertainty as to the final outcome, the Group maintained the provision recognised in prior years.

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

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

- **Preliminary investigations:**
  - In July 2013 the claim filed by a bondholder against five Directors of Alpine Holding GmbH (all of whom were Directors when the bonds were issued and they filed for insolvency) gave rise to the investigations by the aforementioned Spanish Anti-Corruption and Financial Crime Prosecutor's Office.
  - In April 2014 a former Director of Banco Hypo Alde Adria filed a claim against FCC Construcción S.A., Alpine Holding GmbH, Alpine Bau GmbH, three of their Directors and one employee of Fomento de Construcciones y Contratas S.A. The investigations initiated by the Spanish Public Prosecutor's Office have been added to those mentioned above.
- **Civil and commercial proceedings**
  - In 2014 two bondholders filed two civil claims against FCC Construcción S.A. and a Director for EUR 12 thousand and EUR 506 thousand. In October 2016 notice was given of another law suit, filed three years previously, claiming EUR 23 thousand. Currently these three proceedings have been suspended pending a preliminary judgment being handed down in the criminal jurisdiction.
  - The insolvency managers of Alpine Holding filed a claim of EUR 186 million against FCC Construcción S.A. as it considers that this company must indemnify Alpine Holding GmbH for the amounts which the latter raised through bond issues in 2011 and 2012 and which the latter allegedly loaned to Alpine Bau GmbH without the necessary guarantees. Notice of the claim was given in April 2015 and the proceeding is at the evidence phase.

The FCC Group recognises provisions to cover the probable risks in connection with certain of these lawsuits. In relation to the remainder of the lawsuits, the FCC Group and its legal advisers do not consider it likely that there will be any future cash outflows and, therefore, no provision has been recognised in this connection as the FCC Group considers that they are contingent liabilities (Note 20).

Provisions for guarantees and contractual and legal obligations

Provisions for guarantees and contractual and legal obligations include the provisions to cover the expenses arising from contractual and legal obligations of a non-environmental nature.

Other provisions

"Other Provisions" includes the items not classified in the foregoing accounts, including provisions to cover environmental contingencies, self-insurance activity and the Company's obligations in relation to equity instrument-based transactions.

16 Non-current and current payables

The detail of "Non-Current Payables" and "Current Payables" is as follows:

	Non-current	Current
2016		
Debt instruments and other marketable securities	32,200	348
Bank borrowings	3,082,785	231,838
Obligations under finance leases	16,542	10,417
Derivatives (Note 13)	2,244	149
Other financial liabilities	5,878	47,858
	3,139,649	**290,610**
2015		
Debt instruments and other marketable securities	446,523	4,873
Bank borrowings	3,585,225	209,140
Obligations under finance leases	18,419	8,987
Derivatives (Note 13)	2,310	198
Other financial liabilities	6,681	63,457
	4,059,158	**286,655**

The detail, by maturity, of "Non-Current Payables" is as follows:

	Maturity					
	2018	2019	2020	2021	2022 and subsequent years	Total
Debt instruments and other marketable securities	—	—	32,200	—	—	32,200
Bank borrowings	3,054,096	6,494	6,030	3,345	12,820	3,082,785
Obligations under finance leases	6,930	5,065	4,101	446	—	16,542
Derivatives	442	442	442	442	476	2,244
Other financial liabilities	1,764	895	1,079	854	1,286	5,878
	3,063,232	**12,896**	**43,852**	**5,087**	**14,582**	**3,139,649**

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

On 30 October 2009 Fomento de Construcciones y Contratas S.A. issued convertible bonds totalling EUR 45 million for international institutional investors.

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

In accordance with applicable accounting regulations, in addition to their financial component, the convertible bonds have another component that is recognised in equity as described in Note 14.e. Note 14.e also describes the terms of the convertible bond issue.

As a result of the restructuring of the convertible bonds, as it is a compound instrument, the fair value of the convertibility option equity instrument was determined under the new conditions, mainly the lengthening of the maturity and the adjustment to its conversion price, as a result of the dilution arising from the successive capital increases. As the exercise price of the conversion option was far superior to the market price of the share and it was not expected that the market price would reach or exceed the exercise price of the option, the option was considered to be out of the money and its fair value was therefore considered to be zero. As a result, the carrying amount of the liability component and the equity instrument was maintained unaltered. In relation to the liability component, since its fair value, using as the discount rate the effective interest rate resulting from the conditions applied to the bond issue in 2009, was very close to its carrying amount, and having verified that the present value of the cash flows discounted under the new terms and conditions, including any fees and commissions paid, using the original effective interest rate, differed by less than 10% from the discounted present value of the cash flows still remaining from the original financial liability, the aforementioned refinancing did not give rise to the derecognition of the initial liability. It is important to Note that the restructuring of the bond affected its maturity but did not give rise, under any circumstances, to the early conversion of the bond.

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

Fomento de Construcciones y Contratas S.A. filed an appeal against the court order and, on 22 November 2016 the competent UK court (England and Wales Court of Appeal) ratified the order issued by the lower court.

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

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

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

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

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

b) Non-current and current bank borrowings

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

The refinancing process was formalised through the refinancing agreements entered into on 24 March and 1 April 2014 by Fomento de Construcciones y Contratas S.A., other Group companies and the lending banks. Subsequent to compliance with certain conditions, the refinancing process came into effect on 26 June 2014, the date on which the full amount of the Financing Agreement was received and interest began to accrue. The refinancing was subscribed by virtually all the financial institutions involved (more than 40 entities), achieving coverage of 99.98% of the liabilities affected.

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

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

i) the use of the proceeds net of expenses arising from the 2015 capital increase; and

ii) the modification of certain terms and conditions of the financing agreement.

Specifically, the aforementioned agreement established that EUR 765 million of the proceeds from the capital increase in 2014 be used to repay and amortise EUR 900 million of Tranche B of the Financing Agreement, with the lending entities of Tranche B thereby assuming a debt reduction of 15%. It also provided for margin reduction and payment deferrals, including the potential extension of the term of Tranche B in the case of non-conversion. The lending entities’ share of this reduction was proportional to their respective participation in Tranche B.

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

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

Financing Agreement and subsequent renewal

The refinancing is structured primarily on the basis of a long-term syndicated financing agreement divided into tranches that came into force on 26 June 2014 (the "Financing Agreement") which entailed the novation of a significant portion of the various syndicated financing agreements, credit or loan facilities or bilateral financing instruments of Fomento de Construcciones y Contratas S.A. and certain of its Group companies (the "FCC Refinancing Scope"), with the exception of certain excluded companies and the excluded subgroups headed by Cementos Portland Valderrivas S.A., FCC Environment Services, FCC PFI Holdings Ltd and Azincourt Investment S.L.U. ("Azincourt"), ASA Abfall Services A.G. and Aqualia Czech S.L. (together the "Excluded Subgroups").

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

- **Amount:** The initial amount is EUR 4,528 million, which replaces the debt existing in various syndicated and bilateral structures for the same amount. As a result of the renewal the principal stands at EUR 3.237 million.
- **Tranches:** Tranche A for an initial amount of EUR 3,178 million, which is classified as a guaranteed senior commercial loan and Tranche B for an initial amount of EUR 1,350 million that is of the same guaranteed nature as Tranche A and includes a right to convert the outstanding balance at maturity into newly issued shares at market price without a discount (including the PIK or capitalisable component of the accrued interest) through the conversion of loans into share capital or a subordinated loan in certain circumstances envisaged in the Financing Agreement. As a result of the renewal and the use of a portion of the funds from the capital increases effected in 2014 and 2016 to repay Tranche B, the principal amounted to EUR 138 million at 31 December 2016.
- **Maturity:** The maturity of the Financing Agreement was set at 4 years from 26 June 2014 with the possibility of being extended up to a maximum period of 6 years (automatic extension by 1 year in the case of conversion of Tranche B into shares of Fomento de Construcciones y Contratas S.A. and additional extension by 1 more year where this has been approved by an enhanced majority of 75% of entities financing Tranche B). After novation of the agreement, if Tranche B has not been converted, it will be extended automatically for an additional three-year period.
- **Repayment:** The repayment schedule includes EUR 150 million at 24 months and EUR 175 million at 36 months, and the remainder is payable on maturity. Tranche B is repayable on the original maturity date, notwithstanding its possible conversion into shares under the terms and conditions indicated below. However, if the entities financing Tranche B decide not to convert Tranche B into shares of Fomento de Construcciones y Contratas S.A. on the original maturity date, the maturity of Tranche B will be automatically extended for an additional three-year period from the original maturity date.
- **Interest rate for Tranche A:** The interest rate established for Tranche A is Euribor plus a floating spread increasing over the period of 3% in the first year, 3.5% in the second year and 4% in the third and fourth years.
- **Cases of early maturity.** The Financing Agreement provides for certain cases of early maturity, which include, inter alia (i) non-payment; (ii) non-achievement of covenants; (iii) material adverse effect; (iv) insolvency proceedings involving any party to the Agreement or relevant subsidiary; and (v) cross default if other debts are not paid.
- **Cases of mandatory total early repayment.** The Financing Agreement provides for certain cases of mandatory total early repayment which include, inter alia (i) a change of control at the FCC Group (which involves the acquisition of control by a third party other than an industrial company or a credit institution of acknowledged solvency, experience and management capacity), unless it results from a monetary capital increase the funds of which are used for the purposes envisaged in the Financing Agreement, or from the acquisition of control as a result of a possible conversion into shares; or the loss of control of the current controlling shareholder that does not involve the acquisition of control by a third party; and (ii) the sale of all or a substantial portion of the assets or businesses of the Group.

- **Cases of mandatory partial early repayment.** Among other cases, the Financing Agreement provides for the obligation of the borrowers to repay, early and partially, the outstanding principal using (i) all of the net proceeds from monetary capital increases, unless (a) they are used to repurchase Tranche B debt (using the Dutch auction procedure); (b) and up to 25% of the proceeds from the capital increase may be used, at the Company's discretion, as contributions of funds to certain companies in which non-controlling interests are held, Excluded Subgroups (except for Alpine) or certain companies excluded from the FCC Refinancing Scope; (ii) the effective amount paid in by any FCC Group company party to the refinancing or any company in the FCC Refinancing Scope as a result of the subscription of subordinated debt; (iii) proceeds from insurance indemnity payments and the sale of assets, subsidiaries and businesses, except under certain circumstances; and (iv) cash surpluses existing at 31 December of each year which exceed certain minimum amounts.
- **Financial ratios and other borrower obligations.** The Financing Agreement is subject to the achievement of certain half-yearly financial ratios relating to the FCC Refinancing Scope the non-achievement of which may trigger a case for early repayment. At 31 December 2016, the ratios envisaged in this agreement had been achieved.
- **Flexibility in the terms and conditions in the case of deleverage.** If all the circumstances concur, which in accordance with the Financing Agreement constitutes a case of deleverage of the FCC Refinancing Scope, the Financing Agreement provides for the automatic modification of certain conditions and obligations upon the borrowers including (i) the easing of partial early payment cases; and (ii) modification of the dos and don'ts obligations incumbent upon borrowers (including the removal of the prohibition on distributions to shareholders), establishing minimum thresholds triggering the prohibition of constitution of liens and encumbrances or limitations on the disposal and sale of assets when conducted under conditions other than market conditions.

  As a result of the aforementioned renewal, certain clauses were modified, thereby mitigating various restrictions imposed by the original Agreement, the most significant being: (i) Fomento de Construcciones y Contratas S.A. can provide funding to Group companies other than the borrowers and guarantors if they meet certain requirements; (ii) the maximum amount of additional financial indebtedness which Fomento de Construcciones y Contratas S.A. and other Group companies may incur has been increased; and (iii) the Company may distribute dividends to shareholders, although the required conditions were not met during the year.
- **Personal guarantees and security interests.** The Financing Agreement provides for personal guarantees whereby Fomento de Construcciones y Contratas S.A. and Group companies acting as guarantors are jointly and severally liable for the fulfilment of the obligations of the other borrowers. In further assurance of compliance with the obligations under the Financing Agreement, certain security interests have been given by the borrowers including (i) a pledge of shares and ownership interests in various FCC Group companies; (ii) a pledge of collection rights relating to bank accounts; and (iii) a pledge of receivables under certain concession arrangements and other collection rights, as well as the grant of a promise of creating additional security interests in certain circumstances.

  There is a promise to create additional security interests in assets of any kind (property, plant and equipment, intangible assets or financial assets) and, in particular, in the Group's property assets which are not encumbered or subject to promises of guarantees, receivables or shares of or ownership interests in any company owned by it in any of the following cases: (i) if the majority of the financial institutions have requested this expressly in view of the circumstances at any given time (regardless of whether or not the additional security interests will be provided to all the guaranteed creditors); (ii) in a case of early maturity of the financing (regardless of whether or not the early maturity of the financing has been declared); or (iii) at any other time at which a guarantee may have become invalid or unenforceable, or may have been cancelled or reduced in any way.

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

  With regard to the water division, there is an undertaking to pledge the credit rights under water-division contracts in the event of the termination on any grounds of factoring at FCC Aqualia S.A., or if all or some of these credit rights may be pledged for any other reason.

  Also, if any of the bound parties enters into any contracts with public entities outside the scope of factoring at FCC Aqualia S.A., they undertake to pledge the credit rights derived from such contracts, provided that the estimated annual billing under such contracts represents 3% or more of the total billing of the Group's water division.

Main characteristics of Tranche B

- **Repurchase of Tranche B.** The Financing Agreement establishes that, in the event of a capital increase at Fomento de Construcciones y Contratas S.A., the proceeds obtained from the increase may be earmarked for the acquisition of Tranche B debt through a Dutch auction process, which could allow for the repurchase of Trance B at a discount.

- **Interest rate of Tranche B.** The interest rate agreed upon was 1-year Euribor plus an annual fixed spread (PIK component) of 11% in the first year, 13% in the second year, 15% in the third year and 16% in the fourth year, with the Euribor payable in cash and the PIK component capitalisable at the end of each interest period. In accordance with the renewal of FCC's financing contract in November 2014, the PIK component accrued and was capitalised at the reduced rate of 6% solely in relation to that portion of Tranche B that had been repaid and only with respect to the interest accrued from 26 June 2014 until 19 December 2014. As a result of the aforementioned novation of the FCC Financing Agreement, the interest rate on the PIK component was reduced from the aforementioned date to 5% per year on the portion not yet repaid after the novation.

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

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

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

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

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

However, it should be stressed that the warrants will not be convertible into shares of Fomento de Construcciones y Contratas S.A. if prior to or on the conversion date the aforementioned Tranche B is repaid or if various circumstances arise together, including most notably: (i) that the Company has accredited the reduction of the Net Financial Debt/EBITDA Ratio of the FCC Refinancing Scope to under 4 times; (ii) that it has repaid at least EUR 1.500 million of the total financing granted through Tranche A and Tranche B; and (iii) that recurring EBITDA exceeds EUR 750 million. In these cases, the conversion of the warrants would be immediately deactivated, Tranche B would be converted into Tranche A and the spread applicable to the interest rate on the total of Tranche A would be set at 4.5%.

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

Financial Stability Framework Agreement

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

Syndicated international guarantee facility

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

Cementos Portland Valderrivas deferral agreement

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

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

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

Other disclosures

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

Finally, there are bilateral loans/credit facilities totalling EUR 41,780 thousand (31 December 2015: EUR 40,680 thousand).

At year-end the long- and short-term financing granted to the Company by banks had a limit of EUR 3,260,301 thousand (31 December 2015: EUR 3,794,365 thousand), which had almost been drawn down in full at 31 December 2016 and 2015, since the signing of the syndicated financing agreement led to the repayment of most of the bilateral financing, with the undrawn balances added to "Cash" and, therefore, working capital needs started to be managed through cash.

17. Non-current and current trade and other payables

a) Accounts payable to public authorities

The entire balance of "Trade and Other Non-Current Payables" and a portion of the balance of "Other Accounts Payable to Public Authorities" under "Trade and Other Current Payables" (Note 19.a) include the deferral of the payment of certain prior years' taxes and social security contributions, authorised by the Large Taxpayers Central Office of the State Tax Agency and the Social Security General Treasury, respectively. The deferred amounts are payable monthly up to a maximum of four years at an interest rate of 4-5%.

The detail of the aforementioned deferred payments is as follows:

	2016	2015
Non-current	—	6,931
Current	1,254	64,552
	1,254	**71,483**

b) Deferral of payment to suppliers in commercial transactions

In relation to the Resolution issued by the Spanish Accounting and Audit Institute (ICAC) on 29 January 2016 implementing Final Provision Two of Law 31/2015, of 3 December, which amends Additional Provision Three of Law 15/2010, of 5 July, on combating late payment in commercial transactions, it should be noted with respect to 2016 that in Spain the Company operates mainly with public-sector customers such as the State, Autonomous Communities, Local Corporations and other public bodies which take longer to settle their payment obligations than the periods established in Public Sector Contract Legislation and in Law 3/2004, of 29 December, on combating late payment in commercial transactions.

It is important to Note that the provisions of Article 228.5 of the current Consolidated Public Sector Contracts Law ("TRLCSP"), which enable the concession operator to agree with the suppliers payment periods in excess of those established in this Article provided that certain terms and conditions are met, were applied to agreements and supplies with third parties arising from contracts entered into by the Company with the various public authorities.

Due to this situation, in order to adapt the Company's financial policy to reasonable levels of efficiency, the usual payment periods to the suppliers in the sectors in which the Company operates were maintained throughout 2016.

The Company's supplier payment policy described in the two preceding paragraphs is thus supported by a) payments to suppliers under agreements entered into by the Company with the public authorities in accordance with the requirements of Article 228.5 of the TRLCSP; and b) payments to other suppliers, in Transitional Provision Two of Law 15/2010 and, where applicable, the provisions of Article 9 of Law 3/2004, which does not consider "payment deferral due to objective reasons" to be abusive, taking into consideration in both case a) and case b) the usual payment period in the business sectors in which the Company operates.

Furthermore, the Company acknowledges and pays suppliers, always by mutual agreement, the late-payment interest agreed in the agreements and provides them with negotiable payment methods associated with actions for collection of a bill of exchange. Such agreements, which are expressly provided for in the TRLCSP, as described above, are also allowed by Directive 2011/7/EU of 16 February, of the European Parliament and of the Council.

In addition, the Company has entered into reverse factoring and similar agreements with various financial institutions in order to facilitate early payment to its suppliers, under which the supplier may exercise its collection right vis-á-vis the Company, obtaining the amount billed less the discount finance costs and fees applied by the aforementioned entities. The facilities arranged total EUR 2,501 thousand, with the full sum having been made available as at 31 December 2016. The aforementioned agreements do not modify the main payment conditions contained therein (interest rate, term or amount) and, therefore, they remain classified as trade payables.

In compliance with the aforementioned Resolution, the following table provides information on the average period of payment to suppliers for those commercial transactions which have accrued since the date of entry into force of the aforementioned Law 31/2014, i.e. 24 December 2014.

	2016	2015
	Days	**Days**
Average period of payment to suppliers	95	89
Ratio of transactions settled	98	84
Ratio of transactions not yet settled	84	105
	Amount	**Amount**
Total payments made	302,151	211,036
Total payments outstanding	80,182	85,558

18. Information on the nature and risks of financial instruments

The concept of financial risk refers to the changes in the financial instruments arranged by Fomento de Construcciones y Contratas S.A. as a result of political, market and other factors and the repercussion thereof on the financial statements. The risk management philosophy of the Company and the FCC Group is consistent with its business strategy and seeks to achieve maximum efficiency and solvency at all times. To this end, strict financial risk management and control criteria have been established, consisting of identifying, measuring, analysing and controlling the risks incurred in the group's operations, and the risk policy has been integrated into the Group organisation in the appropriate manner.

In view of the Company's activities and the transactions through which it carries on its business, it is currently exposed to the following financial risks:

a) Capital risk

For capital management purposes, the fundamental aim of the Company and the FCC Group is to reinforce the financial and equity structure to improve the Debt/Equity Ratio, in an attempt, on the one hand, to reduce the cost of capital and in turn maintain capital adequacy, in order to continue managing its activities and, on the other, to maximise value for shareholders, not just at Group level, but also at the level of the Parent, Fomento de Construcciones y Contratas S.A.

The fundamental base considered by the Company to be capital is reflected under "Equity" in the balance sheet, which for management and monitoring purposes excludes the item "Adjustments net in the fair value of financial instruments" as they are considered within the management of interest rate risk since they result from the measurement of instruments that convert floating-rate debt into fixed-rate debt.

In addition to the contents of the preceding paragraph, it should also be noted that the Company's financial liabilities include two components which may be considered capital for management purposes: the convertible bonds and Tranche B of the refinancing, given its convertible nature in certain circumstances. In the first case, this item is not included, due to the unsubordinated nature of such bonds once the refinancing has been arranged. In the second case, despite the component which can be converted on maturity, it is considered solely to be financial debt, given the intention to repay it from when it is arranged.

In light of the industry in which the Company and the FCC Group operate, they are not subject to external capital requirements, although this does not prevent regular monitoring of equity in order to guarantee a financial structure that is based on compliance with the legislation in force in the countries in which they operate. Analysis is also performed of the capital structure of each of the subsidiaries in order to strike a suitable balance between debt and equity.

Proof of the foregoing are the capital increase of EUR 1,000,000 thousand performed at the end of 2014 and completed on 4 March 2016 of EUR 709,519 thousand, both of which are earmarked to strengthen the Company's capital structure (Note 14).

Also, as explained in Note 16.a on non-current and current obligations and loans, in September much of the convertible bond issue of FCC S.A. was repaid. This, together with other smaller request in subsequent months, represented repayment of the issue during the year of EUR 417.7 million, i.e., nearly 93% of the total. This cancellation has made it possible to substantially reduce the annual finance cost of 6.5% associated with this issue. This operation was in addition to the repayment in April of 77% of Tranche B of the syndicated loan of FCC S.A. by using the Dutch auction procedure, obtaining an average discount of 15%.

With these operations the Company and the FCC Group have made significant progress in the process that is under way, consolidating and optimising the capital structure to provide a solid finance platform, while strengthening operational capacity and flexibility.

The finance department, which is responsible for managing financial risks, regularly reviews the financial debt ratio and compliance with finance covenants, as well as the capital structure of the subsidiaries.

b) Foreign currency risk

A noteworthy consequence of the FCC Group's positioning in international markets is the exposure resulting from net positions in foreign currencies against the euro or in one foreign currency against another when the investment and financing of an activity cannot be made in the same currency.

Although the Company's reference currency and the currency with which it mainly operates is the euro, the FCC Group also has certain financial assets and liabilities denominated in currencies other than the euro. The foreign currency risk arises mainly on debt denominated in foreign currencies, on investments to be made in international markets and on amounts received in a currency other than the euro.

The FCC Group's general policy is to mitigate, as far as possible, the adverse effect on its financial statements of exposure to fluctuations in foreign currencies, with regard to both transactional and purely equity-related changes. The Company therefore manages the effect that foreign currency risk can have on the balance sheet and the statement of profit or loss.

c) Interest rate risk

Fomento de Construcciones y Contratas S.A. and the FCC Group are exposed to risks arising from interest rate fluctuations, since the financial policy aims to guarantee that their current financial assets and debt are partially tied to floating interest rates. The reference interest rate for the bank borrowings arranged in euros is mainly Euribor.

Any interest rate increase could increase the borrowing costs on the debt tied to floating rates and could increase, in turn, the refinancing costs of the debt and the costs involved in issuing new debt.

In order to ensure a position that is in the best interest of the Company and of the FCC Group, an interest rate risk management policy is actively implemented based on the ongoing monitoring of markets and on assuming different positions based primarily on the asset being financed.

The following table summarises the effect that the aforementioned increases and decreases in the interest rate yield curve on gross debt, after excluding any hedged debt, would have on the Company's statement of profit or loss:

	+25 pb	+50 pb	+100 pb
Impact on the statement of profit or loss	10,008	20,016	40,031

d) Solvency risk

It should be noted in relation to "Solvency risk" that, although the Company's financial statements present losses of EUR 299,362 thousand, these relate mostly to the accounting losses or, as the case may be, non-recurring losses in certain investments at Group companies due to impairment of goodwill at Cementos Portland Valderrivas S.A. and adjustments to certain investments at FCC Construcción S.A., that do not affect cash and will not affect the borrowings of the Company and the FCC Group in the future (and, therefore, will similarly not affect their solvency risk).

e) Liquidity risk

Fomento de Construcciones y Contratas S.A. performs their transactions in industries which require a high level of financing, and to date they have obtained adequate financing to be able to carry on their operations. However, the Company cannot guarantee that these circumstances relating to the obtainment of financing will continue in the future.

The capacity of the Company and of the FCC Group to obtain financing depends on many factors, many of which are outside their control, such as general economic conditions, the availability of bank funds and the monetary policies of the markets in which they operate. Unfavourable conditions in the debt and capital markets can obstruct or impede the obtainment of adequate financing for the performance of business activities.

Apart from seeking new sources of financing, the Company and the FCC Group may need to refinance a portion of their current debt through bank loans and debt issues, since a significant portion of the financing matures in 2018. Historically, the FCC Group has always been able to renew its loan agreements and expects to continue to do so over the next twelve months. However, the ability to renew the loan agreements depends on various factors, many of which are outside the control of the FCC Group, such as the general conditions of the economy, the availability of funds for loans from private investors and banks and the monetary policies of the markets in which it operates. Unfavourable conditions in the debt markets can obstruct or impede the FCC Group's capacity to renew its financing. Therefore, the FCC Group cannot guarantee its capacity to renew the loan agreements on economically attractive terms. The inability to renew these loans or ensure adequate financing on acceptable terms could have an adverse impact on the liquidity of Fomento de Construcciones y Contratas S.A. and its Group and on its ability to cover working capital requirements.

In order to adequately manage this risk, Fomento de Construcciones y Contratas S.A. closely monitors the maturities of all the credit lines and financing of each of the Group companies so that they can be renewed in sufficient time and on the best terms offered by the market, analyses the suitability of the financing on a case-by-case basis and studies any alternatives with more favourable terms. In addition, Fomento de Construcciones y Contratas S.A. is present in various markets in order to facilitate the obtainment of financing and to mitigate liquidity risk.

f) Concentration risk

This risk arises from the concentration of financing transactions with common features which are distributed as follows:

- Sources of financing: in order to diversify this risk, the Company and the FCC Group work with numerous Spanish and international financial institutions in order to obtain financing.
- Markets/Geographical area (Spanish and foreign): the Company operates basically in the domestic market and, therefore, the debt is concentrated mainly in euros.
- Products: the Company uses various financial products, including loans, credit facilities, bonds, syndicated transactions, factoring, discounting, etc.

g) Credit risk

The provision of services or the acceptance of orders from customers, whose financial solvency cannot be guaranteed at the time of acceptance, is not known or cannot be assessed by the Company, together with situations that may arise during the provision of a service or execution of an order that could affect the customer's financial position could result in the risk of non-payment of the amounts owed.

The Company and the FCC Group request commercial reports and assess the financial solvency of its customers before entering into agreements with them and also engage in ongoing monitoring of customers, and they have a procedure in place to be followed in the event of insolvency. In the case of public customers, the Group's policy is not to accept projects without an allocated budget and financial approval. Offers exceeding a certain collection period must be authorised by Financial Management. Furthermore, late payment is monitored on an ongoing basis by the various management committees.

With respect to creditworthiness, the Group uses their best judgement to recognise impairment losses on financial assets for which uncertainty exists as to their recoverability. Therefore, since most of the unprovisioned financial assets relate mainly to accounts receivable from public sector customers in the Construction and Environment Areas, there should be considered to be no risk of non-payment since the creditworthiness of those customers is high.

h) Financial derivatives designated as hedging instruments

In general, the financial derivatives arranged by the Company are treated, for accounting purposes, in accordance with the regulations on hedge accounting described in the notes to the financial statements. The main financial risk hedged by the Company using derivative instruments relates to fluctuations in the floating interest rates to which the project financing of the joint venture Gestión Instalación III (see Note 8.b) is tied. Financial derivatives are measured by experts on the subject that are independent from the Company and the entities financing it, using generally accepted methods and techniques.

Sensitivity analyses are carried out periodically in order to observe the effect of a possible change in interest rates on the Company's accounts.

Accordingly, a simulation was performed using three rising basic yield curve scenarios for the euro with an average of around 0.45% in the medium and long term at 31 December 2016, assuming increases in the curve of 25 bp, 50 bp and 100 bp. The amounts obtained in relation to the derivatives in force at year-end with an impact on equity are shown below (in thousands of euros), after the application, where applicable, of the percentage of ownership.

	+25 pb	+50 pb	+100 pb
Impact on Equity	181	359	706

19. Deferred taxes and tax matters

a) Tax receivables and payables

The detail of the tax receivables and payables from/to public authorities is as follows:

a.1) Tax receivables

	2016	2015
Non-current		
Deferred tax assets	103,262	168,619
	103,262	**168,619**
Current		
Current tax assets	1,541	25,990
Other accounts receivable from public authorities	7,252	7,750
	8,793	**33,740**

The detail of "Deferred Tax Assets" is as follows:

	2016	2015
Impairment of investment portfolio	—	65,328
Non-deductible finance costs	57,329	57,329
Provisions	33,217	33,570
Other	12,716	12,392
	103,262	**168,619**

"Other" includes, inter alia, the differences for period depreciation and amortisation and the deferral of losses contributed by joint ventures which will be included in the tax base for the following year.

Management of Fomento de Construcciones y Contratas S.A., Parent of Spanish tax group 18/89 (Note 19.h), assessed the recoverability of the deferred tax assets by estimating the future tax bases relating to this group and concluded that there were no doubts as to their recoverability in a period of no more than ten years. The estimates used are based on the Group's estimated "consolidated book result before tax from continued operations for the year", adjusting the corresponding permanent and temporary differences that are expected to occur in each year. Forecasts show an improvement in profits, as a result of maintaining in place the steps taken to cut costs and strengthening the Group's financial structure by means of the two capital increases effected, for EUR 1,000 million in 2014 and EUR 710 million in 2016, which have enabled the Group's financial debt to be reduced and its financial liabilities to be restructured, resulting in significant cost reductions.

a.2) Tax payables

	2016	2015
Non-current		
Deferred tax liabilities	43,500	52,715
Other accounts payable to public authorities	—	6,931
	43,500	**59,646**
Current		
Other accounts payable to public authorities:	41,415	109,857
Tax withholdings payable	8,663	9,050
VAT and other indirect taxes payable	19,415	19,335
Accrued social security taxes payable	10,074	13,849
Deferral of payments to public authorities (see Note 18)	1,254	64,552
Other	2,009	3,071
	41,415	**109,857**

The detail of “Deferred Tax Liabilities” is as follows:

	2016	2015
Impairment of goodwill for tax purposes	10,115	8,381
Accelerated depreciation and amortisation	10,051	12,759
Haircut deferment	9,791	—
Finance leases	4,921	6,100
Acquisition differences	—	16,924
Other	8,622	8,551
	43,500	**52,715**

“Other” includes, inter alia, the deferral of gains contributed by joint ventures which will be included in the tax base for the following year.

b) Reconciliation of the accounting loss to the taxable profit (tax loss)

The reconciliation of the accounting loss to the taxable profit (tax loss) for income tax purposes is as follows:

	2016			2015		
Accounting loss for the year before tax			**(259,930)**			**(23,611)**
	Increase	**Decrease**		**Increase**	**Decrease**	
Permanent differences	365,884	(33,207)	332,677	199,996	(143,778)	56,218
Adjusted accounting profit (loss)			72,747			32,607
Temporary differences:						
- Arising in the year	—	(44,943)	(44,943)	—	—	—
- Arising in prior years	89,695	(282,951)	(193,256)	33,923	(54,463)	(20,540)
Taxable profit (tax loss)			**(165,542)**			**12,067**

The foregoing table includes notably the permanent differences relating to 2016 and 2015. These differences arose from:

- The impairment losses on the investments of tax group 18/89 and the reversals of impairment losses on investments in the remaining investees.
- The treatment as permanent differences of deferred tax assets generated in the year, basically because of the limitations on the deductibility of finance costs, and the exemption to avoid the double taxation of dividends. Spanish Income Tax Law 27/2014, of 27 November, to be applied from 2015, eliminated the tax credit for double taxation of dividends, replacing it with the aforementioned exemption.

The changes in deferred tax assets and liabilities in 2016 and 2015 were as follows:

	Deferred tax assets	Deferred tax liabilities
Taxable temporary differences (statement of profit or loss liability method)		
Balance at 31.12.14	**194,489**	**45,104**
Arising in the year	—	—
Arising in prior years	(15,250)	(9,498)
Arising in prior years	(11,247)	(139)
Balance at 31.12.15	**167,992**	**35,467**
Arising in the year	—	11,236
Arising in prior years	(70,738)	(5,500)
Arising in prior years	5,416	2,172
Balance at 31.12.16	**102,670**	**43,375**
Temporary differences (balance sheet liability method)		
Balance at 31.12.14	**723**	**21,212**
Arising in the year	—	—
Arising in prior years	(96)	(60)
Arising in prior years	—	(3,904)
Balance at 31.12.15	**627**	**17,248**
Arising in the year	—	37
Arising in prior years	(35)	(16,935)
Arising in prior years	—	(225)
Balance at 31.12.16	**592**	**125**
Total at 31.12.16	**103,262**	**43,500**

Worthy of Note on this chart is the variation in deferred taxes on assets sourced in prior years, totalling EUR 70,738 thousand, which largely corresponds to the reversion of the accumulated impairment of the company Globalvia Infraestructuras S.A. caused by its sale (Note 11).

"Other Adjustments" arose as a result of the positive or negative differences between the estimate of the tax expense or benefit at the accounting close and the amount per the subsequent settlement of the tax at the date of payment and of the adjustment of deferred tax assets and liabilities to the income tax rates applicable in 2015 (28%) and 2016 (25%).

c) Tax recognised in equity

At 31 December 2016, the tax recognised in equity amounted to EUR 11,492 thousand (31 December 2015: EUR 10,752 thousand) and related basically to the 2014 and 2016 capital increases expenses.

d) Reconciliation of the accounting result to the income tax expense

The reconciliation of the accounting result to the income tax expense is as follows:

	2016	2015
Adjusted accounting profit (loss)	72,747	32,607
Income tax charge (25% for 2016 and 28% for 2015)	18,187	9,130
Other adjustments	21,245	1,945
Income tax expense	**39,432**	**11,075**

In 2016 "Other Adjustments" related basically to the adjustment made as a result of the non-recognition of the tax losses that it is considered will not be able to be offset by the tax group in the income tax return for 2016 for EUR 19,388 thousand. Also recorded is the impact of the application of Royal Legislative Decree 3/2016, resulting in a corporation tax expense of EUR 1,912 thousand, as a result of the reversion of deferred taxes on assets related to impairment of financial holdings that were not deductible in prior years. This decree also requires the return within five years of the tax impact of any impairment considered deductible before 2013, although the impact of this item on the Company is negligible.

e) Breakdown of income tax expense

The breakdown of the income tax expense for 2016 and 2015 is as follows:

	2016	2015
Current tax	(15,514)	3,379
Deferred taxes	54,946	7,696
Total tax expense	**39,432**	**11,075**

f) Tax loss and tax credit carryforwards

At 2016 year-end the Company had tax loss carryforwards from 2014 amounting to EUR 47,860 thousand, as part of tax group 18/89. The Company has not recorded any deferred tax assets for this item.

In addition, it should be noted that the Company had tax credit carryforwards amounting to EUR 10,968 thousand, for which, in the same way as for tax loss carryforwards, the Company did not recognised any deferred tax assets. The detail is as follows:

Tax credit	Amount	Period for deduction
Reinvestment tax credits	4,688	15 years
R&D+i activities	2,949	18 years
For Canary Islands general indirect tax	1,698	15 years
Job creation for disabled people	652	15 years
For domestic double taxation	544	Indefinite
Other	437	15 years
	10,968	

The Company also has unrecognised tax credit assets amounting to EUR 325 million relating to the impairment loss recognised in prior years on its ownership interest in Azincourt S.L., a holding company which holds the shares of the UK-registered company FCC Environment (UK). The amount of the impairment recognised, which was deemed to be non-deductible for income tax purposes, amounts to EUR 1,300.1 million. This amount might be deductible for income tax purposes in the future in the event of the winding-up of the company Azincourt Investment S.L.

g) Years open for review and tax audits

Fomento de Construcciones y Contratas S.A. has all the years not yet statute-barred open for review by the tax authorities for the taxes applicable to it. On 8 June 2015, the State Tax Agency's Department of Tax and Customs Control served notice of the commencement of a tax audit for income tax (periods from 01/2010 to 12/2013) and VAT (period from 01/2012 to 12/2013). With respect to income tax, the audit will cover the entire 18/89 tax group, of which the Company is the Parent, whereas the VAT audit affects the Company and certain subsidiaries. In view of the criteria that the tax authorities might adopt in the interpretation of tax legislation, the outcome of the tax audits currently under way and any tax audits of the open years that could be conducted by the tax authorities in the future could give rise to contingent tax liabilities which cannot be objectively quantified at the present time. However, the Group's senior executives consider that any resulting liabilities would not significantly affect the Company's equity.

h) Tax Group

Under authorisation 18/89, Fomento de Construcciones y Contratas S.A., as the Parent, files consolidated income tax returns with all the other Group companies that meet the requirements established by tax legislation.

i) Other tax disclosures

The detail of "Income Tax Recovered/Paid" in the statements of cash flows for 2016 and 2015 is as follows:

	2016	2015
Income tax recovered from/paid to Group companies in prior year	(12,700)	17,621
Deferred taxes	—	(9,741)
Pre-payments	—	(18,726)
Withholdings and other	374	(292)
	(12,326)	**(11,138)**

20. Guarantee commitments to third parties and other contingent liabilities

At 31 December 2016, Fomento de Construcciones y Contratas S.A. had provided EUR 535,224 thousand (31 December 2015: EUR 548,656 thousand) of guarantees, mostly consisting of completion bonds provided to government agencies and private-sector customers as security for the provision of urban cleaning contract services.

At 2016 year-end the Company had also provided guarantees to third parties for certain Group companies amounting to EUR 382,593 thousand (31 December 2015: EUR 283,849 thousand). These include, most notably, EUR 292,245 thousand relating to Environmental Services companies and EUR 76,386 thousand relating to Construction companies in relation to the activity carried on by them.

Fomento de Construcciones y Contratas S.A. and the joint ventures in which it has interests are acting as defendants in lawsuits in relation to the liability inherent to the various business activities carried on by the Company in the performance of the contracts awarded, for which the related provisions have been recognised (notes 15 and 4.j). Accordingly, any resulting liabilities would not have a significant effect on the Company's equity.

With respect to the main contingent liabilities arising from the insolvency proceedings of the Alpine subgroup, it should be noted that the potential financial effects would be the outflow of cash of the amount indicated in the related claims detailed in Note 15 to these financial statements. In relation to the complaints filed on the one hand, by a bondholder against certain directors of Alpine Holding, GmbH, auditors of Alpine their partners and, on the other, a former director of Banco Hypo Alpe Adria, both are cases of complaints filed in the criminal jurisdiction, which are still being investigated and, therefore, the criminal liability (and civil liability that might arise and which is the sole quantifiable liability) prevent the determination of an amount and timing of the potential outflow of benefits until the amount that might arise in connection with the liability can be determined. In turn, the court proceedings brought by the insolvency managers of Alpine Holding GmbH for EUR 186 million are during the evidence-hearing stage and, since they constitute a new procedure, the legal arguments put forward by the parties, and the lack of any clear case law doctrine, it is to be supposed that the such proceedings may reach the Supreme Court, a situation which would give rise to a significant delay in the timing of the court proceedings, which, based on the preliminary estimates of the Group, could go on until 2020.

In all cases, the possibility of indemnity payments, except for costs and court costs if our case prospers in court, is remote or practically non-existent.

In addition to the lawsuits related to Alpine, it should be noted that on 15 January 2015 the Competition Section of the Spanish National Markets and Competition Commission issued a resolution in relation to case file S/0429/12 for an alleged infringement of Article 1 of Spanish Competition Law 15/2007. The aforementioned resolution affects various companies and associations in the waste management industry, including Fomento de Construcciones y Contratas S.A. and other companies in the FCC Group. The Group filed an appeal for judicial review requesting as a precautionary measure the suspension of the enforcement of the resolution. On 29 April 2015, the Competition Section of the Spanish National Markets and Competition Commission agreed to suspend the enforcement of the resolution without the provision of a guarantee and on 10 September the Group submitted the statement of claim. No provision was recognised to cover the financial consequences of the aforementioned resolution, since it is considered that it is a court proceeding with a right of appeal and in which the definitive penalty to be imposed, where applicable, shall be specified in the decisions to be handed down and, accordingly, there is uncertainty as to the outcome of the aforementioned resolution, which does not allow for a reliable estimate to be made of the potential amount to be paid. The penalty imposed amounts to EUR 16,880 thousand and it is estimated that the potential cash outflow could be scheduled over a minimum period of two and a half or three years. Given the characteristics of the lawsuit, no indemnity payments will arise under any circumstance. However, the Group estimates that it is not likely that an outflow of resources will take place as a result of the aforementioned action.

The Company has other lawsuits and court proceedings underway in addition to those detailed above from which no significant outflows of cash are expected to arise.

The Company also has a commitment to make a contingent contribution to Cementos Portland Valderrivas S.A. of up to EUR 100,000 thousand, linked to how its business continues to progress (Note 10.d).

In relation to the Company's interests in joint operations managed jointly through unincorporated joint ventures, joint property entities, silent participation agreements and other entities of a similar nature, the venturers share joint and several liability with respect to the activity carried on (see Note 13).

It should be noted in relation to the guarantees enforced or provided that the Company has not obtained significant assets as a result of guarantees enforced in its favour.

21. Income and expenses

The revenue and the income from sales and services include the dividends and the accrued interest on the financing granted to investees (Note 2).

The detail, by area, of “Sales and Services” is as follows:

	2016	2015
Environmental Services	1,160,120	1,145,245
Integrated Water Management	18,948	50,059
	1,179,068	**1,195,304**

Of the total cited, EUR 8,648 thousand corresponds to contracts abroad, specifically in the United States.

The detail of “Staff Costs” is as follows:

	2016	2015
Wages and salaries	567,252	562,737
Employee benefit costs	194,497	189,939
	761,749	**752,676**

In 2016 “Impairment and Gains or Losses on Disposals of Non-Current Assets and Other Gains or Losses” includes a reversal of a provision amounting to EUR 12,516 thousand (Note 15), relating to risks that are currently considered to be remote, income from acknowledgment of debt regarding the “hospital cent” for EUR 4,925 thousand and losses from deregistered intangible and tangible assets totalling EUR 6,677 thousand. The 2015 figures include a reversion of provisions of EUR 10,000 thousand (Note 15), with regard to risks that are considered remote, as well as the indemnity payment made to the former Second Deputy-Chairman and CEO as a result of their replacement amounting to EUR 8,375 thousand.

The heading “excessive provisions” includes reversions of provisions for guarantees and contractual and legal obligations totalling 19,870 thousand (EUR 5,499 thousand as at 31 December 2015; Note 15).

“Finance Income From Marketable Securities and Other Financial Instruments of Group Companies and Associates” includes the interest earned on the financing granted to investees (Note 10), which includes most notably the following:

	2016	2015
FCC Aqualia, S.A.	19,771	19,106
Azincourt Investments, S.L. Unipersonal	6,087	6,788
FCC Medio Ambiente, S.A.	6,004	8,334
Cementos Portland Valderrivas, S.A.	5,376	8,418
FCC Versia, S.A.	5,145	2,408
FCC Construcción, S.A.	4,231	5,171
Other	17,388	22,429
	64,002	**72,654**

In 2016 “Finance Income” included most notably EUR 58,082 thousand arising from a debt reduction agreed on in the novation of the financing agreement entered into as a result of the partial repayment of Tranche B of the loan, as indicated in Note 16.b.

“Exchange Rate Differences” relate mainly to the differences arising on the loans in pounds sterling granted to FCC PFI Holdings Limited, Enviropower Investment Ltd. and FCC Environment (UK) Ltd.

22. Related party transactions and balances

a) Related party transactions

The detail of the transactions with related parties in 2016 and 2015 is as follows:

	Group companies	Joint ventures	Associates	Total
2016				
Services rendered	78,911	8,367	1,148	88,426
Services received	20,661	692	207	21,560
Dividends	10,888	781	1,553	13,222
Finance costs	9,382	24	—	9,406
Finance income	63,918	84	—	64,002
2015				
Services rendered	95,152	16,192	1,929	113,273
Services received	27,484	533	155	28,172
Dividends	73,144	1,019	803	74,966
Finance costs	4,756	—	—	4,756
Financial income	72,127	—	527	72,654

b) Related party balances

The detail of the related party balances at 31 December 2016 and 2015 is as follows:

	Group companies	Joint ventures	Associates	Total
2016				
Current financial assets (Note 10)	215,822	588	588	216,998
Non-current financial assets (Note 10)	3,531,961	16,959	216,279	3,765,199
Current payables (Note 10)	583,534	667	—	584,201
Non-current payables (Note 10)	16,279	—	—	16,279
Trade receivables	68,384	2,767	273	71,424
Trade payables	14,146	189	6	14,341
2015				
Current financial assets (Note 10)	220,466	417	929	221,812
Non-current financial assets (Note 10)	3,627,730	9,191	173,045	3,809,966
Current payables (Note 10)	332,833	130	46,667	379,630
Non-current payables (Note 10)	110,308	—	—	110,308
Trade receivables	94,661	267	5,224	100,152
Trade payables	15,499	247	12	15,758

The detail of the trade receivables from and payables to Group companies and associates is as follows:

	2016		2015	
Company	Receivable	Payable	Receivable	Payable
FCC Construcción S.A.	39,113	1,932	47,376	1,702
Serveis Municipals de Neteja de Girona S.A.	3,926	—	3,237	—
Fedemes S.L.	3,349	1,452	—	48
FCC Aqualia S.A.	2,805	92	11,924	946
FCC Saudi Co	2,206	2,166	2,168	2,166
Gandia Serveis Urbans S.A.	1,998	—	1,450	—
Societat Municipal Mediambiental d'Igualada S.L.	1,567	—	1,587	—
FCC Medio Ambiente S.A.	1,432	231	4,125	576
Manipulación y Recuperación MAREPA S.A.	1,106	68	1,850	438
Sercovira S.A.	1,077	363	514	—
Ecoparc del Besòs S.A.	1,072	—	2,183	—
FCC Industrial e Infraestructuras Energéticas, S.A.	1,022	444	2,493	425
ASA Group	1,011	1,735	132	—
Empresa Comarcal de Serveis Mediambientals del Baix Penedés ECOBP, S.L.	964	—	1,315	—
Servicios Urbanos de Málaga S.A.	905	—	1,071	—
Cementos Portland Valderrivas S.A.	802	31	2,238	55
Servicios Especiales de Limpieza S.A.	666	911	552	1,936
FCC Ámbito S.A. Sole-Shareholder Company	660	98	1,443	73
Hidrotec Tecnología del Agua, S.L. Sole-Shareholder Company	398	9	2,322	164
Tratamiento Industrial de Aguas, S.A.	39	25	153	2,548
Limpieza e Higiene de Cartagena, S.A.	8	—	2,635	19
Gestió i Recuperació de Terrenys, S.A. Sole-Shareholder Company	1	1,185	1	1,357
Other	5,297	3,599	9,383	3,305
	71,424	**14,341**	**100,152**	**15,758**

c) Remuneration of the Directors of the Company and Senior Executives of the FCC Group

The Directors of Fomento de Construcciones y Contratas S.A. earned the following amounts (in thousands of euros):

	2016	2015
Fixed remuneration	1,230	2,044
Other remuneration (*)	1,443 (**)	5,046
	2,673	**7,090 (*)**

(*) Also, on 18 August 2015 Juan Béjar Ochoa ceased to discharge his position as CEO and left the Company, receiving in August an indemnity payment of EUR 8,375 thousand.

(**) Includes the contribution to the CEO's savings fund of EUR 202 thousand (Note 4.l) and Alejandro Aboumrad's contract to provide services (EUR 338 thousand).

The Senior Executives listed below, who are not members of the Board of Directors, earned total remuneration of EUR 3,507 thousand in 2016 (2015: EUR 5,861 thousand).

2016	
Marcos Bada Gutierrez	General Internal Audit Manager
Agustín García Gila	Chairman of Environmental Services
Felipe B. García Pérez	General Secretary
Miguel Jurado Fernández	Manager of FCC Construcción
Félix Parra Mediavilla	General Manager of FCC Aqualia

The figure for total remuneration includes the sums corresponding to severance payments for three senior managers in 2016.

On 16 January 2017, Pablo Colio Abril replaced Miguel Jurado Fernández as the managing director of FCC Construcción.

2015	
Carlos M. Jarque Uribe	Chief Executive and CEO
Agustín García Gila	Chairman of Environmental Services
Felipe B. García Pérez	General Secretary
Miguel Jurado Fernández	Manager of FCC Construcción
Vicente Mohedano Martín	Manager of FCC Construcción
Miguel A. Martínez Parra	General Manager of Administration and Finance
Miguel Hernanz Sanjuán	General Internal Audit Manager
Julio Pastor Bayón	General Communication and Corporate Responsibility Manager
Félix Parra Mediavilla	General Manager of FCC Aqualia
Ana Villacañas Beades	General Organisation Manager

In the past, an insurance policy was arranged and the premium paid to meet payment of the contingencies relating to death, permanent occupational disability, retirement bonuses and other items for some of the Executive Directors and Executives of Fomento de Construcciones y Contratas S.A. (Note 4.l). There have been no contributions or income for these items in 2016 (nor were there any in 2015).

For the purposes of setting up an economic fund to compensate the CEO for the termination of his contract, the Company has set up a savings fund in his favour, funded by annual contributions made by Fomento de Construcciones y Contratas S.A. (Note 4.l). The contributions for this item in 2016 totalled EUR 202 thousand (zero in 2015).

Except as indicated in the foregoing paragraphs, no other remuneration, advances, loans or guarantees have been granted to the Directors and there are no pension or life insurance obligations to former or current Directors.

d) Detail of investments in companies engaging in similar activities and performance of similar activities by the Directors or persons related to them as independent professionals or as employees

In relation to the investments held by the Directors of Fomento de Construcciones y Contratas S.A., or persons related to them, in the share capital of companies outside the FCC Group; or in relation to whether they, as independent professionals or as employees, engage in a similar or complementary activity to that which constitutes the company object of the Group; or in relation to whether they themselves or a person acting on their behalf have performed, with the Company or with any company of the same Group, other transactions outside the course of the Company's ordinary business operations or in conditions that were not on an arm's length basis; it should be mentioned that the aforementioned Directors have stated that they or persons related to them:

- Do not carry on, as independent professionals or as employees, any activity that is identical, similar or complementary to the activity that constitutes the Company's object.
- Do not own any investments in the share capital of companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of Fomento de Construcciones y Contratas S.A.
- Had not performed, with the Company or any company of the same Group, other transactions outside the course of the Company's ordinary business operations, or in conditions that were not on an arm's length basis.

The detail of the Directors who hold positions at companies in which Fomento de Construcciones y Contratas S.A. holds a direct or indirect ownership interest is as follows:

Name or company name of Director	Group company name	Position
Carlos Manuel Jarque Uribe	Realia Business, S.A.	Director
Gerardo Kuri Kaufmann	Cementos Portland Valderrivas, S.A.	CEO
	Realia Business, S.A.	CEO
Juan Rodríguez Torres	Cementos Portland Valderrivas, S.A.	Director
	Realia Business, S.A.	Non-Executive Chairman
Alvaro Vázquez De Lapuerta	Cementos Portland Valderrivas, S.A.	Director
Inmobiliaria Aeg, S.A. de C.V.	Cementos Portland Valderrivas, S.A.	Director
EAC Inversiones Corporativas, S.L.	Cementos Portland Valderrivas, S.A.	Chairperson
	Realia Business, S.A.	Director

These Directors hold positions or discharge functions and/or hold ownership interests of less than 0.01% in all cases in other FCC Group companies in which Fomento de Construcciones y Contratas S.A. directly or indirectly holds a majority of the voting power.

At the Annual General Meeting held on 28 June 2016 five Directors (Juan Rodríguez Torres, Carlos Manuel Jarque Uribe, Antonio Gómez García, Alfonso Salem Slim and Miguel Angel Martínez Parra) were released so that they could hold a direct or indirect ownership interest and discharge executive or management positions at the companies of the Group to which the shareholders Control Empresarial de Capitales S.A. de C.V. and Inmobiliaria Carso S.A. de C.V. belong or at their investees or affiliates.

Also in 2016 various one-off conflicts of interest were reported with certain Proprietary Directors of Control Empresarial de Capitales S.A. de C.V., which were resolved in accordance with the procedure established in the Board of Directors regulations. The Directors in question abstained in the related discussions and votes.

e) Operations with associated parties

During the year various operations took place with companies with which shareholders of Fomento de Construcciones y Contratas S.A. are associated. The most significant of these were as follows:

– Contracts to provide services entered into between Alejandro Aboumrad González and Fomento de Construcciones y Contratas S.A. and between Gerardo Kuri Kaufmann and Cementos Portland Valderrivas S.A., worth EUR 338 thousand and EUR 175 thousand, respectively.

– Subcontracting of works pending completion and new works contracted for the “Ciudad de la Salud” project in Panama to FCC Américas S.A. de C.V., which is 50% owned by the Carso group and by the Group.

– Exclusion OPA for the Cementos Portland Valderrivas S.A. holding (Note 4).

– Corporate operation in Giant Cement Holding Inc., with Elementia S.A. de C.V. (Note 4).

– Agreement to sell the holding in Concesionaria Túnel de Coatzacoalcos S.A. de C.V. to Promotora de Desarrollo de América Latina S.A. de C.V.

– Operation for sale without recourse of clients’ invoices guaranteed by the finance group Inbursa, worth approximately EUR 200 million.

– Capital increase effected by Realia Business S.A., in which the Group was involved via its effective participating interest.

– A consortium headed by the Carso group in which the Group is also a partner has been awarded the contract to build the new international terminal at Mexico City airport.

– Another consortium between the Carso group and the Group will build the Samalayuca gas pipeline in Mexico.

– In the framework of the refinancing of the debt associated with the Spanish business of the Cementos Portland Valderrivas group, a subordinate finance contract has been formalised, worth approximately EUR 80 million, with Banco Inbursa S.A., a multiple banking institution, at an interest rate of Euribor plus a differential of 290 basic points, due in January 2022. The finance costs accrued during the year totalled EUR 974 thousand.

Additionally, other operations are carried out under market conditions, mostly telephone and ISP services, with associated parties related to the shareholder Carlos Slim Helú. The sums involved are not significant.

f) Mechanisms in place to detect, determine and resolve any conflicts of interest between the controlling company and/or its Group and its directors, executives or significant shareholders

The FCC Group has precise mechanisms in place to detect, determine and resolve any conflicts of interest between Group companies and their directors, executives and significant shareholders, as indicated in article 25 of the board regulations.

23. Information on the environment

As indicated in Note 1, by their very nature, the Company's Environmental Services and Integral Water Management businesses are geared towards environmental protection and conservation, not only through the production activity itself (waste collection, operation and control of landfills, sewer cleaning, treatment and elimination of industrial waste, wastewater treatment, etc.), but also as a result of performing these activities using production techniques and systems designed to reduce environmental impact in accordance with the limits established in the relevant legislation.

The performance of production activities described above requires the use of specialised structures, plant and machinery that are efficient in terms of environmental protection and conservation. At 31 December 2016, the acquisition cost of the non-current assets assigned to the above activity totalled EUR 1,148,828 thousand (31 December 2015: EUR 1,167,229 thousand), with accumulated depreciation amounting to EUR 716,496 thousand (31 December 2015: EUR 782,863 thousand).

Company management considers that any possible contingencies in relation to the protection and improvement of the environment at 31 December 2016 would not have a material impact on the accompanying financial statements.

As indicated in Note 1, Fomento de Construcciones y Contratas S.A. is the Parent of the FCC Group which operates various business lines and, due to the nature thereof, pays particular attention to controlling the impact on the environment. These matters are discussed in detail in the Group's Corporate Social Responsibility report, which is published annually on FCC's website, www.fcc.es, among other channels, and provides the reader with more representative information than that included in this Note.

24. Other disclosures

a) Employees

The average number of employees at the Company in 2016 and 2015 was as follows:

	2016	2015
Managers and university graduates	235	246
Professionals with qualifications	479	449
Clerical and similar staff	648	752
Other salaried employees	22,943	22,334
	24,305	**23,781**

In compliance with RD 602/2016, of 2 December, adding new requirements for information in companies' financial reporting, the chart below show the average number of persons employed in 2016 by the Company who have degree of disability of 33% or higher.

	2016
Managers and university graduates	2
Professionals with qualifications	4
Clerical and similar staff	10
Other salaried employees	509
	525

For the purposes of the Royal Decree cited, as these annual accounts are classified as initial, no comparative figures from the previous year are presented.

At 31 December 2016 and 2015, the number of employees, Directors and Senior Executives of the Company, by gender, was as follows:

	Men	Women	Total
2016			
Directors	11	4	15
Senior executives	5	—	5
Managers and university graduates	189	33	222
Professionals with qualifications	363	112	475
Clerical and similar staff	273	371	644
Other salaried employees	17,836	4,851	22,687
	18,677	**5,371**	**24,048**
2015			
Directors	7	4	11
Senior executives	9	1	10
Managers and university graduates	196	32	228
Professionals with qualifications	356	103	459
Clerical and similar staff	283	385	668
Other salaried employees	17,437	4,903	22,340
	18,288	**5,428**	**23,716**

b) Fees paid to auditors

The 2016 and 2015 fees for financial audit services and for other professional services provided to the Company by the principal auditor Deloitte S.L. and by other auditors participating in the audit are shown in the following table:

	2016			2015		
	Principal auditor	Other auditors	Total	Principal auditor	Other auditors	Total
Audit services	214	—	214	214	—	214
Other attest services	128	—	128	127	—	127
Total audit and related services	**342**	**—**	**342**	**341**	**—**	**341**
Tax counselling services	28	47	75	50	12	62
Other services	522	1,276	1,798	322	1,828	2,150
Total professional services	**550**	**1,323**	**1,873**	**372**	**1,840**	**2,212**
Total	**892**	**1,323**	**2,215**	**713**	**1,840**	**2,553**

25. Events after the reporting period

On 13 February 2017 the acceptance period for the Cementos Portland Valderrivas S.A. exclusion public acquisition bid (exclusion OPA; Note 10.a) expired. The exclusion OPA was accepted for 9,356,605 shares, representing 87.81% of the shares to which the OPA originally referred. Consequently, no forced sales are needed. The Group's effective participating interest following the operation is now 97.45%. All 51,786,608 shares were excluded from being traded on stock markets on 24 February 2017.

Receipt from the sale of the shares of Xfera Móviles S.A. and transfer of participatory loans occurred on 7 February 2017 for a final sum of EUR 29,139 thousand. The sum initially estimated as at 31 December 2016 was EUR 24.285 thousand, corresponding to impairment of the participatory loans of EUR 11,047 thousand. On the date of preparation of these annual financial statements the sum of this impairment has been adjusted (Note 9).

On 28 February 2017 the Company received EUR 106,444 thousand corresponding to the deferred price of the sale of the shares of Globalvia Infraestructuras S.A. (notes 9.b and 11). As the receivable was valued as a current financial asset at fair value with changes in profit and loss at EUR 106,040 thousand, in accordance with the regulations no adjustment has been made with regard to the difference with the sum recorded in these financial statements.

Appendix I. Group companies

Company	Carrying amount		% of ownership	Dividends received	Share capital	Reserves	Other equity items	2016 profit (loss)	
	Assets	Impairment						From operations	From continuing operations
Aparcamientos Concertados, S.A. Arquitecto Gaudí, 4 — Madrid -Car parks-	2,500	—	100,00	367	630	204	—	546	413
Armigesa, S.A. Pza. Constitución, s/n — Armilla (Granada) -Urban cleaning-	612	—	51,00	—	1,200	245	—	253	190
A.S.A. Abfall Service AG Hans-Hruschka-Gasse, 9 - Himberg (Austria) -Urban cleaning-	226,784	—	Dir. 99.98 Indir. 0.02	7,000	5,000	41,783	—	(10,677)	5,950
Asesoría Financiera y de Gestión, S.A. Federico Salmón, 13 - Madrid -Financial services-	3,008	3,008	Dir. 43.84 Indir. 56.16	—	6,843	12,364	—	904	(34,683)
Azincourt Investment, S.L. Unipersonal Federico Salmón, 13 — Madrid -Holding company-	1,545,686	1,300,110	100,00	—	4	117,573	39,155	(133)	(34,621)
Bvefdomintaena Beteiligungsverwaltung GmbH Nottendorfer, 11 — Viena (Austria) -Corporate vehicle-	165	165	100,00	—	35	(5)	—	—	—
Cementos Portland Valderrivas, S.A. Dormilatería, 72 — Pamplona -Cement-	409,635	183,825	Dir. 70.25 Indir. 8.86	—	77,680	375,084	4,195	(205,678)	(287,791)
Compañía General de Servicios Empresariales, S.A. (Sole Corporation) Federico Salmón, 13 — Madrid -Corporate vehicle-	60	—	100.00	—	60	17	—	1	1

Company	Carrying amount: Assets	Carrying amount: Impairment	% of ownership	Dividends received	Share capital	Reserves	Other equity items	2016 profit (loss): From operations	2016 profit (loss): From continuing operations
Corporación Española de Servicios, S.A. Federico Salmón, 13 — Madrid -Corporate vehicle-	44	—	Dir. 99.99 Indir. 0.01	—	60	16	—	—	—
Dédalo Patrimonial, S.L. (Sole Corporation) Federico Salmón, 13 – Madrid -Holding company-	85,863	85,863	100.00	—	61	(90,547)	—	2,265	1,196
Ecoparque Mancomunidad del este, S.A. Federico Salmón, 13 - Madrid -Urban cleaning-	16,803	—	Dir. 99.99 Indir. 0.01	—	16,805	11,386	—	3,076	2,222
Egypt Environment Services SAE El Cairo — Egipto -Urban cleaning-	7,760	3,416	Dir. 97.00 Indir. 3.00	1,052	36,400 (LE) (*)	5,132 (LE) (*)	— (LE) (*)	21,372 (LE) (*)	(10,362) (LE) (*)
Empresa Comarcal de Serveis Mediambientals del Baix Penedés, ECOBP, S.L. Plaça del Centre, 3 — El Vendrell (Tarragona) -Urban cleaning-	200	—	66.60	249	540	109	120	546	401
Europea de Gestión, S.A. (Sole-Shareholder Company) Federico Salmón, 13 – Madrid -Corporate vehicle-	63	—	100.00	—	60	21	—	(1)	(1)
FCC Aqualia, S.A. Federico Salmón, 13 — Madrid -Water management-	254,768	—	100.00	—	145,000	537,107	4,824	96,166	50,085
FCC Concesiones de Infraestructuras, S.L. Avenida Camino de Santiago, 40 — Madrid -Concessions-	3	—	100.00	—	3	—	—	—	—
FCC Construcción, S.A. Balmes, 36 — Barcelona -Construction-	1,728,051	816,024	100.00	—	220,000	384,394	—	(69,949)	(93,694)

	Carrying amount							2016 profit (loss)	
Company	Assets	Impairment	% of ownership	Dividends received	Share capital	Reserves	Other equity items	From operations	From continuing operations
FCC Equal CEE, S.L. Federico Salmón, 13 — Madrid -Social services-	3	—	Dir. 99.97 Indir. 0.03	—	3	3	—	44	33
FCC Equal CEE comunidad valenciana S.L. Riu Magre, 6 P.I. Patada Quart de Poblet -Social services-	3	—	Dir. 99.97 Indir. 0.03	—	3	—	—	(1)	(1)
FCC Medio Ambiente, S.A. Federico Salmón, 13 — Madrid -Urban cleaning-	35,102	—	Dir. 98.98 Indir. 1.02	—	43,273	47,330	—	24,215	14,657
FCC Versia, S.A. Avenida Camino de Santiago, 40 — Madrid -Management company-	62,624	62,624	100.00	—	120	(35,098)	—	239	(4,934)
Fedemes, S.L. Federico Salmón, 13 — Madrid -Real estate-	10,764	—	Dir. 92.67 Indir. 7.33	—	10,301	7,394	—	(768)	(788)
Gandia Serveis Urbans, S.A. Llanterners, 6 — Gandia (Valencia) -Urban cleaning-	78	—	95.00	645	120	1,882	—	1,431	546
Geneus Canarias, S.L. Electricista, 2 Urb. Ind. De Salinetas Telde (Las Palmas) -Waste treatment-	1,762	—	100.00	—	1,714	438	494	621	431
Geral I.S.V. Brasil Ltda. Río Branco, 131 — 10º — Andar Parte Centro Río de Janeiro (Brazil) -Vehicle roadworthiness testing-	21	—	100.00	—	—	—	—	—	—
Limpiezas Urbanas de Mallorca, S.A. Crta. Can Picafort, s/n — Santa Margalida (Balearic Islands) -Urban cleaning-	5,097	—	Dir. 99.92 Indir. 0.08	—	308	4,819	—	1,350	990

Company	Carrying amount		% of ownership	Dividends received	Share capital	Reserves	Other equity items	2016 profit (loss)	
	Assets	Impairment						From operations	From continuing operations
Per Gestora Inmobiliaria, S.L. Federico Salmón, 13 — Madrid -Corporate vehicle-	71,552	17,632	Dir. 99.00 Indir. 1.00	—	60	66,363	—	(2)	(11,958)
Serveis Municipals de Neteja de Girona, S.A. Pza. del vi, 1— Girona -Urban cleaning-	45	45	75.00	—	60	(359)	—	(54)	(171)
Servicio de Recogida y Gestión de Residuos Sólidos Urbanos del Consorcio Vega Sierra Elvira, S.A. Doctor Jiménez Rueda, 10— Atarfe (Granada) -Waste treatment-	1,334	214	60.00	—	2,224	(157)	—	(158)	(168)
Sistemas y Vehículos de Alta Tecnología, S.A.. Federico Salmón, 13 - Madrid -High tech equipment sales-	5,828	—	Dir. 99.99 Indir. 0.01	—	180	6,895	—	1,275	1,038
Societat Municipal Medioambiental d'Igualada, S.L. Pza. del Ajuntament, 1 — Igualada (Barcelona) -Urban cleaning-	870	—	65.91	—	1,320	37	—	48	(15)
Tratamientos y Recuperaciones Industriales, S.A. Rambla Catalunya, 2-4 — Barcelona -Waste treatment-	21,455	17,540	Dir. 74.92 Indir. 0.08	1,575	72	2,645	—	1,397	1,039
Valoración y Tratamiento de Residuos Urbanos, S.A. Riu Magre, 6 — Pol. Ind. Patada del Cid— Quart de Poblet (Valencia) -Waste treatment-	4,000	—	80.00	—	5,000	1,688	—	1,430	1,044
Total	**4,502,543**	**2,490,466**		**10,888**					

(*) (EGP): Egyptian pounds.

NOTE:
- Of the companies shown above, only Cementos Portland Valderrivas S.A. is a listed company and its market price at the balance sheet date was EUR 5.98. The average market price in the last quarter of 2015 was EUR 6.15.
- As required by Article 155 of the Consolidated Text of the Spanish Limited Liability Companies Law, in 2015 the Company made the requisite notifications to the companies in which it had acquired direct or indirect holdings of over 10%.

Appendix II. Joint ventures

	% of ownership
AGARBI	60.00
AGARBI BI	60.00
AGARBI INTERIORES	20.00
AGUAS TOMELLOSO	20.00
AKEI	60.00
ALCANTARILLADO MELILLA	50.00
ALELLA	50.00
ALUMBRADO BAZA	100.00
ALUMBRADO LEPE	50.00
ALUMBRADO PEÑÍSCOLA	50.00
ARAZURI 2016	50.00
ARCOS	51.00
ARUCAS II	70.00
BARBERA SERVEIS AMBIENTALS	50.00
BILBOKO LORATEGIAK	60.00
BILBOKO SANEAMENDU	50.00
BILBOKO SANEAMENDU BI	50.00
BIOCOMPOST DE ÁLAVA	50.00
BIZKAIAKO HONDARTZAK	25.00
BOADILLA	50.00
BOMBEO ZONA SUR	1.00
CABRERA DE MAR	50.00
CANA PUTXA	20.00

	% of ownership
CANGAS	50.00
CASTELLAR DEL VALLÈS	50.00
CENTRO DEPORTIVO GRANADILLA DE ABONA	1.00
CGR GUIPUZCOA	35.14
CHIPIONA	50.00
CLAUSURA SAN MARCOS	40.00
COLEGIOS SANT QUIRZE	50.00
CONSERVACION GETAFE	1.00
CONTENEDORES LAS PALMAS	30.00
CTR DE L'ALT EMPORDÀ	45.00
CTR-VALLÈS	20.00
CUA	50.00
DONOSTIAKO GARBIKETA	70.00
DOS AGUAS	35.00
ECOPARQUE CÁCERES	50.00
ECOURENSE	50.00
EDAR ALMANSA	5.00
EDAR CUERVA	5.00
EDAR RANILLA	25.00
EDAR REINOSA	1.00
EDAR SAN VICENTE DE LA BARQUERA	1.00
EFIC. ENERG. PUERTO DEL ROSARIO	60.00

	% of ownership
EDIFICIO ARGANZUELA	99.99
ENERGÍA SOLAR ONDA	25.00
ENLLUMENAT SABADELL	50.00
ENVASES LIGEROS MALAGA	50.00
EPELEKO PLANTA	35.00
ERETZA	70.00
ES VEDRA	25.00
EXPL. PL. BIO LAS DEHESAS	50.00
F.L.F. LA PLANA	47.00
F.S.S.	99.00
FCC SANEAMIENTO LOTE D	100.00
FCC. S.A. LUMSA	50.00
FCC – ACISA - AUDING	45.00
FCC – AQUALIA SALAMANCA	5.00
FCC – ERS LOS PALACIOS	50.00
FCC – FCCMA ALCOY	20.00
FCC – FCCMA R.B.U. SAN JAVIER	20.00
FCC – FCCMA SEGRIÀ	20.00
FCC – HIJOS DE MORENO. S.A.	50.00
FCC – PALAFRUGELL	20.00
FCC – PERICA	60.00
FCC – SUFI MAJADAHONDA	50.00
FCCSA – GIRSA	80.00

	% of ownership
FONT BARO DE VIVER	100.00
GESTIÓN INTEGRAL DE RUNES DEL PAPIOL	40.00
GESTIÓN INSTALACIÓN III	34.99
GESTION SERVICIOS DEPORTES CATARROJA	100.00
GIREF	20.00
GIRSA – FCC	20.00
GOIERRI GARBIA	60.00
GUADIANA	20.00
ICAT LOTE 11	50.00
ICAT LOTE 15	50.00
ICAT LOTE 20 Y 22	70.00
ICAT LOTE 7	50.00
INTERIORES BILBAO	80.00
JARD. UNIVERSITAT JAUME I	50.00
JARDINES MOGAN	51.00
JARDINES PROTECCIÓN ESPECIAL	50.00
JARDINES TELDE	100.00
JUNDIZ II	51.00
LA LLOMA DEL BIRLET	80.00
LAS CALDAS GOLF	50.00
LEGIO VII	50.00
LEKEITIOKO MANTENIMENDUA	60.00
LIMPIEZA Y RSU LEZO	55.00
LODOS ARAZURI	50.00
LOGROÑO LIMPIO	50.00
LUZE VIGO	20.00

	% of ownership
LV RSU VITORIA-GASTEIZ	60.00
LV Y RSU ARUCAS	70.00
LV ZUMAIA	60.00
LV ZUMARRAGA	60.00
MANACOR	30.00
MANCOMUNIDAD DE ORBIGO	1.00
MANTENIMENT REG DE CORNELLÀ	60.00
MANTENIMIENTO DE COLEGIOS III	60.00
MELILLA	50.00
MÉRIDA	1.00
MMI 5º CONTENEDOR	60.00
MNTO. EDIFICI MOSSOS ESQUADRA	70.00
MNTO. MEDITERRANEA FCC	50.00
MNTO. INSPECCION DE TRABAJO	100.00
MURO	20.00
MUZKIZ	20.00
NERBIOI IBAIZABAL 5º CONTENEDOR	60.00
NIGRÁN	1.00
ONDA EXPLOTACIÓN	33.33
PÁJARA	70.00
PAMPLONA	80.00
PASAIA	70.00
PASAIAKO PORTUA BI	45.00
PISCINA CUB. MUN. ALBATERA	93.00
PISCINA CUB. MUN. L'ELIANA	100.00
PISCINA CUBIERTA BENICARLÓ	65.00
PISCINA CUBIERTA C. DEP. ALBORAYA	100.00

	% of ownership
PISCINA CUBIERTA MANISES	100.00
PISCINA CUBIERTA PAIPORTA	90.00
PLANTA RSI TUDELA	60.00
PLANTA TR. FUERTEVENTURA	70.00
PLANTA TRATAMIENTO VALLADOLID	90.00
PLATGES VINAROS	50.00
PLAYAS GIPUZKOA	55.00
PLAYAS GIPUZKOA II	55.00
PONIENTE ALMERIENSE	50.00
PORTMANY	50.00
PUERTO DE PASAIA	55.00
PUERTO DE PTO. DEL ROSARIO	70.00
PUERTO	50.00
PUERTO II	70.00
R.B.U. VILLA-REAL	47.00
RBU. ELS PORTS	50.00
R.S. PONIENTE ALMERIENSE	50.00
REDONDELA	1.00
RESIDUOS 3 ZONAS NAVARRA	60.00
RSU LVS. BME TIRAJANA	50.00
RSU TOLOSALDEA	60.00
S.U. BENICASSIM	35.00
S.U. BILBAO	60.00
S.U. OROPESA DEL MAR	35.00
SALTO DEL NEGRO	50.00
SAN FERNANDO	20.00
SANEAMIENTO URBANO CASTELLÓN	65.00

	% of ownership
SANEAMIENTO VITORIA-GASTEIZ	60.00
SANEJAMENT CELLERA DE TER	50.00
SANEJAMENT MANRESA	80.00
SANT QUIRZE DEL VALLÉS	50.00
SANTOMERA	60.00
SASIETA	75.00
SAV – FCC TRATAMIENTOS	35.00
SELECTIVA LAS PALMAS	55.00
SELECTIVA SAN MARCOS	65.00
SELECTIVA SAN MARCOS II	63.00
SELECTIVA UROLA-KOSTA	60.00
SELLADO VERTEDERO LOGROÑO	50.00
SERAGUA-FCC-VIGO	1.00
SOLARES CEUTA	50.00
STA. COLOMA DE GRAMANET	61.00
S.U. ALICANTE	30.00
TABLADA	20.00
TOLOSAKO GARBIKETA	40.00
TORREJÓN	25.00
TRANSP. Y ELIM. RSU	33.33
TRANSPORTE RSU	33.33
TRANSPORTE SAN MARCOS	80.00
TÚNEL PUERTO ALGECIRAS	30.00
TXINGUDIKO GARBIKETA	73.00
UROLA ERDIA	60.00
URRETXU Y ZUMARRAGA	65.00
URTETA	50.00

	% of ownership
VALDEMORO	100.00
VALDEMORO 2	100.00
VERTEDERO GARDELEGUI II	70.00
VERTEDERO GARDELEGUI III	70.00
VERTRESA	10.00
VIDRIO MELILLA	50.00
VIGO RECICLA	70.00
VILLALÓN DE CAMPOS	20.00
VINAROZ	50.00
ZAMORA LIMPIA	30.00
ZARAGOZA DELICIAS	51.00
ZARAUZKO GARBIETA	60.00
ZUMAIA	60.00
ZURITA	50.00
ZURITA II	50.00

Apeendix III. Associates and jointly controlled entities

	Carrying amount							2016 profit (loss)	
Company	Assets	Net impairment losses	% of ownership	Dividends received	Share capital	Reserves	Other equity items	From operations	From continuing operations
Ecoparc del Besós, S.A. Rambla Cataluña, 91-93 — Barcelona -Urban cleaning-	2,621	—	Dir. 31.00 Indir. 54.00	403	7,710	2,423	14,909	4,155	1,746
Ecoserveis Urbans Figueres, S.L. Avda. Alegries, s/n — Lloret de Mar (Girona) -Urban cleaning-	301	—	50.00	97	601	96	—	157	192
Empresa Mixta de Limpieza de la Villa de Torrox, S.A. Pz. de la Constitución, 1 — Torrox (Málaga) -Urban cleaning-	299	—	50.00	—	600	742	—	425	318
Empresa Mixta de Medio Ambiente de Rincón de la Victoria, S.A. Avda. Zorreras, 1 — Rincón de la Victoria (Málaga) -Urban cleaning-	301	—	50.00	—	601	202	—	(27)	(59)
FM Green Power Investments, S.L. Federico Salmón, 13 — Madrid -Energy-	257,089	249,861	49.00	—	86,753	(2,466)	—	(35)	(31)
Gestión Integral de Residuos Sólidos, S.A. Profesor Beltrán Ibaquena, 4 — Valencia -Urban cleaning-	10,781	5,711	49.00	—	13,124	(2,479)	287	(188)	(70)

	Carrying amount							2016 profit (loss)	
Company	Assets	Net impairment losses	% of ownership	Dividends received	Share capital	Reserves	Other equity items	From operations	From continuing operations
Ingeniería Urbana, S.A. Pol. Industrial Pla de Vallonga, s/n — Alicante -Urban cleaning-	3,786	—	35.00	281	6,010	5,964	—	(45)	278
Palacio de Exposiciones y Congresos de Granada, S.A. Ps. del Violón, s/n — Granada -Equipment management-	255	255	50.00	—	510	(2,371)	—	(298)	(264)
Realia Business, S.A. Paseo de la Castellana, 216 — Madrid -Real estate-	206,815	—	Dir. 34.34 Indir. 2.62	—	154,754	211,495	—	(47,849)	62,570
Servicios Urbanos de Málaga, S.A. Ulises, 18 — Madrid -Urban cleaning-	1,610	—	51.00	—	3,156	629	—	(8)	(8)
Suministros de Agua de Queretaro S.A. de C.V. Santiago de Queretaro (Méjico) -Water management-	4,367	—	Dir. 24.00 Indir. 2.00	1,553	347,214 (MXM) (*)	343,105	—	217,981 (MXM) (*)	112,030 (MXM) (*)
Total	**488,225**	**255,827**		**2,334**					

(*) (MXM): Mexican pesos.

NOTE:
- Of the companies shown above, only Bolsa Realia Business S.A. is a listed company and its market price at the balance sheet date was EUR 0.86. The average market price in the last quarter of 2015 was EUR 0.87.
- As required by Article 155 of the Consolidated Text of the Spanish Limited Liability Companies Law, in 2015 the Company made the requisite notifications to the companies in which it had acquired direct or indirect holdings of over 10%.

Directors' Report

Fomento de Construcciones y Contratas, S.A. y Sociedades Dependientes as at 31 December 2016 (in thousands of euros)

This report was prepared in accordance with the guidelines established in the "Guide for the preparation of directors' reports of listed companies" published by the Spanish National Securities Market Commission (CNMV).

01. The company's situation

Fomento de Construcciones y Contratas, S.A. is the Parent of the FCC Group and holds direct or indirect ownership of the investments in the Group's businesses and areas of activity. Consequently, with a view to providing information on the economic and financial events that took place during the year, positioning us in their appropriate context, the Consolidated Director's Report of the FCC Group is as follows.

1.1. Company situation: Organisational structure and management decision-making process

The organisational structure of FCC Group is based on a first level made up of areas, which are divided into two large groups which are operational and functional.

The operating Areas encompass all the activities relating to the production line. As described in greater detail in Note 1 to the consolidated financial statements, the FCC Group is composed of the following operating Areas:

- **Environmental Services.**
- **End-to-End Water Management.**
- **Construction.**
- **Cement.**

Each of these operating Areas is presided over by one or various Specialised Companies, which report to FCC and encompass the activities inherent to the Group.

The functional Areas that provide support to the operating Areas are as follows:

- **Administration and Finance:** the Administration and Finance Department is made up of the Administration, IT Systems, Finance, Investor Relations and Management Control, Corporate Marketing and Branding, Procurement, and Human Resources units.

  The Administration unit runs the administrative management of the FCC Group. Its duties regarding information systems and internal control include the following:

  - General accounting.
  - Accounts standardisation.
  - Consolidation.
  - Tax consulting.
  - Tax procedures.
  - Tax compliance.
  - Administrative procedures.

- **Internal Auditing and Risk Management:** its purpose is to provide the Board of Directors, via the Auditing and Control Committee, and the FCC Group's senior management with support for their responsibilities to supervise the internal control system by exercising a function of single, independent governance aligned with professional standards, to contribute towards good corporate governance, verify due compliance with the applicable rules and regulations, both internal and external, and reduce to reasonable levels any impact of risks on the FCC Group's achievement of its objectives.

  To do this, it is structured into two independent roles: Internal auditing, and risk and compliance management.

- **General Secretary's Office:** depending directly on the Group' Chief Executive, its main duty is to support the Chief Executive's management and that of the heads of FCC's other divisions, by providing all the services detailed in the corresponding sections on FCC's various divisions and departments, whose performance and supervision is the responsibility of the General Secretary.

  The office is made up of these units: Legal Department, Quality Assurance, Corporate Security and General Services and Corporate Responsibility.

On a secondary level, the Areas may be divided into Sectors –operating Sectors– and Divisions functional Divisions– creating spheres permitting greater specialisation when required.

The structure of the main decision-making bodies is as follows:

- **Board of Directors:** This is the body with the widest-reaching, unrestricted powers, except for those expressly reserved by the Spanish Limited Liability Companies Law or the Bylaws to the powers of the shareholders at the General Meeting.
- **Audit and Control Committee:** Its main function is to support the Board of Directors in its supervisory tasks, through the periodic review of the process for preparing economic and financial information, its internal controls and independence of the external auditor.
- **Nomination and Remuneration Committee:** This supports the Board of Directors in relation to the proposals for the nomination, re-election, ratification and termination of Directors, establishes and controls the remuneration policy of the Company's Directors and Senior Executives and the fulfilment by the Directors of their duties, particularly in relation to situations of conflicts of interest and related party transactions.
- **Management Committee:** Each of the business units has its own Management Committee or other committee with similar duties.

More detailed information on the functions of the FCC Group's decision-making bodies is provided in section 1 of the Internal Control over Financial Reporting system (ICFR) report.

1.2. Company situation: Company business model and strategy

FCC is one of the main European groups specialised in environmental services, water and infrastructure development, with a presence in over 34 countries worldwide. Over 48% of its billings arise from international markets, mainly Europe, Latin America and the US.

Environmental Services

The Environmental Services Area has a solid presence in Spain, maintaining a position of leadership in the provision of environmental urban services for over 100 years.

In Spain FCC provides environmental services to more than 3,600 municipal districts all over the country, serving a population of more than 28 million. The services provided in this sector include solid-waste collection and street-cleaning, which accounted for 38% and 31%, respectively, of the turnover obtained in this market in 2016. These activities are followed in importance by waste treatment and elimination, cleaning and maintenance of buildings, parks and gardens, and, to a lesser extent, sewerage. Together they cover nearly 98% of the domestic business, with the remainder corresponding to miscellaneous services.

In turn, the international business is carried on chiefly in the UK and Central and Eastern Europe through the subsidiaries FCC Environment Limited (UK) and FCC environment CEE, respectively. For a good number of years now FCC has led markets both in integral urban solid waste management and in other environmental services. The services provided in this sector include waste treatment, elimination and collection, which accounted for 58% and 18%, respectively, of total turnover in 2016.

The Environmental Services Unit also specialises in the integrated handling of industrial and commercial waste, recovery of by-products and soil decontamination, through FCC Ámbito. Its extensive network of handling and valuation facilities means that waste can be handled correctly, thereby assuring the protection of the environment and people's health.

Internationally, considerable growth has been Noted in USW and industrial-waste collection in the United States.

The strategy in Spain will focus on staying competitive through quality and innovation, extending the efficiency and quality of services based on innovation and accumulated know-how, and continuing to make progress in providing smarter services for more sustainable and responsible cities.

However, the waste-treatment business will be slowed down by the high volume of investment required and the non-implementation of the National Waste Plan.

This year we will continue to focus on the efficiency of operations and growing our business. In this regard, the inclusion of new technologies will enable us to further consolidate our strength in the markets for waste recycling and valuation in Europe and position ourselves as key players in the circular economy. With regard to the United States, the business will continue to be developed in the years to come.

End-to-End Water Management

Globally, FCC Aqualia serves more than 23 million users and provides services to more than 1,100 municipal districts in 21 countries, offering the market full solutions for the needs of public and private entities and organisations at every stage of the integrated water cycle and for all uses: human, agricultural or industrial.

FCC Aqualia's business focuses on concessions and services, covering concessions for distribution networks, BOT, O&M and irrigation services, as well as technology and network tasks covering EPC contracts and industrial water-treatment activities.

In 2016, the Spanish market accounted for 75.7% of total turnover and 77.7% of the unit's EBITDA, and the trend for billing volumes to recover that began last year has continued. The legal framework in which contracts are undertaken does not lead us to expect any significant risks for the business in the short term. Central and regional governments are not currently calling for tenders for major water-infrastructure concessions, mainly because of the tax-consolidation and debt-reduction process that the authorities are continuing to apply, thus increasing the shortfall in infrastructure renewal and growth. Despite this, we have won new contracts or secured extensions to existing ones for integrated-water-cycle concessions with a high level of loyalty being shown by the local authorities we work with. Aqualia has also made considerable efforts to extend its presence in the facilities O&M market (WWTPs, DWTPs, desalinisation plants), winning several major contracts in Spain.

The international market achieved a turnover and EBITDA accounting for 24.3% and 22.3% of the total, respectively. FCC Aqualia focuses its business in Europe, North Africa, the Middle East and the Americas, currently holding contracts in more than 15 countries.

The unit continues to seek to stay competitive in markets with a consolidated local presence (Europe) and make the most of any opportunities that arise with regard to the management of public services for the urban water cycle. In other expansion markets, growth through BOT will be strengthened (North Africa, Latin America and the Middle East), together with O&M, while further options in others will be explored (e.g., United States). FCC Aqualia always makes full use of its experience in the integrated management of the water cycle to seek new business opportunities in countries where the political and social climate is stable.

Construction

This Area is mainly involved in the design and construction of large civil engineering and industrial works and building construction projects. It operates in highly complex public Works such as railways, tunnels and bridges, which, with industrial installation and maintenance projects, account for a large part of its activity.

65% of all earnings come from abroad, including the building of major infrastructure projects such as Riyadh Metro lines 4, 5 and 6, Lima Metro line 2, Doha Metro, the Mersey Bridge and Panama Metro line 2, with some still in the early stages of construction. In 2016 the contracts won included electromechanical facilities at stations and tunnels for Riyadh Metro lines 4, 5 and 6 (Saudi Arabia), worth EUR 115 million, and the extension of the Port of Playa Blanca (Lanzarote, Canary Islands), worth EUR 36.4 million, and the refurbishment of fuel facilities at Dublin Airport (Ireland), worth EUR 33 million.

The unit's strategy focuses on the development and construction of major, technically complex infrastructure projects, with assured funding and in countries with a stable presence, in order to optimise the profitability of the experience and the technical skills of its work teams.

Cement

The FCC Group carries on its cement activity through Cementos Portland Valderrivas (CPV). Its business is devoted to manufacturing cement, which in 2016 accounted for about 90% of all the business's earnings, with the remaining 10% mostly coming from the concrete, mortar and aggregate businesses. Its business is based at various cement-production sites in Spain (7) and Tunisia (1).

With regard to its geographical diversification, 65% of revenue came from international markets. CPV has a presence in Spain, Tunisia and the US (the latter through a 45% stake in Giant Cement), although the company also exports mainly to the UK, North Africa and Canada.

The company enjoys a position of leadership both in its main market, Spain, and in Tunisia.

CPV's main objective continues to be to remain competitive in terms of both costs and market share in the markets in which it operates, attempting to retain its status as an industry benchmark in all the countries in which it has a presence.

02. Business performance and results

2.1. Business performance

2.1.1. Highlights

FCC Medio Ambiente expanded its international portfolio in the UK and the US.

FCC Medio Ambiente expanded its international portfolio with contracts in Scotland and the United States. In Scotland, it began development work on the Edinburgh and Midlothian energy-from-waste (EfW) plant, which has an associated backlog of €511 million. Additionally, in December it was awarded a contract by competitive tender to collect municipal solid waste in Polk county, Florida. The contract is for ten years and represents a backlog of approximately USD 102 million. And in November, the City Council of University Park, Texas, awarded FCC a five-year service contract for the treatment and marketing of all the city's recyclables, with scope for a five-year extension. Contract revenues could exceed €3.2 million, depending on its final duration and on commodity prices.

These contracts are in addition to the backlog in Spain, where the largest increase came in September when Madrid City awarded FCC one of the three municipal waste collection contracts in the Western area, which covers much of downtown Madrid. This contract is for four years and represents a backlog of €227.5 million.

FCC Aqualia obtained new international contracts, worth €318 million

FCC Aqualia obtained a number of international contracts, including construction and management of two sewage treatment plants in Colombia worth €148 million, which will serve over 3 million people, and a desalination plant in El-Alamein (Egypt) worth €114.6 million. It also landed network contracts in Riyadh (Saudi Arabia) worth €23 million. Order intake enabled the total order book to remain at record highs: close to €15 billion at year-end.

FCC Construction exceeds €500 million in order intake in industrial construction

FCC Industrial greatly expanded business in 2016. The contracts it obtained during the year, such as the Samalayuca-Sasabe gas pipeline in Mexico, upgrading of fuelling facilities at Dublin airport (Ireland), and the electromechanical installations on Riyadh Metro lines 5 and 6 (Saudi Arabia), boosted the order book considerably in 2016: by 14.4% with respect to 2015.

Further steps towards consolidation and financial optimisation of the Group

In September, the bulk of the FCC, S.A. convertible bond was repaid early and this, combined with smaller payments in subsequent months, resulted in the repayment in 2016 of a nominal amount of €417.7 million, nearly 93% of the total. This led to a substantial reduction in the interest expenses on this issue (6.5% interest rate). This followed the repayment in April of 77% of Tranche B of FCC, S.A.'s syndicated loan by means of a Dutch auction in which an average 15% haircut was obtained. The new funding structure for CPV, the company that heads the Cement division, came into force in July after repayment of over €270 million with funds from the March equity issue, including arrangement of a 5-year maturity and a substantial reduction in funding costs, which will make it possible to adapt the area's funding structure in order to generate cash flow as planned.

These transactions enabled the FCC Group to make substantial progress in strengthening and optimising the capital structure, providing a sound funding platform with stronger capacity and operational flexibility.

Delisting bid for CPV

The period for acceptance of the delisting bid for 100% of the shares representing the capital stock of Cementos Portland Valderrivas, S.A. (CPV), in which FCC owns 77.9%, in order to delist that company from the Madrid and Bilbao Stock Exchanges, where it is currently listed, commenced on 30 December. The deadline for acceptance is 13 February 2017.

FCC Aqualia and FCC Medio Ambiente lead a new biogas production project

The Methamorphosis project, headed by FCC Aqualia and FCC Medio Ambiente in association with other private- and public-sector agents — including Greater Barcelona (AMB), Catalan Energy Institute (ICAEN) and SEAT — seeks to develop an innovative process and new techniques for enhancing biofuel production from municipal and agribusiness waste. The project envisages the installation and operation of prototypes to increase biogas output and enrich its content at a waste treatment centre owned by AMB and managed by FCC Medio Ambiente.

2.1.2. Executive Summary

- Consolidated Group EBITDA increased by 2.3% in 2016, to €833.7 million. This resulted in a sizeable increase in the EBITDA margin to 14.0% in 2016 (12.6% in 2015).

- EBITDA expanded despite the 8.1% reduction in revenues to €5,951.6 million, which was due mainly to the 17.1% decline in the Construction division and, to a lesser extent, to the 4.5% decline in the Environment division because of sterling's depreciation and the conclusion of the construction phase of a municipal waste recycling and recovery plant.
- Operating profitability increased steadily in almost all areas due to concentrating on more profitable operations, to efficiency improvements in overheads achieving synergies and to measures to increase productivity. All in all support costs were reduced by 12.6% with respect to 2015.
- The attributable consolidated loss of €165.2 million in 2016 (compared with a loss of €46.3 million in 2015) is due to the impairment of goodwill in the Cement area in the amount of €299.9 million in the third quarter. This impairment, which has no impact on Group cash flow, is due to the delay in the expected demand recovery in Spain caused by the additional setback in public expenditure this year. But for that adjustment, group EBT would have amounted to €133.8 million.
- As a result of strong operating cash flow and the changes to the capital structure, net interest-bearing debt was reduced by 34.3% in 2016 to €3,590.9 million. That €1,882.7 million reduction was due broadly to: (i) the capital increase performed in March; (ii) deconsolidation of Giant Cement in the Cement division; (iii) receipt of an advance for commissioning a waste treatment plant in the UK; (iv) control over capital expenditure and the divestment of certain investees; and (v) measures to contain costs and improve cash conversion of current assets.
- The backlog ended the year at €30,589.9 million, 85.4% of which is concentrated in water and waste management, which ensures a high degree of visibility and strength for the Group's prospects.

Note:

The stake in GVI was derecognised from the "assets held for sale" item following completion of the sale in the first quarter of 2016. At 2016 year-end, this item contained only the assets and liabilities of Cemusa Portugal (see Note 5.2). The income from this investment and that from the sale of GVI are recognised under "income from discontinued operations" (Note 4.5.2).

Key figures *(M€)*

	Dec. 16	Dec. 15	Chg. (%)
Net sales	5,951.6	6,476.0	-8.1%
EBITDA	833.7	814.6	2.3%
EBITDA margin	14.0%	12.6%	1.4 p.p
EBIT*	93.6	323.8	-71.1%
EBIT margin	1.6%	5.0%	-3.4 p.p
Income attributable to equity holders of the parent company	(161.6)	(46.3)	N/A
Operating cash flow	1,024.9	600.3	70.7%
Investing cash flow	(94.7)	(412.6)	-77.0%
Net equity	936.8	487.2	92.3%
Net interest-bearing debt	3.590.9	5,473.6	-34.4%
Backlog	30.589.9	32,499.7	-5.9%

* Includes impairment at CPV amounting to €299.9 million.

2.1.3. Summary by business area

(M€)

Area	Dec. 16	Dec. 15	Chg. (%)	% of 2016 total	% of 2015 total
REVENUES BY BUSINESS AREA					
Environmental Services	2,728.1	2,855.6	-4.5%	45.8%	44.1%
Water	1,009.8	1,033.5	-2.3%	17.0%	16.0%
Construction	1,652.6	1,992.9	-17.1%	27.8%	30.8%
Cement	536.2	580.4	-7.6%	9.0%	9.0%
Corp. services and adjust.	24.9	13.6	83.1%	0.4%	0.2%
Total	**5,951.6**	**6,476.0**	**-8.1%**	**100.0%**	**100.0%**
REVENUES BY GEOGRAPHIC AREA					
Spain	3,072.5	3,407.8	-9.8%	51.6%	52.6%
United Kingdom	889.3	1,029.1	-13.6%	14.9%	15.9%
Middle East & N. Africa	725.5	610.8	18.8%	12.2%	9.4%
Central Europe	535.9	520.2	3.0%	9.0%	8.0%
Latin America	336.1	491.5	-31.6%	5.6%	7.6%
US and Canada	247.7	256.5	-3.4%	4.2%	4.0%
Others	144.6	160.1	-9.7%	2.4%	2.5%
Total	**5,951.6**	**6,476.0**	**-8.1%**	**100.0%**	**100.0%**
EBITDA*					
Environmental Services	438.7	425.3	3.2%	52.6%	52.2%
Water	231.4	227.5	1.7%	27.8%	27.9%
Construction	55.0	75.8	-27.4%	6.6%	9.3%
Cement	89.2	94.3	-5.4%	10.7%	11.6%
Corp. services and adjust.	19.4	(8.3)	N/A	2.3%	-1.0%
Total	**833.7**	**814.6**	**2.3%**	**100.0%**	**100.0%**

(M€)

Area	Dec. 16	Dec. 15	Chg. (%)	% of 2016 total	% of 2015 total
EBIT**					
Environmental Services	221.8	191.5	15.8%	N/A	59.1%
Water	144.1	145.3	-0.8%	N/A	44.9%
Construction	(47.4)	(19.2)	146.9%	N/A	-5.9%
Cement	(120.4)	28.6	N/A	N/A	8.8%
Corp. services and adjust.	(104.5)	(22.4)	N/A	N/A	-6.9%
Total	**93.6**	**323.8**	**-71.1%**	**N/A**	**100.0%**
NET DEBT					
With recourse	2,329.1	3,254.3	-28.4%	64.9%	59.5%
Without recourse					
Environmental Services	439.0	659.6	-33.4%	12.2%	12.1%
Water	246.2	249.8	-1.4%	6.8%	4.6%
Construction	0.0	0.0	—	0.0%	0.0%
Cement	511.4	1,248.9	-59.1%	14.2%	22.8%
Corporate	65.2	61.0	6.7%	1.8%	1.1%
Total	**3,590.9**	**5,473.6**	**-34.4%**	**100.0%**	**100.0%**
BACKLOG*					
Environmental Services	11,151.7	11,825.7	-5.7%	36.5%	36.4%
Water	14,955.9	14,443.7	3.5%	48.9%	44.4%
Construction	4,482.3	6,230.3	-28.1%	14.7%	19.2%
Total	**30,589.9**	**32,499.7**	**-5.9%**	**100.0%**	**100.0%**

* See definition on page 30, in accordance with ESMA rules (2015/1415en).

** Includes impairment at CPV amounting to €299.9 million.

2.1.4. Income Statement

(M€)

	Dec. 16	Dec. 15	Chg. (%)
Net sales	**5,951.6**	**6,476.0**	**-8.1%**
EBITDA	**833.7**	**814.6**	**2.3%**
EBITDA margin	14.0%	12.6%	1.4 p.p
Depreciation and amortisation	(404.8)	(433.2)	-6.6%
Other operating income	(335.3)	(57.6)	N/A
EBIT*	**93.6**	**323.8**	**-71.1%**
EBIT margin	1.6%	5.0%	-3.4 p.p
Financial income	(289.1)	(354.3)	-18.4%
Other financial results	(22.2)	(10.6)	109.4%
Equity-accounted affiliates	56.4	35.4	59.3%
Earnings before taxes (EBT) from continuing operations	**(161.2)**	**(5.7)**	**N/A**
Corporate income tax expense	(35.0)	40.8	-185.8%
Income from continuing operations	**(196.2)**	**35.1**	**N/A**
Income from discontinued operations	(7.3)	(89.3)	-91.8%
Net income	(203.5)	(54.2)	N/A
Non-controlling interests	41.9	7.9	N/A
Income attributable to equity holders of the parent company	**(161.6)**	**(46.3)**	**N/A**

* Includes impairment at CPV amounting to €299.9 million.

2.1.4.1. Net sales

Consolidated Group revenues declined by 8.1% in 2016 €5,951.6 million. This was due mainly to the continuing decline in demand in the Construction area in Spain, caused by the persisting reduction in investment in public works. A range of minor factors, concentrated in the UK, led to a 4.5% reduction in revenues in Environmental Services. Revenues in the Water area declined by 2.3% to €1,009.8 million, due entirely to the Technology and Networks area. The decline in revenues in these two areas did not have a negative impact on earnings since their overall contribution to the Water division is minor, and it was offset by the reduction in operating expenses throughout the Group in 2016. Cement revenues shrank by 7.6%, largely due to the effect of the deconsolidating the revenues from the company that heads US operations in November, after FCC's stake was diluted in a capital increase at that subsidiary.

The Group's two main areas, Water and Environmental Services, experienced differing impacts. Environmental Services revenues declined by 4.5% due to the average 11.4% depreciation by sterling in the period and also to completion of construction of a treatment plant in the UK that came into service in June. Adjusting for those two effects, revenues were stable in Environmental Services, commensurate with business performance in a situation of generally stable prices, in line with the broad economy. Water revenues declined by 2.3% due entirely to the persistent contraction of the Technology and Networks area (design, engineering and outfitting of water infrastructure) because of cutbacks in government spending to address the budget deficit.

Revenue breakdown, by region *(M€)*

	Dec. 16	Dec. 15	Chg. (%)
Spain	3,072.5	3,407.8	-9.8%
United Kingdom	889.3	1,029.1	-13.6%
Middle East & North Africa	725.5	610.8	18.8%
Central Europe	535.9	520.2	3.0%
Latin America	336.1	491.5	-31.6%
US and Canada	247.7	256.5	-3.4%
Others	144.6	160.1	-9.7%
Total	**5,951.6**	**6,476.0**	**-8.1%**

In Spain, revenues fell by 9.8% to €3,072.5 million due almost entirely to the aforementioned contraction of the domestic Construction business (35.4%). Cement revenues declined by 5.9% because of falling sale prices and a slight reduction in volumes.

Outside Spain, revenues expanded by 18.8% in the Middle East and North Africa due to progress with major projects, particularly Riyadh Metro, as well as a higher contribution by network and water treatment projects in the Water division in Saudi Arabia (Riyadh and Mecca).

In the UK, the Group's second largest market, revenues declined by 13.6% due to a combination of factors that were concentrated in the Environmental Services area. One was the depreciation by sterling (-11.4%) as a result of the Brexit vote, and another was the completion of construction work on treatment plants following the commissioning of the Buckinghamshire plant in June, plus the reduction in revenues as a result of lower collection of landfill fees for the Administration.

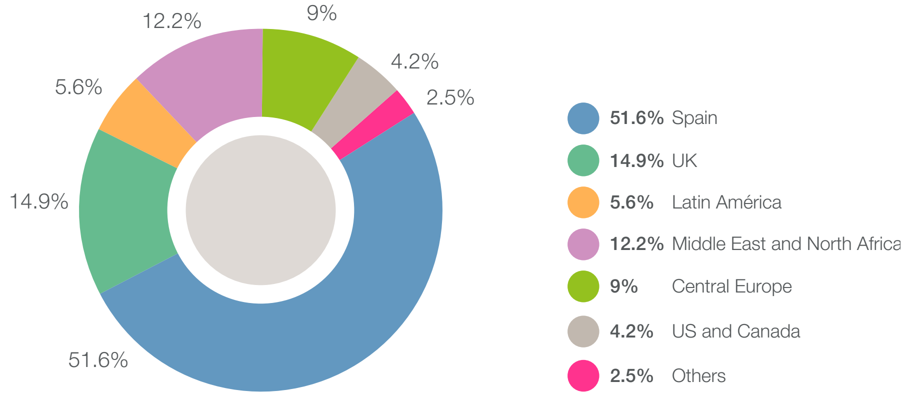
Revenues in Latin America fell by 31.6% due to the time lag between the completion of major construction works, such as Panama Metro Line 1 and projects in Colombia and Costa Rica, and the start of other projects such as Lima Metro and Panama Metro Line 2. In the Water division, a number of projects in Chile and Mexico also concluded, although this effect was partly offset by progress with canalisation in Montevideo (Uruguay).

Revenues in Central Europe increased by 3%, due to increased activity in the Environmental Services division in most countries in the region, particularly the Czech Republic and, to a lesser extent, Austria.

In the United States and Canada, revenues declined 3.4% as a result of deconsolidating the parent company of the Cement business in that region in November 2016. Adjusting for this change, like-for-like revenues in the United States and Canada increased by 40.9% as a result of faster progress with construction of the Gerald Desmond Bridge in Los Angeles, in the Construction area, and the start-up of two waste collection and treatment contracts (in Florida and Texas) in the first half of the year within the Environmental Services division.

The 9.7% decline in Other markets was due entirely to completion of a number of construction contracts in Portugal.

% Revenues by region



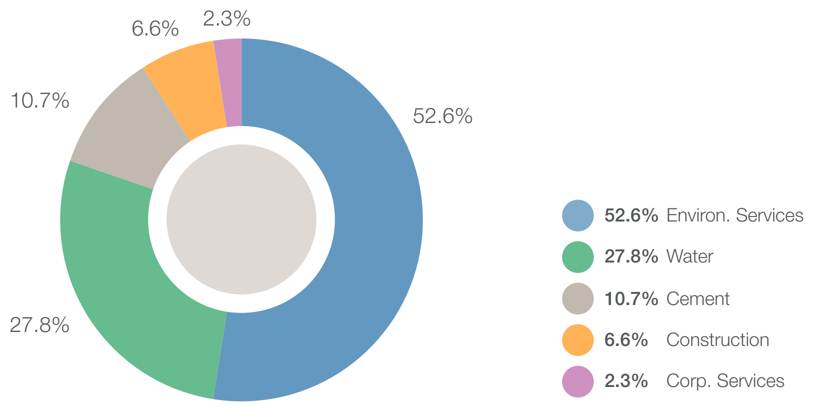
2.1.4.2. EBITDA

EBITDA amounted to €833.7 million in 2016, a 2.3% increase year-on-year due to a sharp reduction in support and administration expenses throughout the Group. These expenses continued to decline, having fallen by 12.6% in 2016. Notable savings have been achieved in Corporate Services, which contributed a net €19.4 million of EBITDA in 2016, contrasting with a loss of €-8.3 million in 2015.

Environmental Services achieved 3.2% growth to €438.7 million despite sterling's depreciation in the year, which cut €13.9 million off this area's EBITDA. Results in the period show a limited contribution from the Buckinghamshire recycling plant, which came into service in the third quarter. Water achieved a 1.7% increase due to the higher contribution from concessions, as operating efficiency is increasing and value-added contracts are coming into operation.

The main impact in Cement was the deconsolidation on 1 November of the Cement business in the US after FCC's stake was diluted to 35.6% attributable to FCC (as a result, it is now equity-accounted). Although its EBITDA declined by 5.4% in 2016, to €89.2 million, it actually registered a 2.4% increase year-on-year in like-for-like terms, since higher exports and a general reduction in energy expenses offset the effect of slack demand in Spain. The reduction in Construction was mainly due to the decline in revenues mentioned above.

% EBITDA by Business Area



As a result, at 31 December 2016, the Environmental Services and Water areas accounted for 80.4% of Group EBITDA, while 19.6% came from cyclical businesses, linked to demand for infrastructure and building.

2.1.4.3. EBIT

EBIT amounted to €93.6 million, compared with €323.8 million in 2015. The difference between years is attributable mainly to two factors: one was the impairment of goodwill in the Cement area in September, amounting to €299.9 million (€187.2 million in the Cement area and the remainder in the stake in the parent company) to reflect the impact on this item of the delay in the demand recovery in Spain, attributable primarily to the decline in public expenditure this year. The other was an extraordinary provision of €53.4 million booked in the Construction area in May to adjust overheads to the ongoing decline in infrastructure investment in Spain. Adjusting for those two extraordinary items and other lesser factors such as the €54.3 million adjustment to the Cement interest in the US after the loss of control, EBIT would have increased by 21.2% with respect to 2015.

2.1.4.4. Earnings before taxes (EBT) from continuing operations

Earnings before taxes from continuing operations were negative in the amount of €161.2 million, compared with €5.7 million in 2015, due to the extraordinary provisions discussed in the section on EBIT and to the following items:

2.1.4.4.1. Financial income

Net financial expenses declined by 18.4% year-on-year in 2016, to €289.1 million, mainly as a result of higher financial revenues and the progressive impact of measures to reduce debt and the associated interest expenses. The financial result in the first half of 2016 included a positive contribution of €58 million from the reduction of the Tranche B debt in April by means of a Dutch auction, while the reduction in interest expenses includes the decline in the Cement area and the effect of repaying much of the FCC, S.A. convertible bond.

2.1.4.4.2. Other financial results

This item, amounting to €-27.1 million (vs. €-10.6 million in 2015), reflects the €22.1 million variation in the value of financial instruments and other impairments that were partly offset by the €13.8 million gain on the sale of a 10% stake in the Malaga Metro concession.

2.1.4.4.3. Equity-accounted affiliates

Companies accounted for using the equity method contributed €56.4 million in income, mainly as a result of the haircut on Realia debt agreed upon with the lenders, which enabled this investee to contribute €31.5 million, and the €16.4 million in dividends received from a stake in a renewable energy company.

2.1.4.5. Income attributable to equity holders of the parent company

Net attributable income in 2016 amounted to €-165.2 million, compared with a loss of €-46.3 million in 2015. This was the result of incorporating the following items into EBT:

2.1.4.5.1. Income tax

The corporate income tax expense amounted to €33.8 million in 2016, contrasting with revenue of €40.8 million in 2015 due to application of tax credits in the Environmental Services area.

2.1.4.5.2. Income from discontinued operations

Discontinued operations contributed a loss of €7.3 million, corresponding to GVI (unchanged since the beginning of the year), due to the impact on earnings of the sale of GVI in the first quarter, mainly from the cancellation of the related financial instruments.

2.1.4.5.3. Non-controlling interests

Non-controlling interests, concentrated mainly in the Cement business, were attributed a loss of €41.9 million, compared with €7.9 million in 2015. The increase is due to their share of the impairment of goodwill booked in this area in the third quarter.

2.1.5. Balance Sheet

(M€)

	Dec. 16	Dec. 15	Chg. (M €)
Intangible assets	2,536.3	3,026.4	(490.1)
Property, plant and equipment	2,534.6	3,146.4	(611.8)
Equity-accounted affiliates	669.0	587.0	82.0
Non-current financial assets	322.3	392.8	(70.5)
Deferred tax assets and other non-current assets	946.6	1,031.8	(85.2)
Non-current assets	**7,008.7**	**8,184.3**	**(1,175.6)**
Non-current assets available for sale	14.9	235.9	(221.0)
Inventories	581.6	648.6	(67.0)
Trade and other accounts receivable	1,754.7	2,217.1	(462.4)
Other current financial assets	263.7	230.7	33.0
Cash and cash equivalents	1,146.1	1,345.5	(199.4)
Current assets	**3,761.1**	**4,677.8**	**(916.7)**
TOTAL ASSETS	**10,769.8**	**12,862.1**	**(2,092.3)**
Equity attributable to equity holders of parent company	791.3	280.7	510.6
Non-controlling interests	145.5	206.5	(61.0)
Net equity	**936.8**	**487.2**	**449.6**
Grants	225.5	248.3	(22.8)
Non-current provisions	1,175.6	1,254.1	(78.5)
Long-term interest-bearing debt	4,590.1	5,612.2	(1,022.1)
Other non-current financial liabilities	69.2	66.6	2.6
Deferred tax liabilities and other non-current liabilities	535.3	536.7	(1.4)
Non-current liabilities	**6,595.6**	**7,717.8**	**(1,122.2)**
Liabilities linked to non-current assets available for sale	14.9	15.9	(1.0)
Non-current provisions	202.9	194.7	8.2
Short-term interest-bearing debt	411.0	1,437.6	(1,026.6)
Other current financial liabilities	82.2	91.8	(9.6)
Trade and other accounts payable	2,526.3	2,917.0	(390.7)
Current liabilities	**3,237.3**	**4,657.0**	**(1,419.7)**
TOTAL LIABILITIES	**10,769.8**	**12,862.1**	**(2,092.3)**

2.1.5.1. Equity-accounted affiliates

The investment in equity-accounted companies (€669.0 million) comprised the following at 31 December 2016:

1) €206.0 million for the 36.9% stake in Realia, which increased substantially due to two capital increases and to income for the year.

2) €74.7 million for investments in companies in the Water area, mainly service concession companies in other countries (North Africa and Mexico).

3) €77.3 million for holdings in companies in the Environmental Services area (recycling and municipal services, mainly in Spain and the UK).

4) €48.8 million for the 35.6% stake in Giant Cement Holding, the parent company of the Cement division in the US, which is now equity-accounted, whereas it was fully consolidated at 2015 year-end.

5) €262.2 million for the other holdings (transport infrastructure concessions and renewable energy companies) and loans to affiliated companies.

2.1.5.2. Non-current assets and liabilities available for sale

The balance of €14.9 million in non-current assets available for sale at the end of the year was practically unchanged and related entirely to the residual business of Cemusa in Portugal. Those assets had associated liabilities for the same amount: €14.9 million.

The decline in the balance with respect to 2015 year-end is due to completion of the sale of 50% of GVI in the first quarter of 2016.

2.1.5.3. Cash and cash equivalents

The reduction of €199.4 million in 2016, to a balance of €1,146.1 million, is due mainly to the inflow of funds from the capital increase completed in March (€709.5 million), which was amply offset by repayment of €417.7 million of principal of the FCC, S.A. convertible bond in the fourth quarter of 2016, and by the use of part of the funds from the capital increase to cancel the former financing of the Cement area in the third quarter, as well as partial repayment of the FCC, S.A. syndicated loan in the second quarter.

2.1.5.4. Net equity

At 2016 year-end, net equity amounted to €936.8 million, a sizeable increase over 2015 year-end due to the additional capital raised in the period, which strengthened the Group's structure and finances and absorbed the impairment booked in the Cement area in the third quarter in response to the delay in the projected recovery in demand in Spain.

2.1.5.5. Net interest-bearing debt

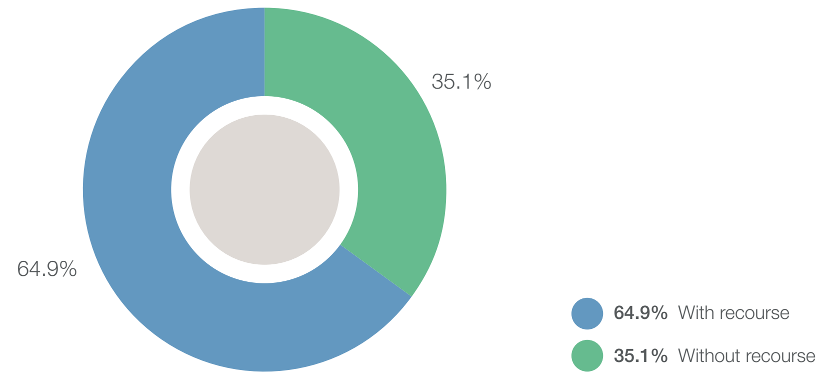
(M€)

	Dec. 16	Dec. 15	Chg. (M€)
Bank borrowings	4,536.1	5,647.7	(1,111.6)
Debt instruments and other loans	232.4	1,088.5	(856.1)
Accounts payable due to financial leases	49.4	62.1	(12.7)
Derivatives and other financial liabilities	183.1	251.5	(68.4)
Gross interest-bearing debt	**5,001.1**	**7,049.8**	**(2,048.7)**
Cash and other current financial assets	(1,410.1)	(1,576.2)	166.1
Net interest-bearing debt	**3,590.9**	**5,473.6**	**(1,882.7)**
With recourse	*2,329.1*	*3,254.3*	*(925.2)*
Without recourse	*1,261.8*	*2,219.3*	*(957.5)*

At the end of 2016, net interest-bearing debt amounted to €3,590.9 million, a notable €1,882.7 million reduction with respect to 2015 year-end. This reduction was the result of several factors, including notably: The net influx of cash (€708 million) from the capital increase performed in March. The effect of deconsolidating the debt connected with the cement business in the US after FCC lost control (€436.4 million at 2015 year-end). Receipt of the advance for completion and commissioning of the Buckinghamshire recycling and incineration plant in June (€219.6 million), and realisation of customer receivables. Other current financial assets increased by €106 million due to the second instalment (due in February 2017) of the price of the sale of GVI, which took place in the first quarter of 2016.

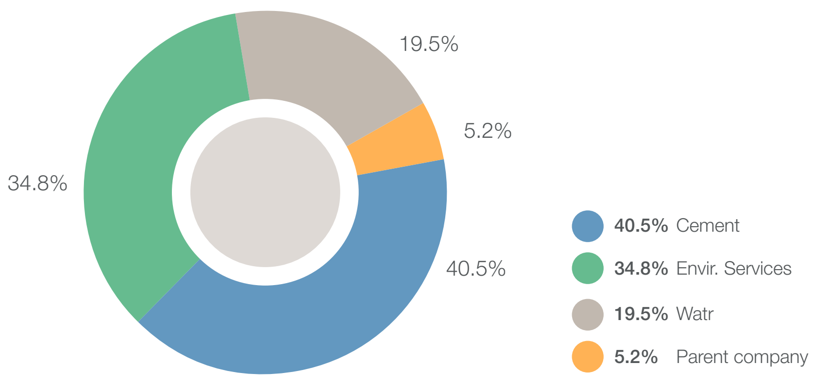
Gross interest-bearing debt, which is the basis of financial expenses, declined substantially, by €2,048.7 million to €5,001.1 million, due mainly to repayment of €386.4 million of Tranche B (including a 15% haircut), repayment of the debt associated with the Buckinghamshire project, repayment of Tranche A of the syndicated loan (€140.9 million), repayment of debt at the Cement division parent company (€284 million) under the new funding structure instituted in the third quarter, repayment of the bulk of the FCC, S.A. convertible bond (€417.7 million of principal and €10 million of accrued coupon), and deconsolidation of debt in the US Cement operations, as discussed earlier.

Debt with and without recourse



Net financial debt is divided between corporate debt (64.9%) and debt without recourse (35.1%). Net debt with recourse amounted to €2,329.1 million at 31 December 2016, including mainly legacy debt from the acquisition of a number of operating companies in the various divisions, excluding Cement, structured as a syndicated loan.

Net debt without recourse, by area



Net interest-bearing debt without recourse to the Group parent company amounted to €1,261.8 million at year-end. A large proportion of that is connected to the Cement area (€511.4 million). Environmental Services accounts for €439 million (€342.1 million in the UK, €70.7 million in Central Europe and the remainder in other waste treatment and recycling plants in Spain and Portugal). Net debt without recourse in the Water area amounted to €246.2 million, of which €181.7 million relate to the Czech Republic and the other €64.5 million to a number of end-to-end water concessions in Spain. The €65.2 million at parent company level are the net project debt of the concession companies for the Coatzacoalcos tunnel in Mexico and the Conquense highway in Spain.

2.1.5.6. Other current and non-current financial liabilities

The balance of other current and non-current financial liabilities, which do not qualify as interest-bearing debt, was €151.4 million at 2016 year-end. It includes financial liabilities such as those associated with hedging derivatives, suppliers of fixed assets, and deposits and guarantees received.

2.1.6. Cash flow

(M€)

	Dec. 16	Dec. 15	Chg. (%)
EBITDA	**833.7**	**814.6**	**2.3%**
(Increase)/decrease in working capital	331.4	(35.7)	N/A
Income tax (paid)/received	(48.6)	(77.2)	-37.0%
Other operating cash flow	(91.6)	(101.4)	-9.7%
Operating cash flow	**1,024.9**	**600.3**	**70.7%**
Investment payments	(448.6)	(431.9)	3.9%
Divestment receipts	294.2	38.5	N/A
Other investing cash flow	59.7	(19.2)	N/A
Investing cash flow	**(94.7)**	**(412.6)**	**-77.0%**
Interest paid	(316.3)	(269.5)	17.4%
(Payment)/receipt of financial liabilities	(1,452.7)	(90.2)	N/A
Other financing cash flow	677.7	(32.8)	N/A
Financing cash flow	**(1,091.3)**	**(392.5)**	**178.0%**
Exchange differences, change in consolidation scope, etc.	(38.3)	13.1	N/A
Increase/(decrease) in cash and cash equivalents	**(199.4)**	**(191.6)**	**4.1%**

2.1.6.1. Operating cash flow

Operating cash flow improved substantially in 2016 to a positive figure of €1,024.9 million, a sizeable €424.6 million improvement on the figure one year earlier.

This was due to a high level of cash conversion and a strong positive variation in working capital. It also reflects the effect of the reduction of accounts payable in June following handover of the recycling plant in the UK by the Environmental Services division. This improvement, coupled with higher realisation of customer receivables, amply offset the payment of €126.3 million for deferral of prior years' taxes. The refund in 2016 is deemed to conclude the payments for these deferrals, and no amount remains outstanding.

(M€)

	Dec. 16	Dec. 15	Chg. (M€)
Environmental services	326.2	(71.7)	397.9
Water	21.6	(3.3)	24.9
Construction	41.0	71.0	(30.0)
Cement	(10.4)	9.9	(20.3)
Corporate services and adjustments	(47.0)	(41.6)	(5.4)
(Increase)/decrease in working capital	**331.4**	**(35.7)**	**367.1**

Other operating cash flow reflects the application of €73.1 million in provisions in the Construction area, linked partly to the structure adjustment plan that was completed in 2016, as well as other lesser amounts in the Water and Environmental Services areas.

2.1.6.2. Investing cash flow

Investing cash flow amounted to €94.7 million, contrasting with a negative €412.6 million in 2015.

Investment payments in 2016 amounted to €448.6, similar to 2015, though this year it included €87.3 million (in proportion to the Company's 36.9% stake) of two capital increases completed at Realia in the year. Investment in Environmental Services, one of the most capital-intensive areas, declined to €216.5 million, from €270.7 million the previous year, due to completion of construction of the Buckinghamshire (UK) waste incineration plant in May and efforts to contain costs throughout this division.

Receipts increased substantially to €294.2 million in 2016, compared with €38.5 million in 2015. This increase was due to a number of divestments. In Corporate Services, the first instalment for the sale of GVI, amounting to €103.8 million (to be followed by a second instalment in February 2017), plus €76 million received for a number of concession divestments. Additionally, it includes €63.4 million in the Environmental Services area as the advance received for the financial asset corresponding to completion and commissioning of the recycling plant in the UK.

The breakdown of net investments by area, in terms of net investment payments and divestment receipts, is as follows:

(M€)

	Dec. 16	Dec. 15	Chg. (M€)
Environmental services	(150.9)	(250.1)	99.2
Water	(55.0)	(71.3)	16.3
Construction	(22.7)	(40.1)	17.4
Cement	0.9	(12.6)	13.5
Corporate services and adjustments	73.3	(19.3)	92.6
Net investments *(Payments - Receipts)*	**(154.4)**	**(393.4)**	**239.0**

Other investing flows refer to the financial interest received plus other changes in loans to third parties and investees, mainly in the Water and Construction divisions.

2.1.6.3. Financing cash flow

Consolidated financing cash flow amounted to €1,091.3 million in 2016, far higher than the 2015 figure (€392.5 million). That figure includes the aforementioned cash outflows, i.e. repayment of €417.7 million of the FCC, S.A. convertible bond and €140.9 million in principal of the parent company's syndicated loan, repayment of the bulk of Tranche B of that loan, by means of a Dutch auction, for €315.3 million, repayment of €284 million due to cancellation of the pre-existing funding of the Cement division's parent company, and repayment of €219.6 million in debt in the Environmental Services division as a result of collecting the advance in June upon entry into service of a treatment and recycling plant in the United Kingdom.

Cash inflows include €708 million raised in the capital increase on 4 March 2016.

Interest expenses amounted to €316.3 million in 2016, compared with €269.5 million in 2015; this variation is due to the substantial reduction in debt in 2016 and to the calendar of accruals and actual payment of debt servicing costs.

2.1.6.4. Exchange differences, change in consolidation scope, etc.

This item was negative in the amount of €38.3 million in 2016, contrasting with the positive difference of €13.1 million in 2015. This change is due to the impact of currency fluctuations on cash, concentrated in the Environmental Services area (UK) and, to a lesser extent, in other markets in the Water division.

2.1.6.5. Variation in cash and cash equivalents

Combining the foregoing flows, and broadly as a result of the reduction in gross interest-bearing debt, the Group's cash position was reduced by €199.4 million with respect to 2015 year-end, to €1,146.1 million at 31 December 2016.

2.1.7. Business Performance

2.1.7.1. Environmental Services

The Environmental Services area accounts for 52.6% of FCC Group EBITDA. A total of 95.3% of its activities involve municipal solid waste collection, treatment and disposal, along with other municipal services such as street cleaning and green area upkeep. The other 4.7% corresponds to industrial waste collection and management.

FCC's business in Spain focuses on municipal waste management and street cleaning; in the UK, it is involved principally in municipal waste treatment, recovery and disposal; in Central and Eastern Europe, mainly Austria and the Czech Republic, FCC has a balanced presence throughout the municipal waste management chain (collection, processing and disposal).
In Portugal and other countries, FCC is involved in both industrial and municipal waste management.

2.1.7.1.1. Results

(M€)

	Dec. 16	Dec. 15	Chg. (%)
Revenues	2,728.1	2,855.6	-4.5%
Environment	*2,598.7*	*2,731.5*	*-4.9%*
Industrial Waste	*129.4*	*124.1*	*4.3%*
EBITDA	438.7	425.3	3.2%
EBITDA margin	16.1%	14.9%	1.2 p.p
EBIT	221.8	191.5	15.8%
EBIT margin	*8.1%*	*6.7%*	*1.4 p.p*

Revenues in the Environmental Services area declined by 4.5% to €2,728.1 million in 2016, mainly as a result of a reduction in revenues in the United Kingdom.

Revenue breakdown, by region

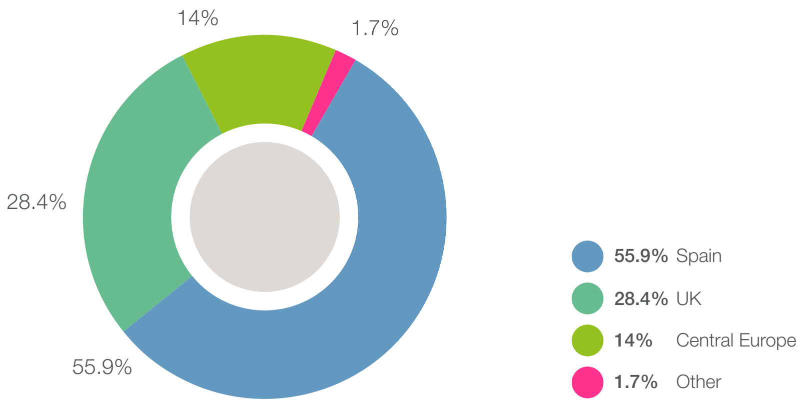
(M€)

	Dec. 16	Dec. 15	Chg. (%)
Spain	1,526.0	1,518.1	0.5%
United Kingdom	776.0	926.9	-16.3%
Central Europe	381.7	369.0	3.4%
Portugal, etc.	44.4	41.6	6.7%
Total	**2,728.1**	**2,855.6**	**-4.5%**

Revenues in Spain amounted to €1,526 million, in line with the previous year, whereas revenues in the UK declined by 16.3% to €776 million due mainly to the negative effect of sterling's depreciation (-11.4%) and, to a lesser extent, to completion of construction of the Buckinghamshire waste incineration plant, which came into service in June under a 30-year concession.

Revenues in Central Europe increased by 3.4% to €381.7 million, supported basically by expanding business in the Czech Republic and, to a lesser extent, in Austria. Revenues in other markets increased by 6.7% due to the contribution by the United States — mainly revenues from the waste collection contract in Orange County (Florida).

Revenue breakdown, by region



EBITDA amounted to €438.7 million, a 3.2% increase on 2015, favoured by a 1.2 percentage point improvement in the EBITDA margin to 16.1%. This increase in the margin, achieved despite depreciation of the pound sterling, is due, among other factors, to the higher contribution resulting from entry into service of the Buckinghamshire waste incineration plant, as well as the effect of winding down the landfill business in the UK.

EBIT amounted to €221.8 million, a 15.8% increase year-on-year, due mainly to lower depreciation and amortisation.

Backlog breakdown, by region

(M€)

	Dec. 16	Dec. 15	Chg. (%)
Spain	6,663.9	7,112.0	-6.3%
International	4,487.8	4,713.7	-4.8%
Total	**11,151.7**	**11,825.7**	**-5.7%**

The area's backlog declined by 5.7% with respect to 2015 year-end. The backlog declined by 6.3% in Spain due to a lower order intake, while it fell by 4.8% in the international areas, basically as a result of sterling's depreciation against the euro, which had an impact of close to €570 million. The contract to build and operate the Edinburgh and Midlothian (Scotland) incineration plant, worth €511 million, was added to the backlog in the fourth quarter after it achieved financial completion. The total backlog amounts to over 4 times revenues in the last twelve months.

2.1.7.1.2. Cash Flow

(M€)

	Dec. 16	Dec. 15	Chg. (%)
EBITDA	**438.7**	**425.3**	**3.2%**
(Increase)/decrease in working capital	326.2	(71.7)	N/A
Income tax (paid)/received	(41.6)	(26.4)	57.6%
Other operating cash flow	(7.6)	7.0	N/A
Operating cash flow	**715.7**	**334.2**	**114.2%**
Investment payments	(216.5)	(270.7)	-20.0%
Divestment receipts	65.6	20.6	N/A
Other investing cash flow	7.6	16.2	-53.1%
Investing cash flow	**(143.3)**	**(233.9)**	**-38.7%**
Interest paid	(85.2)	(95.4)	-10.7%
(Payment)/receipt of financial liabilities	(506.2)	(6.3)	N/A
Other financing cash flow	(54.5)	(120.5)	-54.8%
Financing cash flow	**(645.9)**	**(222.2)**	**190.7%**
Exchange rate variations, etc.	(30.5)	11.1	N/A
Increase/(decrease) in cash and cash equivalents	**(104.0)**	**(110.8)**	**-6.1%**

	Dec. 16	Dec. 15	Chg. (M€)
Without recourse	439.0	659.6	(220.6)

Operating cash flow increased notably to €715.7 million, €381.5 million more than in 2015. This was due mainly to an improvement in EBITDA and a significant reduction in working capital, which includes the €156.2 million advance collected upon completion of development of the Buckinghamshire incineration plant, and a larger volume of non-recourse factoring.

Investment payments amounted to €216.5 million, 20% less than in 2015, mainly as a result of the lower impact of construction of the Buckinghamshire plant, and also of the containment of capital expenditure in this area as a whole.

Divestment receipts amounted to €65.6 million, related almost entirely, once again, to the part of the Buckinghamshire plant that was recognised as a financial asset under development at the end of the first half of 2016, as required by the accounting standards.

Net financial debt without recourse in this area declined sharply, by €220.6 million, driven by receipt of the advance associated with the Buckinghamshire incinerator, and also the positive effect of sterling's depreciation. Of the total outstanding debt, €342.1 million relates to the UK, €70.7 million to Central Europe and the remaining €26.2 million to waste treatment and recycling plants in Spain and Portugal.

2.1.7.2. End-to-end Water Management

The Water area accounted for 27.8% of FCC Group EBITDA in the period. Public concessions and end-to-end water management (capture, purification, distribution and treatment) account for 89.6% of total revenues, and Technology and Networks (design, engineering and outfitting of water infrastructure) account for the other 10.4%.

FCC serves more than 13 million people in over 850 municipalities in Spain. In Central Europe, FCC serves 1.3 million users, mainly in the Czech Republic. It also has a strong presence in Italy and Portugal. FCC designs, equips and operates water treatment plants in Latin America, the Middle East and North Africa. Overall, FCC Aqualia supplies water and/or sewage treatment services to over 23 million people.

2.1.7.2.1. Results

(M€)

	Dec. 16	Dec. 15	Chg. (%)
Revenue	1,009.8	1,033.5	-2.3%
Concessions and services	*904.3*	*872.5*	*3.6%*
Technology and networks	*105.5*	*161.0*	*-34.5%*
EBITDA	231.4	227.5	1.7%
EBITDA margin	*22.9%*	*22.0%*	*0.9 p.p*
EBIT	144.1	145.3	-0.8%
EBIT margin	*14.3%*	*14.1%*	*0.2 p.p*

This area's revenues declined by 2.3% year-on-year, to €1,009.8 million, mainly as a result of the decline in the technology and networks business in the domestic market as public administrations cut back investment in water infrastructure. However, this decline was partly offset by the incipient contribution from the contracts obtained recently in Latin America and the Middle East.

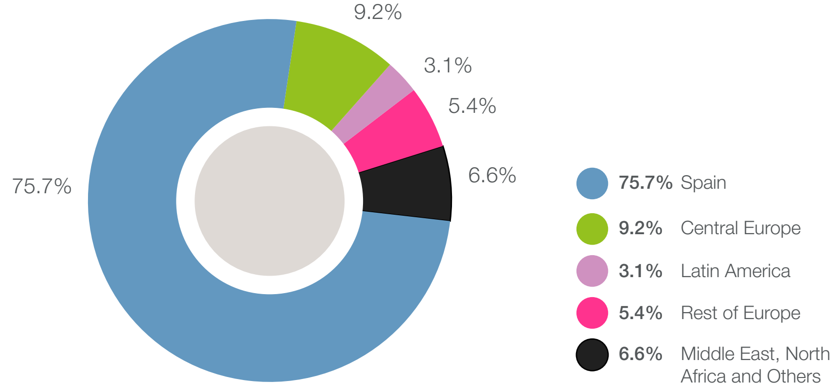
Revenue breakdown, by region *(M€))*

	Dec. 16	Dec. 15	Chg. (%)
Spain	764.8	779.8	-1.9%
Central Europe	93.2	92.1	1.2%
Latin America	31.7	62.0	-48.9%
Rest of Europe (Portugal and Italy)	54.4	62.8	-13.4%
Middle East, North Africa and Others	65.8	36.8	78.8%
Total	**1,009.8**	**1,033.5**	**-2.3%**

Central Europe increased by 1.2% as a result of updated tariffs and higher billing volumes in the water contract in the Czech Republic, operated through subsidiary SmVAK.

The decline in revenues in Latin America is due to the completion of several major projects in Mexico. However, this effect was broadly offset by growth in the Middle East and North Africa due to work on networks in Riyadh and a treatment plant in Djerba (Tunisia).

Revenue breakdown, by region



Despite the decline in revenues, EBITDA increased by 1.7% with respect to 2015, to €231.4 million, due to a significant increase in the EBITDA margin, to 22.9%. This was attributable to the combined effect of a lower contribution by the technology and network business and an increase in the profitability of the concession business, mainly as a result of improvements in contract operating efficiency and in structural and support expenses.

Backlog breakdown, by region *(M€)*

	Dec. 16	Dec. 15	Chg. (%)
Spain	8,753.,0	9,924.2	-11.8%
International	6,202.9	4,519.5	37.2%
Total	**14,955.9**	**14,443.7**	**3.5%**

The backlog expanded by 3.5% with respect to 2015 year-end, to €14,955.9 million, i.e. close to 15 times revenues in the last 12 months. The international backlog expanded by 37.2% to €6,202.9 million, driven by the extension of business in the Czech Republic, a new contract to build a desalination plant in Egypt (€114.6 million), and another €148 million for the construction and operation of two waste water treatment plants in Colombia.

(M€)

	Dec. 16	Dec. 15	Chg. (%)
EBITDA	**231.4**	**227.5**	**1.7%**
(Increase)/decrease in working capital	21.6	(3.3)	N/A
Income tax (paid)/received	(31.6)	(38.6)	-18.1%
Other operating cash flow	(3.3)	18.0	-118.3%
Operating cash flow	**218.1**	**203.6**	**7.1%**
Investment payments	(55.4)	(78.8)	-29.7%
Divestment receipts	0.4	7.5	-94.7%
Other investing cash flow	(58.9)	(88.4)	-33.4%
Investing cash flow	**(113.9)**	**(159.7)**	**-28.7%**
Interest paid	(37.6)	(37.2)	1.1%
(Payment)/receipt of financial liabilities	(47.8)	38.3	N/A
Other financing cash flow	(10.8)	(69.9)	-84.5%
Financing cash flow	**(96.2)**	**(68.8)**	**39.8%**
Exchange rate variations, etc.	(6.6)	(2.8)	135.7%
Increase/(decrease) in cash and cash equivalents	**1.4**	**(27.7)**	**-105.1%**

	Dec. 16	Dec. 15	Change (M€)
Without recourse	**246.2**	**249.8**	**(3.6)**

2.1.7.2.2. Cash Flow

Operating cash flow increased by 7.1% to €218.1 million due to the improvement in working capital, favoured by efforts made in this area to reduce the balance of customer receivables. The change includes the payment of €16.9 million of deferred taxes, compared with €22.9 million in 2015.

Payments for investments declined to €55.4 million, while other investing cash flow reflected a lower cash outflow for loans to other Group companies. This effect is eliminated at Group level and, consequently, has no impact on the consolidated cash flow statements.

Net debt without recourse declined slightly in 2016, to €246.2 million. Of that amount, €181.7 million is related to the business in the Czech Republic and the other €64.5 million to an end-to-end water concession in Spain (Aquajerez).

2.1.7.3. Construction

The Construction area is mainly involved in the design and construction of large civil engineering and industrial works in certain geographies. It operates in highly complex public works such as railways, tunnels and bridges, which, with industrial installation and maintenance projects, account for a large part of its activity.

2.1.7.3.1. Results

(M€)

	Dec. 16	Dec. 15	Chg. (%)
Revenues	1,652.6	1,992.9	-17.1%
EBITDA	55.0	75.8	-27.4%
EBITDA margin	*3.3%*	*3.8%*	*-0.5 p.p*
EBIT	(47.4)	(19.2)	146.9%
EBIT margin	*-2.9%*	*-1.0%*	*-1.9 p.p*

This area's revenues amounted to €1,652.6 million in 2016, down 17.1% year-on-year due almost entirely to the 35.4% decline in Spain. As in previous quarters, this reduction is due to the ongoing cutback in government expenditure on infrastructure in Spain.

The fall in revenues in Spain is partly offset by revenues from other countries, which shrank by a more moderate 2.1% and now account for 64.8% of the area's total. The reduction in international revenues was a temporary effect, which lessened steadily as the year advanced, due to the completion of certain projects that were not fully offset by the commencement of new projects.

Revenue breakdown, by region *(M€)*

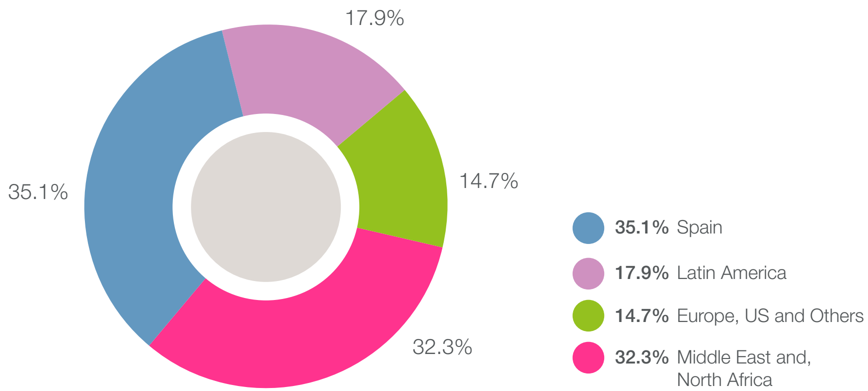
	Dec. 16	Dec. 15	Chg. (%)
Spain	580.8	898.7	-35.4%
Middle East and North Africa	534.3	439.6	21.5%
Latin America	295.5	419.4	-29.5%
Europe, US, etc.	242.0	235.2	2.9%
Total	**1,652.6**	**1,992.9**	**-17.1%**

Revenues in the Middle East and North Africa continued to rise rapidly (+21.5%), mainly due to the execution of the Riyadh Metro project.

Revenues in Latin America continued to decline, as in previous periods, having fallen by 29.5% year-on-year due to the completion of major projects, such as Panama Metro Line 1, the Chucas hydroelectric dam, and the Panama Canal expansion. Nevertheless, the decline eased off as the year advanced due to the growing contribution from new projects, including notably Lima Metro in Peru and Panama Metro Line 2.

Revenues in Europe, the US and other markets increased by 2.9% due to the higher contribution from the Mersey and Gerald Desmond bridges, and to faster progress with a number of rail projects in Romania.

Revenue breakdown, by region



EBITDA amounted to €55.0 million, 27.4% less than in 2015. This was due to the continuing low volume of activity in the domestic market, recognition of losses on certain international projects, and certain provisions. Earnings recovered during the year, and margins improved slightly, which diluted the exceptional negative effects that were recognised in the year.

EBIT was negative in the amount of €47.4 million, due basically to a €53.4 million provision booked in May to adjust production resources to the decline in demand for infrastructure investment in Spain.

Backlog breakdown, by region

(M€)

	Dec. 16	Dec. 15	Chg. (%)
Spain	1,038.7	1,358.8	-23.6%
International	3,443.6	4,871.5	-29.3%
Total	**4,482.3**	**6,230.3**	**-28.1%**

The area's backlog declined to €4,482.3 million, 28.1% less than at 2015 year-end. The decline in the backlog in Spain is due to persisting low demand for civil engineering. The reduction in the international backlog (-29.3% to €3,443.6 million) is due to the low order intake in the period, with bids being concentrated in large infrastructure projects, and also, to the readjustment caused by early completion of some projects in North Africa.

Backlog breakdown, by business segment

(M€)

	Dec. 16	Dec. 15	Chg. (%)
Civil engineering	3,467.2	5,008.2	-30.8%
Building	654.9	907.2	-27.8%
Industrial projects	360.2	314.9	14.4%
Total	**4,482.3**	**6,230.3**	**-28.1%**

Civil engineering and industrial projects retained their importance, accounting for 85.4% of the total due to the increased order intake in connection with industrial facility projects, while building (almost entirely non-residential) accounted for the remaining 14.6%.

2.1.7.3.2. Cash Flow

(M€)

	Dec. 16	Dec. 15	Chg. (%)
EBITDA	**55.0**	**75.8**	**-27.4%**
(Increase)/decrease in working capital	41.0	71.0	-42.3%
Income tax (paid)/received	8.4	(25.6)	-132.8%
Other operating cash flow	(108.4)	(25.7)	N/A
Operating cash flow	**(4.0)**	**95.5**	**-104.2%**
Investment payments	(50.3)	(52.4)	-4.0%
Divestment receipts	27.6	12.3	124.4%
Other investing cash flow	(57.3)	130.9	-143.8%
Investing cash flow	**(80.0)**	**90.8**	**-188.1%**
Interest paid	(12.2)	(11.7)	4.3%
(Payment)/receipt of financial liabilities	70.9	(72.5)	-197.8%
Other financing cash flow	0.1	0.0	N/A
Financing cash flow	**58.8**	**(84.2)**	**-169.8%**
Exchange rate variations, etc.	3.5	(39.1)	-109.0%
Increase/(decrease) in cash and cash equivalents	**(21.7)**	**63.0**	**-134.4%**

The area's operating cash flow was negative in the amount of €4 million, contrasting with a positive €95.5 million in 2015. This was attributable mainly to the reduction in EBITDA coupled with less favourable performance by working capital. Additionally, other operating cash flow included the release of provisions in connection with the workforce adjustment that took place between May and December 2016, and the closure of certain projects.

Working capital in 2016 included a €29.4 million payment of taxes deferred in prior years, with the result that the Area is up to date with its tax obligations.

Investment payments amounted to €50.3 million, a 4.0% decline year-on-year, and include mainly the investment in specialised machinery for certain contracts, particularly underground civil engineering work, and investment payments in connection with companies in the area. The sale of various machinery assets provided €27.6 million in divestment proceeds in the period. Other investing cash flow, which amounted to €57.3 million, basically refers to changes in loans to Group companies.

2.1.7.4. Cement

The Cement area accounted for 10.7% of FCC Group EBITDA in 2016, through the 77.9% stake in Cementos Portland Valderrivas (CPV). This area produces mainly cement; it has seven factories in Spain and one in Tunisia.

2.1.7.4.1. Results

(M€)

	Dec. 16	Dec. 15	Chg. (%)
Revenues	536.2	580.4	-7.6%
Cement	*480.1*	*514.9*	*-6.8%*
Other	*56.1*	*65.5*	*-14.3%*
EBITDA	89.2	94.3	-5.4%
EBITDA margin	*16.6%*	*16.2%*	*0.4 p.p*
EBIT	(120.4)	28.6	-521.0%
EBIT margin	*-22.5%*	*4.9%*	*-27.4 p.p*

*Includes impairment at CPV amounting to €187.2 million

This area's revenues declined by 7.6% with respect to 2015, to €536.2 million, due to a decline of 6.8% in cement sales and of 14.3% in other businesses (concrete, mortar, aggregate and waste treatment). Revenues were affected by deconsolidation of the cement business in the United States (Giant Cement) as a result of dilution of FCC's stake in Cementos Portland Valderrivas to 45% and the resulting decision to recognise it by the equity method starting November.

Revenue breakdown, by region

(M€)

	Dic. 16	Dic. 15	Var. (%)
Spain	185.5	197.2	-5.9%
US and Canada	186.1	212.8	-12.5%
Tunisia	68.7	80.3	-14.5%
UK and others	95.9	90.1	6.5%
Total	**536.2**	**580.4**	**-7.6%**

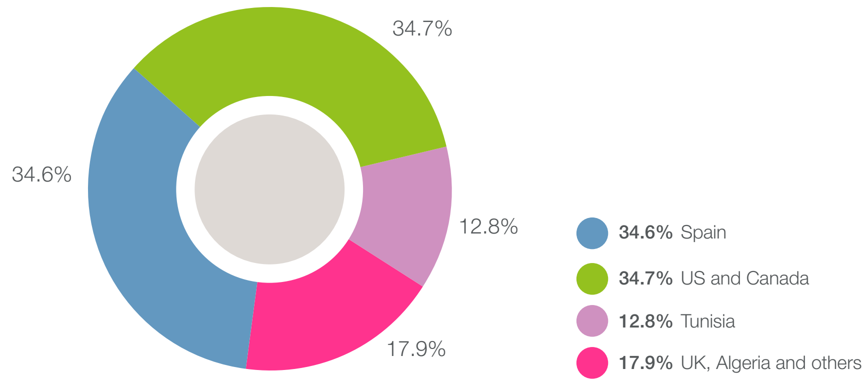
Revenues in Spain declined by 5.9%, due to the combination of slightly lower prices and a year-on-year decline in cement consumption due to shrinkage of the domestic market during the year.

Revenues fell by 12.5% in the United States and Canada due, as discussed in the previo us point, to deconsolidating the US business in November, which had been providing more than one-third of the division's turnover. In the first nine months of 2016, revenues increased by 4.6% year-on-year, driven by a market recovery in terms of both cement volumes and prices.

Revenues declined by 14.5% in Tunisia, despite stable prices, because of the decline in domestic consumption and exports and, above all, of the dinar's 11% depreciation against the euro.

Revenues from exports to the UK and other markets increased by 6.5%, despite the adverse impact of the pound's depreciation, because of greater sales penetration in the UK.

Revenue breakdown, by region



EBITDA declined by 5.4% to €89.2 million, compared with €94.3 million in 2016. This decline was due mainly to the lower contribution from the business in the US, which was deconsolidated in November, and the negative impact of selling zero CO_2 emission rights in the period, contrasting with 3.9 million in 2015.

The Cement area recognised impairment of goodwill in the amount of €187.2 million in the third quarter, with the result that EBIT was negative in the amount of €120.4 million. This impairment, which has no impact on the area's cash flow, is due to the delay in the expected recovery by demand and prices in Spain caused by the additional setback in public expenditure this year. This item includes other income, including an accounting capital gain of €54.3 million as a result of the adjustment to the valuation of the stake in Giant Cement on changing it from global consolidation to the equity method.

2.1.7.4.2. Cash Flow

(M€)

	Dec. 16	Dec. 15	Chg. (%)
EBITDA	**89.2**	**94.3**	**-5.4%**
(Increase)/decrease in working capital	(10.4)	9.9	-205.1%
Income tax (paid)/received	0.2	(6.9)	-102.9%
Other operating cash flow	(4.2)	(10.7)	-60.7%
Operating cash flow	**74.8**	**86.6**	**-13.6%**
Investment payments	(11.9)	(16.8)	-29.2%
Divestment receipts	12.8	4.2	204.8%
Other investing cash flow	(2.5)	0.8	-412.5%
Investing cash flow	**(1.6)**	**(11.8)**	**-86.4%**
Interest paid	(94.0)	(94.0)	0.0%
(Payment)/receipt of financial liabilities	37.5	3.7	913.5%
Other financing cash flow	(20.2)	(2.3)	778.3%
Financing cash flow	**(76.7)**	**(92.6)**	**-17.2%**
Exchange rate variations, etc.	(2.1)	3.4	-161.8%
Increase/(decrease) in cash and cash equivalents	**(5.6)**	**(14.4)**	**-61.1%**

	Dec. 16	Dec. 15	Chg. (M€)
Without recourse	511.4	1,248.9	(737.5)

Operating cash flow amounted to €74.8 million, a 13.6% decline with respect to 2015, due mainly to a temporary negative variation in working capital that will reverse in the coming months.

Financing cash flow in 2016 includes both interest payments and the early repayment of Giant Cement's debt in October.

Capital expenditure kept pace with demand and was confined to preventative and maintenance expenses. Cash outflows under this heading in 2016 amounted to €11.9 million, compared with €16.8 million in 2015. Additionally, recovery of deposits and sureties as a result of refinancing the debt of this area's parent company resulted in divestment receipts amounting to €12.8 million, compared with €4.2 million in 2015.

The area's interest-bearing debt to third parties is without recourse to FCC. The €737.5 million reduction in this item with respect to 2015 year-end is due mainly to the partial repayment of the area parent company's syndicated loan in the third quarter, and to the deconsolidation of the debt associated with the US business after the stake in Giant Cement was diluted to 45%.

2.2. Business performance. Environment

The information relating to the FCC Group's Environmental Policy is described in greater detail in Note 29 to the consolidated financial statements.

The FCC Group's strategy is based on a commitment to social responsibility in relation to environmental services, complying with the applicable legal requirements, respect for its relationship with its stakeholders and its desire to generate wealth and social well-being.

At the FCC Group, the following principles, which form the basis of its contribution to sustainable development, are encouraged and stimulated throughout the organisation:

- Continuous improvement: To promote environmental excellence through the setting of targets to achieve continuous improvement in the performance of activities, while minimising the negative impacts of the FCC Group's processes, products and services and strengthening the positive impacts.
- Control and monitoring: To establish environmental indicator management systems for the operational control of processes, which provide the necessary information for monitoring, assessing, taking decisions on and communicating the FCC Group's environmental efforts, and ensure compliance with the commitments acquired.
- Climate change and prevention of pollution: To lead the battle against climate change by implementing processes involving reduced emission of greenhouse gases and by promoting energy efficiency and the use of renewable energies. To prevent pollution and protect the natural environment through responsible management and consumption of natural resources and by minimising the impact of the emissions, discharges and waste generated and managed as a result of the FCC Group's activities.

– Care for the environment and innovation: To identify the risks and opportunities pertaining to the activities with respect to the changing natural environment in order to promote innovation and the use of new technologies, and to generate synergies among the FCC Group's various activities.

– Life cycle of the products and services: To make environmental considerations a priority in the planning of activities, purchase of materials and equipment and in relationships with suppliers and contractors.

– Ensure the participation of all: To promote awareness and application of the environmental principles among employees and other stakeholders.

2.3. Business performance. Employees

Following is a detail, by business area, of the FCC Group's headcount at 31 December 2016:

AREAS	Spain	Abroad	Total	%s of Total	%Chg. 2015
Environmental Services	30,758	8,710	39,468	72%	2.03%
Water Management	6,178	1,774	7,952	15%	4.18%
Construction	3,516	2,155	5,671	10%	-17.22%
Cement	763	330	1,093	2%	-35.13%
Central Services and Other	283	-	283	1%	-3.74%
TOTAL	**41,498**	**12,969**	**54,467**	**100%**	**-1.23%**

03. Liquidity and capital resources

Liquidity

To optimise its financial position, the FCC Group maintains a proactive liquidity risk management policy by monitoring cash and its projections on a daily basis.

The FCC Group meets its liquidity requirements through the cash flows generated by the businesses and through the financial agreements reached.

With a view to improving its financial position, the Group actively manages collection from its customers to ensure they meet their payment obligations.

For the purpose of ensuring liquidity and enabling it to meet all the payment obligations arising from its business activities, the Group has the cash disclosed in the consolidated balance sheet (see Note 17 to the consolidated financial statements), and financing (detailed in Note 20 to the consolidated financial statements).

Note 30 of the consolidated report explains the policy implemented by the FCC Group to manage its liquidity risk and associated mitigating factors.

Capital resources

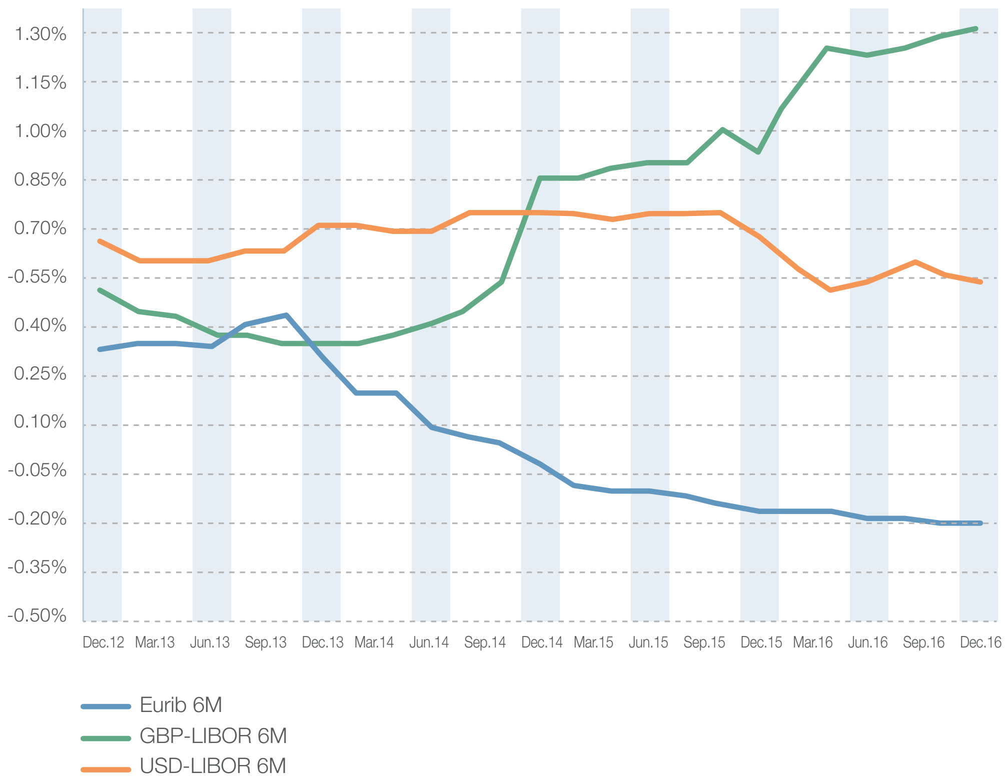
The Group manages its capital to ensure that the Group companies are capable of continuing as profitable and solvent businesses.

As part of capital management operations, the Group obtains financing through a wide variety of financial products from more than 50 Spanish and international financial institutions.

In 2014 the Group completed a EUR 4.528b global financing process and in recent years it has reached various limited recourse debt refinancing agreements (see Note 20 to the consolidated financial statements). At the end of 2014 a capital increase of almost EUR 1,000,000 thousand was effected, with another on 4 March 2016 for EUR 709,519 thousand, both allocated to strengthening the Company's capital structure.

In order to optimise the cost of capital resources, the FCC Group maintains an active interest rate risk management policy that includes ongoing monitoring of the market and assumes various positions based mainly on the financed asset.

How interest rates have evolved in recent years is shown below.



This section is discussed in further detail in Note 30 to the consolidated financial statements.

04. Main risks and uncertainties

The current risk-management policy, together with the system for developing it, was approved by the board of directors in October 2016. The risk-management policy and system have been designed to identify any potential events that if they were to occur would affect the FCC Group, and also to manage risks within the acceptable risk level, providing the board and management of FCC with a reasonable degree of assurance that their objectives can be met.

That is why it is key for them to be integrated into the organisation's business processes.

Risk management at FCC is governed by the following basic principles:

- Integrating the risk/opportunity vision.
- Assigning responsibility.
- Segregating duties/independence.
- Homogenisation.
- Monitoring and controlling risks.
- Internal control.
- Action plans.
- Continuous assessment of the process.
- Supervision by the Auditing and Control Committee.

The scope of application established under the risk-management policy and system of the FCC Group covers all the member companies, as well as affiliates in which FCC has effective control and companies newly taken over as soon as the acquisition is effective. It also covers employees of the FCC Group who are attached to consortia and JVs.

The activities that fall within the scope of the risk-management system of the FCC Group include preparing and updating of risk maps and risk matrix and control of business units to enable FCC's consolidated risk map to be drawn up, as well as preparing risk-materialisation reports and action plans. Other activities included within the system are training, document control, monitoring and reviews of the system and continuous improvement.

In addition, the risk-management system also establishes internal communication mechanisms at various different levels: within the business unit via risk-management performance reports, between the Risks and Compliance Committee and the Risk Management role (e.g., risk-materialisation reports), and between the Internal Auditing Department, Risk Management and the Auditing and Control Committee.

Risk maps and the matrix of risks and controls include identification of the main risks in the various business areas, as well as controls established by management to mitigate the effect of those risks and valuation in terms of the likelihood of their occurrence and their impact on the financial statements of the business area analysed.

The process of drawing up risk maps for the business units includes the stages of setting targets, identifying risks, identifying processes, assessing risks according to their potential impact if they were to materialise and the likelihood of their occurrence, and identifying the personnel responsible for managing the risks identified.

The process of preparing the matrix of risks and controls for business units includes the stages of identifying key control activities to mitigate risks, assigning responsibilities for control and designing key indicators to enable a system of alerts to be established to warn of any deviations or materialisations.

The Group's risk-management system is based on the existence of three levels of risk management. The first two are located within the business unit that, as part of its business, gives rise to the FCC Group's exposure to risk. The third consists, first of all, of the corporate staff reporting to senior management (corporate departments) and finally the Internal Auditing and Risk Management and Compliance staff, who report to the Auditing and Control Committee.

FCC Construcción has a Risks and Compliance Committee with an executive role, whose duties, in accordance with the approved risk-management policy and system, include implementing the system, assuring compliance of the risk-management processes defined and developing sufficient control environments to mitigate and maintain risks within acceptable levels.

As established under the Regulations of the FCC Board of Directors, it is the responsibility of the full board to approve the company's risk-management and control policy, identifying any risks that the company considers to be major and implementing and monitoring the appropriate internal-control and information systems, in order to assure future viability and competitiveness, as well as making the appropriate decisions for their optimal development.

The role of the Auditing and Control Committee also includes supervising and studying a risk-management and control policy that identifies:

- The various different types of risks faced by the company, including – among financial or economic risks — contingent liabilities and other risks off-book risks.
- Setting the risk level that the company considers to be acceptable.
- Measures provided to mitigate the impact of the risks identified, if they should ever materialise.
- The information systems to be used to control and manage those risks, including contingent liabilities or off-book risks, referring them to the board for approval.

The first level of risk management and internal control is located on the operational lines of the business unit, which act as risk takers and are responsible for appropriately managing, monitoring and reporting the risk generated, including tax risks, in accordance with the risk appetite and risk limits authorise.

The second level is made up of support, control and supervision teams who oversee the effective control of the risk and its management in accordance with the risk appetite, including tax risks.

The Risk Management and Compliance Department is part of the third level of risk management and internal control. Its duties are related to supervising, coordinating, monitoring and integrating the risk-management and control process within the organisation. This third level also includes corporate functions (HR, Tax, Administration, Legal, etc.) and the internal-auditing function as the last line of defence.

The risk scenarios considered have been classified into four groups: Strategic risks, operational risks, compliance risks and financial risks.

4.1. Main Risks and Uncertainties. Operational risks

- **Uncertainty and volatility of raw materials, energy and subcontracted services..**

  The FCC Group, in the course of its activities, consumes high volumes of raw materials and energy, as well as working with numerous subcontractors and industrial firms. Changing economic conditions and uncertainty in general could give rise to oscillating prices that would have an impact on the FCC Group's results.

- **Municipalisation of the management of services currently provided by the FCC Group.**

  Certain services provided by the FCC Group could be affected by decisions made by current or future local authorities. In certain cases, these decisions could result in municipalisation. In particular, for the FCC Group municipalisation could affect the Environmental Services and Water divisions, with a consequent negative impact on present and future results and orders.

- **Disasters.**

  The complexity of certain environments in which the FCC Group operates increases exposure to the risk of suffering the effects of unforeseen events causing damage to people, assets or the environment, including natural disasters, terrorism and criminal acts.

- **Information security.**

  Of particular relevance is the risk of criminal cyberattacks which, whether targeted directly at the company or otherwise, could affect its assets and hinder operations for a lengthy period of time. The FCC Group as an operational unit whose role is to prevent, detect, analyse and mitigate factors related to security events, such as hacking, attacks, etc.

- **Rescheduling of projects.**

  The financial and economic situation could cause public and private investment forecasts to be cut back, which could lead to various projects under way in Spain and abroad to be rescheduled, with considerable impact on their results, if clients fail to meet their undertakings while the FCC Group makes a constant effort to comply with its own.

- **Risks derived from links to third parties.**

  The FCC Group may operate jointly with public authorities or private entities through various forms of partnership (companies, consortia, economic interest groups, joint ventures and similar). The members of such partnerships share the operational, economic and financial risks associated with certain projects or activities. Nevertheless, adverse developments in a project or business, in the underlying economic and political climate or in the partners' economic position could cause conflicts to arise, with negative effects on their performance and therefore also on the FCC Group.

- **Repercussion of extraordinary costs in activities developed.**

  The FCC Groups' design and build activities expose it to certain risks that are inherent to contracting of that kind, such as the repercussion of extraordinary costs. In the Environmental Services, Water and Construction business areas, the FCC Group develops "turnkey" design and build contracts that are remunerated based on a fixed price. Whether the price of a turnkey contract is subject to review may vary according to the jurisdiction.

- **Unilateral termination or amendment of contracts**

  Public Authorities may unilaterally amend or terminate certain contracts before they have been fully performed. In these cases, the compensation to be received by the FCC Group might not be sufficient to cover the losses incurred and, also, such compensation might be difficult to collect.

  Regardless of the nature and sum owed in compensation to the FCC Group under a concession or works contract terminated by the client, the FCC Group could need to take legal action or proceed to arbitration in order to receive it, thereby increasing its costs and delaying the receipt of compensation due.

- **The departure of key technical and management staff could hamper the success of business operations.**

  The success of the FCC Group's business operation largely depends on its key personnel with technical and management experience. If the FCC Group were to lose a substantial number of key personnel, although this is unlikely, they could be difficult to replace, complicating the successful management of the Group's business.

- **Industrial disputes.**

  The Construction and Services divisions of the FCC Group are notably labour-intensive. Consequently, this, together with the fact that significant geographical diversity involves varying employment legislation, could give rise to individual or collective conflicts with employees for various reasons, undermining the company's production capacity and its reputation.

- **Adaptation the FCC Group's personnel to the operations planned.**

  Maintaining a workforce at FCC that is not aligned with the Group's forecast contract-completion needs, in terms of both numbers and quality, could result in an oversized workforce, with high personnel costs relative to production, or undersizing, with the risk of being unable to complete the projects contracted with sufficient quality, resulting in delays and associated costs.

4.2. Main risks and uncertainties. Financial risks

The concept of financial risk refers to the changes in the financial instruments arranged by the FCC Group as a result of political, market and other factors and the repercussion thereof on the consolidated financial statements. The FCC Group's risk management philosophy is consistent with its business strategy and seeks to achieve maximum efficiency and solvency at all times. To this end, strict financial risk management and control criteria have been established, consisting of identifying, measuring, analysing and controlling the risks incurred in the Group's operations, and the risk policy has been integrated into the Group organisation in the appropriate manner.

In view of the Group's activities and the transactions through which it carries on its business, it is currently exposed to the following financial risks:

Capital risk

Capital risk is described in greater detail in point 3 in this consolidated Directors' Report.

Interest rate risk

In order to ensure a position that is in the FCC Group's best interest, an interest rate risk management policy is actively implemented based on the ongoing monitoring of markets and on assuming different positions based primarily on the asset being financed.

Foreign currency risk

A Noteworthy consequence of the FCC Group's positioning in international markets is the exposure resulting from net positions in foreign currencies against the euro or in one foreign currency against another when the investment and financing of an activity cannot be made in the same currency. The FCC Group's general policy is to mitigate, as far as possible, the adverse effect on its financial statements of exposure to foreign currencies, with regard to both transactional and purely equity-related changes. The FCC Group therefore manages the effect that foreign currency risk can have on the balance sheet and the statement of profit or loss.

Solvency risk

The most representative ratio for measuring solvency and capability of repaying the debt is: Net Debt/Ebitda.

The strong generation of operating funds and measures applied to the capital structure have enabled a substantial reduction in the net financial debt to be achieved.

Liquidity risk

Liquidity risk is described in greater detail in point 3 in this consolidated Directors' Report.

Concentration risk

This risk arises from the concentration of financing transactions with common features which are distributed as follows:

- Sources of financing: in order to diversify this risk, the FCC Group works with numerous Spanish and international financial institutions in order to obtain financing.
- Markets/Geographical area (Spanish, foreign): the FCC Group operates in a wide variety of Spanish and international markets. The Group's debt is concentrated mainly in euros and the remainder in various currencies in several international markets.
- Products: the FCC Group arranges various financial products, including loans, credit facilities, bonds, syndicated transactions, factoring, discounting, etc.
- Currency: the FCC Group finances its operations in a wide variety of currencies, corresponding, whenever possible, to the country of origin.

Credit risk

The provision of services or the acceptance of orders from customers, whose financial solvency cannot be guaranteed at the time of acceptance, is not known or cannot be assessed by the Group, together with situations that may arise during the provision of a service or execution of an order that could affect the customer's financial position, could result in the risk of nonpayment of the amounts owed.

The Group requests commercial reports and assesses the financial solvency of its customers before entering into agreements with them and also engages in ongoing monitoring of customers, and has a procedure in place to be followed in the event of insolvency. In the case of public customers, the Group's policy is to not accept projects without an allocated budget and financial approval. Offers exceeding a certain collection period must be authorized by management of the Financial Department. Furthermore, late payment is monitored on an ongoing basis on the various management committees.

Financial derivatives designated as hedging instruments

In general, the financial derivatives arranged by the FCC Group are treated, for accounting purposes, in accordance with the regulations on hedge accounting described in the Notes to the consolidated financial statements. The main financial risk hedged by the FCC Group using derivative instruments relates to fluctuations in the floating interest rates to which the FCC Group companies' financing is tied. Financial derivatives are measured by experts on the subject that are independent from the Group and the entities financing it, using generally accepted methods and techniques.

The financial risks to which the Group is exposed are discussed in greater detail in Note 30 to the FCC Group's financial statements.

05. Significant events after the reporting period

On 13 February 2017 the acceptance period for the Cementos Portland Valderrivas S.A. exclusion public acquisition bid (exclusion OPA; see Note 5.a of the consolidated report) expired. The exclusion OPA was accepted for 9,356,605 shares, representing 87.81% of the shares to which the OPA originally referred. Consequently, no forced sales are needed. The Group's effective participating interest following the operation is now 97.45%. On 24 February 2017 all the shares of Cementos Portland Valderrivas (51,786,608 in all) were excluded from trading.

Receipt from the sale of the shares of Xfera Móviles S.A. and transfer of participatory loans occurred on 7 February 2017 for a final sum of EUR 29,139 thousand. The sum initially estimated as at 31 December 2016 was EUR 24,285 thousand, i.e. impairment of the participatory loans of EUR 11,047 thousand. On the date of preparing these annual financial statements, in accordance with FRS 10 "Events Subsequent to Closure", the sum of that impairment has been adjusted accordingly (Note 14 of the consolidated report).

On 28 February 2017 the Company received EUR 106,444 thousand corresponding to the deferred price of the sale of the shares of Global Vía Infraestructuras S.A. (Notes 4.b and 5 of the consolidated report). As the receivable was valued as a current financial asset at fair value with changes in profit and loss at EUR 106,040 thousand, in accordance with the regulations no adjustment has been made with regard to the difference with the sum recorded in these consolidated financial statements.

06. Company outlook

Set forth below are the prospects for 2016 for the main business areas composing the FCC Group.

The countries where the **Environmental Services** division operates are undergoing a process of profound transformation, owing to the environmental requirements of national governments, driven by EU directives and being subject to a consolidation process, with an increase in concentration and the arrival of new competitors.

In the UK economic activity is expected to slow down in 2017, owing to cuts to public authorities' budgets

As for central and eastern Europe, moderate growth in central Europe, with risks of greater intervention and municipalisation of services in certain eastern European countries, such as Hungary.

With regard to opportunities in the US market, a large number of tender processes for urban-waste services will be launched in the coming years.

In the industrial-waste sector in Spain, there is a need for inspections to be intensified by some authorities, in order to detect and prosecute illegal practices more efficiently. These practices may result in environmental problems that pose a serious risk to people's health.

In Portugal there are major business opportunities related to decontamination actions on environmental liabilities.

In the area of **end-to-end water management**, certain concession contracts in Spain are set to come to an end in 2017, with similar renewal rates to those in 2016 expected, i.e. close to 100%, with a more active market this year offering better contracting opportunities. In the water-infrastructure area, in 2017 various concessions are likely to be opened up in treatment infrastructure, in order to progress with compliance with the Wastewater Treatment Plan, which is very deficient in rural areas, and subject to sanctions for infringements of EU requirements.

With the formation of the new government in the final quarter of 2016 a number of legislative initiatives and the transposition of EU directives have been resumed. However, no progress has been made with the setting-up of a state regulator, despite the considerable demand from all the stakeholders involved.

In Mexico, the experience gained with various contracts is being put to good use by planning for similar projects, where more demanding technical and financial capacities have made FCC Aqualia a benchmark.

In Colombia, Peru, Paraguay and Panama the respective governments have launched various water-improvements programmes that present interesting opportunities for new business.

In Portugal, the concessions business is expected to be reactivated after the local elections in the last quarter of 2017, spurred by the budget deficit suffered by local authorities and the need to invest in infrastructure.

In the Czech Republic, tender processes are expected to be launched for the private management of water and sanitation services in major towns and cities.

In North Africa, sea water desalination and waste water purification constitute business opportunities in the countries in which Aqualia already has a presence, as is the case in Tunisia and Egypt.

In the Middle East, where population growth is reaching up to 8% per year in some countries, the serious reduction in earnings from oil is forcing nations in the Gulf to withdraw subsidies and use private initiatives to develop their water-infrastructure projects.

In the **Construction** area, although the Spanish economy has begun to show signs of recovery, this improvement is not expected to give rise to any significant growth in the amount of public contracting, which continues to present levels that are far below those recorded before the 2008–2013 economic crisis. Given this situation of less public tendering in the Spanish market, FCC tends to look towards diverse international markets, particularly in emerging countries, where the boom in infrastructure developments presents an opportunity.

One objective of the Group in 2017 will be to seek contracts, mainly through the international market, by means of demanding risk management to give access to a selective portfolio of projects with assured profitability, higher profits and better cash generation.

Taking into account the foregoing, it is estimated that revenue in Spain in 2017 will remain similar with respect to 2016, due mainly to budgetary restrictions in the public sector.

However, revenue from abroad in 2017 is expected to be similar to that earned in 2016, with the performance of large infrastructure construction projects obtained in 2016 and 2015 and the contribution made by new markets in the Americas (Central America, Chile, Peru, Colombia and the US), the Middle East (Saudi Arabia and Qatar) and Europe (the UK and Romania).

In the Cement area in Spain, although the recovery of the Spanish economy continued in 2016, supported by improved interior demand, with a growth of 3.2% in GDP and an drop in unemployment to 18.6%, this has not been reflected in higher cement consumption, the demand for which fell by 3.1% in 2016 to 11.1 million tonnes, partly offset by an 5.6% increase in exports to 9.8 million tonnes.

For 2017 the expected improvement in the Spanish economy, together with greater political stability following the formation of a new government, leads us to believe that cement consumption may begin to grow again.

In Tunisia the local market cooled somewhat in 2016, with a 3.9% decrease in volume to 7.2 million tonnes. Exports to Algeria and Libya also fell over the course of the year, in the case of Algeria because of an increase in its own production capacity, and in Libya because of the unstable situation in the country, which may well continue throughout the current year.

In the US market, where the business has not been consolidated since November 2016 owing to the loss of control that occurred, the PCA (Portland Cement Association) expects domestic demand to rise by 3.1%, although it believes that its cement-consumption forecasts could be affected by the policies of the new US administration and Congress's support for them.

In this context, the Cementos Portland Valderrivas Group will continue to implement its policies to contain expenditure and optimise investment and adapt all organisational structures to the reality of the various markets in which it operates, in order to improve cash flow generation.

07. RDI activities

In 2016 the FCC Group's RDI activities encompassed more than 50 projects.

Set forth below is a description of the activities of the various business Areas and of the main projects carried out in 2016.

Environmental services

In the environmental services area, aside from continuing with the research work in various projects that commenced in previous years, a new project, titled IoT, has been developed to devise a methodology for an efficient management system for street-cleaning services.

Notable projects in 2016 include:

- **VEMTESU:** Definition, design and development of an electric vehicle powered with batteries and ultra-condensers, with a self-supporting chassis and low cab.
- **ELECTRIC GUTTER CLEANER**: Definition, design and development of a fully electric heavy truck for urban hydrodynamic cleaning services. This is a vehicle with permanent electric traction with no mechanical transmission.

  In addition, work continued on the **ADVANCED SOLUTION FOR THE GLOBAL MANAGEMENT OF ALL THE PROCESSES AND PLAYERS IN ENVIRONMENTAL CONTRACTS** project, which encompasses various objectives such as process improvement, swiftness of response vis à vis new business requirements, global access to more favourable functionalities, management of geo-referenced information, etc.

End-to-end water management

Aqualia's innovation activity was consolidated in 2016 with the addition of a new eco-efficiency line to each of the three areas developed previously: Sustainability, Quality and Smart Management, thanks to three new European projects under the umbrella of the H2020 programme.

The new eco-efficiency line covers the following projects:

- **RENOVAGAS**: project co-funded by Mineco Innpacto programme and led by Enagas. In October 2016 a methane-enrichment prototype was installed at the Jerez WWTP, using the CO_2 from biogas and hydrogen produced with renewable electricity. Thanks to the catalytic reactor developed by Tecnalia, in 2017 the quality of the biofuel produced will be demonstrated for two vehicles, which were delivered with another project being run in tandem (Smart Green Gas).
- **CLEANWATER**: Project funded by the EU Eco-Innovation programme. A new method has been demonstrated for manufacturing hypochlorite on site at water plants, thereby avoiding the risks of using and transporting chlorine gas. The project has been undergoing trials since early 2016 in Almería, since September in Denia and beginning in 2017 in Nigrán.
- **SMART GREEN GAS**: project under the umbrella of the CDTI programme of Consorcios de Investigación Empresarial Nacional (CIEN). FCC Aqualia leads a consortium of five firms (Gas Natural Fenosa, Naturgas/EDP, Ecobiogas, Diagnostiqa, Dimasa Group) to develop efficient infrastructure for the production and management of biomethane networks. Aqualia's first actions in Jerez and Aranda del Duero have demonstrated that the quality control of the biomethane is sufficient to power vehicles.
- **MIDES**: a project under the H2020 Mides umbrella aims to revolutionise desalinisation by reducing the energy cost tenfold compared with conventional reverse osmosis. The technology used — the microbial desalinisation cell (MDC) was developed with Imdea Agua (in a previous IISIS project) — allows waste organic material (from effluents) to be used to activate bacteria that displace salts via membranes with no need for external energy sources. The project mobilises eleven partners from seven countries to implement the technology and set up three demonstration units on three continents: Europe (Spain), Africa and the Americas.
- **LIFE ANSWER**: under the umbrella of the Life Answer project, led by Mahou, also involves the University of Alcalá de Henares, which has developed the microbial-treatment-cell technology (fluidised MFC, in a previous ITACA project). The aim is to demonstrate the technology at Mahou's brewery in Guadalajara to achieve energy savings, combining it with an electro-coagulation pretreatment to enable aluminium to be recycled.

In the Sustainability area, projects include:

- **ALL-GAS**: consisting of producing bio-energy from wastewater treatment. The project is now in its final large-scale demonstration phase, with the building of 2 hectares of algae crops and a 2700 m^3 digester. In 2017, the transformation of up to 2,000 m^3/d of municipal effluent into biomethane to power up to 20 vehicles will be demonstrated. One car has already been running since the summer of 2016 using the biomethane produced by the 1,000 m^2 prototype.
- **INCOVER**: a project launched in 2016 and led by the Aimen technology centre, with Aqualia as the leading firm in a consortium of eighteen entities from seven countries. This project creates synergy with existing facilities and the knowledge acquired in ALL-GAS to extend the use of algae biomass in products of higher value, such as bio-fertilisers and bio-plastics, and improve the production of reusable water.
- **SABANA**: a project launched in 2016, led by the University of Almería, with Aqualia as the main principal industrial partner, together with Westphalia (Germany) and the Italian food group Veronesi in a consortium of eleven entities from five countries (also the Czech Republic and Hungary). The aim is to install 5 hectares of crops and a bio-refinery to achieve new bio-fertilisers and bio-pesticides as alternatives to chemical products, by using microalgae, to open the way to agriculture that is “safer” both for consumers and for the environment.

In the Quality area, projects include:

- **LIFE MEMORY:** in the framework of the development of the project a 50 m^3 reactor has been commissioned in Alcázar de San Juan, demonstrating the technical and economic feasibility of an innovative technology, an Anaerobic Membrane Bioreactor (SAnMBR), which makes it possible to convert the organic matter contained in waste water directly into biogas. Without the conventional aerobic stage, energy consumption and CO_2 emissions are reduced by up to 80%, with 25% less space required than a conventional aerobic WWTP and a reduction of around 50% in the volume of sludge produced.
- **LIFE BIOSOL**: a project titled Biosolar Water Reuse and Energy Recovery, led by the French SME Heliopur, has now completed the first demonstration stage at El Centa (Seville). The new solar wastewater treatment enables the water to be reused and organic waste to be recovered. Implementation on a larger scale at Almería WWTP is being assessed.

- **BIOWAMET BESTF2**: is being developed under the European ERANET programme, in partnership with Southampton and Delft universities. In synergy with the Life Memory project on anaerobic reactors with membranes, it is being implemented at a small EDAR in the Lower Ebro to obtain bio-energy and reusable water.
- **LIFE METHAMORPHOSIS**: Aqualia leads a consortium of six entities (with Área Metropolitana de Barcelona, FCC SA, Gas Natural, Icaen and SEAT). Three recently developed technologies are being built at Besós Ecopark, managed by the FCC Group: ANMBR, ELAN (autotrophic nitrogen elimination) and a biogas-washing system. The end product will be biomethane that can be injected into the natural-gas network or used as fuel for cars.
- **INNOVA E3N**: the project consists of the energy-efficient elimination of nitrogen, continuing on from the Innova Impactar project funded by the Cantabria Regional Government and optimising the pilot implemented in Santander's sewerage network to demonstrate decentralised compact treatment plants.
- **PIONEER**: part of the European ERA-NET Cofund Water Works programme within the WATER JPI initiative, led by the USC, partners Aqualia with a network of universities (Verona/IT, DTU/DK and KTH/SE) to improve the elimination of micropollutants and reduce the environmental impact of treatment with technologies such as ELAN and estruvite precipitation.
- **MEDRAR**: co-funded by the Conecta Peme programme to foster RIS 3 priorities identified in Galicia and supported by the European Regional Development Fund, has the objective of improving treatment in small towns and villages. Together with two SMEs and led by the USC, compact automated modules are being developed, integrated into the rural environment, with minimum impact and costs.

Over the course of 2016, the research team at FCC Aqualia has obtained two new patents for key aspects of the feeding of a UASB anaerobic reactor and for the washing of biogas and elimination of H2S and CO_2.

Also during the year five patent applications were made for different demonstration technologies: ELAN, AnMBR, MDC, MFC and estruvite crystallisation.

In addition, the results of the related research were presented at major scientific congresses and events.

Construction

FCC Construcción fosters an active policy of technological development, while permanently applying innovation to its construction projects, with a firm commitment to research and development, sustainability and the contribution to quality of life in Society as competitiveness factors. This innovation policy is coordinated with the other business areas of the FCC Group.

The development and use of innovative technologies to carry out construction projects contribute significant value added and are differentiating factors in the current market, which is highly competitive and internationalised.

The projects developed by FCC Construcción and its investees are of three types: internal projects, projects with other FCC Group companies and projects carried out in conjunction with other companies in the industry or other related industries, frequently with technology-driven SMEs, which makes it possible to perform open innovation projects with a participation in the value chain and, occasionally, on a horizontal cooperation basis. Also, the presence of universities and technological institutes is fundamental in practically all the projects.

Also, the involvement of universities and technology centres is a key factor in practically all these projects.

Algunos de los proyectos se llevan a cabo en consorcio con Administraciones Públicas, como es el caso del Proyecto Europeo **LIFE IMPACTO CERO**, en el que participa el Administrador de Infraestructuras Ferroviarias (Adif).

Some of the projects are carried out in consortia with Public Authorities, such as the European LIFE IMPACTO CERO, Development and demonstration of an anti-bird strike tubular screen for High Speed Rail lines, with the participation of the Spanish Railway Infrastructure Manager (Adif).

In 2016 various new projects were approved:

- **CALA**: in the RETOS 2016 call for proposals, the objective of which is to improve hydrological security and increase the reservoir capacity of brick dams by implementing lateral spill-collection channels. Calculation code, experimental validation and construction process.

- **ROBIM**: as part of the CIEN programme, the objective of which is an autonomous robot to inspect and assess existing buildings with BIM integration, developing an automated, active and multidisciplinary technology for inspection, assessment and diagnosis of the composition, condition and energy efficiency of the walls of existing buildings, thereby facilitating the obtaining of reliable information in sufficient detail on building systems and pathologies and a comprehensive analysis of the building.
- **CYRENE:** pproved by CDTI (Industrial Technological Development Centre) and developed by MATINSA, the objective of which is to develop a new system for the integrated management of road tunnels containing the control of all installations and implementing optimised global-management strategies.

FCC Construcción carries out both Spanish and international R&D+i projects.

In Europe, as part of the H2020 programme, the following projects are currently being worked on:

- **IN2RAIL:** (Innovative Intelligent Rail), led by Network Rail. The aim of this project is to set the foundations for a resilient, consistent, cost-efficient, high capacity and digitised European railway network. Innovative technologies will be studied for a global approach that covers an intelligent infrastructure, intelligent mobility management (I2M), new power sources for railways and energy management. The results of this project will contribute to the Shift2rail initiative, a PPP dedicated to railways and falling within the Horizon 2020 programme, the objective of which is to make progress towards the introduction of the single European railway area.
- **NANOFASE**: (Nanomaterial Fate and Speciation in the Environment). The objective of this project is to determine the fate of nanomaterials in the environment.
- **REWASTEE**: under the Eco -Innovation call for proposals and aimed at the industrial validation, market deployment and replication of a developed technology for recycling steelmaking wastes and manufacturing multifunctional building products.
- **BUILDSMART**: (Energy Efficient Solutions Ready for the Market). The purpose of this project is to demonstrate that it is possible to construct buildings with very low energy consumption in an innovative and profitable way. The project includes the design, construction and monitoring of new residential and non-residential buildings in Sweden, Ireland and Spain.
- **IMPACTO CERO**: The objective of this project is to develop an anti-collision screen for birdlife based on the concept of equally-spaced tubular screens.
- **ASPHALTGEN**: project developed by Servià Cantó based on research into new asphalt aggregate paving with self-generating features based on technology consisting of ionic liquids encapsulated in inorganic materials.
- **GUIDENANO**: project developed by Servià Cantó that is developing innovative methodologies to evaluate and manage human and environmental health risks of nanoenabled products, considering the whole product life cycle.

The following Spanish projects carried out in 2016 are worthy of mention:

- **DOVICAIM:** project developed in conjunction with Instituto de Hidráulica Ambiental “IH Cantabria”, and is aimed at developing an integrated methodology and the tools required to support the complete life cycle of the construction of vertical docks using prefabricated blocks in a floating dock, including design, optimisation, construction, installation and operation. The project is focused directly on the clear strategic priority of ensuring the international development of FCC Construcción.
- **SORT-i**: project from the Retos-Colaboración tender process, its main objective is the development of tools based on optical systems and new technologies for the identification, monitoring and management of structural risks of buildings and infrastructure in an intelligent, automatic and telemetric manner, as a means to maximise safety and minimize the risks of physical damage in high-potential situations of structural collapse.
- **SETH**: project developing a comprehensive structural monitoring system for buildings based on holistic technologies.
- **APANTALLA**: project consisting of developing new nanostructured materials with improved electromagnetic radiation shielding properties.
- **MERLIN**: project based on the development of better local refurbishment of infrastructure. This project was carried out in cooperation with the Cementos Portland Valderrivas Group.
- **TRILOBITES**: project based on detecting and identifying toxic gases.
- **DANAE**: project with the objective of achieving smart regulation of tunnel lighting, led by MATINSA.

FCC Construcción is participating in numerous European and Spanish R&D+i associations with the shared objective of articulating the role of the company as a driving force behind research, development and technological innovation in the Construction Area, pursuant to the approach taken in the EU's current H2020 programme.

Cementos Portland Valderrivas

The Cementos Portland Valderrivas Group's (CPVG) commitment to society takes the form of innovation in products, processes and technologies inherent to the materials it processes and manufactures.

Its innovation is designed strategically on the basis of three main axes:

- Product innovation. Leading to high-durability and high-mechanical performance cements.
- Sustainable construction. To obtain eco-efficient materials with a reduced carbon footprint.
- Construction solutions. Based on integral customer service.

In the Group's other activities the circular economy continues to be encouraged by using alternative raw materials and fuels in our production processes, thereby enabling us to achieve savings in CO_2 emissions.

Fuel derived from waste is used in the furnaces at production facilities, having previously been handled at appropriate treatment plants operated by firms duly authorised by the local authorities (authorised waste handlers). The main advantage of this process is its use of the heat energy that this waste contains, thereby reducing in part the consumption of traditional fossil fuels, mostly derived from oil.

In 2016 the Cementos Portland Valderrivas Group has consolidated heat replacement with alternative fuels in its clinker furnaces, achieving an average value of 12% across all its plants. Spain has maintained a rate of heat replacement of 11% in 2016. Part of these fuels consist of biomass, thereby avoiding emissions into the atmosphere of approximately 94,900 tonnes of CO_2, equivalent to the average annual emissions produced by 52,750 cars, i.e. approximately 0.2% of the cars in Spain. Worthy of mention here is the beginning of valuation testing at the Tunisia plant, using biomass.

Energy valuation is now a standard, consolidated practice in countries such as Germany, Austria, Belgium, Denmark, the Netherlands, Sweden and Switzerland, where landfills have practically disappeared, unlike the current situation in Spain, where more than half the waste generated ends up at a landfill.

In addition, the Group encourages the responsible use of natural resources by valuing the materials obtained from industrial by-products, replacing natural raw materials to save non-renewable resources and avoid the impact that their use has on the natural environment. In 2016, the consumption of raw materials was 565,000 tonnes of industrial by-products.

Among other activities this year, the work done the previous year on the R&D project MERLIN, approved in the INNPACTO call for proposals by the Ministry of Finance and Competitiveness, has been justified.

In 2016 new challenges were tackled such as the emergence of other lines of research at the R&D laboratories that the entity has been developing, relating mainly to cement quality or the improvement of its applications, through studies of durability performance in reinforced concrete structures, without overlooking the broadening of the range of special products offered.

Dissemination of the results led to the Group's participation in various international cement industry congresses.

All the initiatives carried out contribute to strengthening the image of the Cement Area, especially with the synergies established with a large number of potential users and external companies, technical research institutes, universities and government-controlled public sector bodies, positioning the Cementos Portland Valderrivas Group as a benchmark in RDI in the development and application of cement-based materials in the industry.

08. Acquisition and disposal of treasury shares

At 31 December 2016, the FCC Group held a total of 415,500 own shares directly and indirectly (0.11% of the company's capital with no variation in the year..

09. Other relevant information. stock market performance and other information

9.1. Stock Market Performance

	Jan. - Dec. 2016	Jan. - Dec. 2015
Closing price (€)[1]	7.5510	6.8178
Change in the period	10.8%	(40.4%)
High (€)[1]	9.3820	11.5757
Low (€)[1]	6.0387	5.4192
Average daily trading (shares)	1,679,079	1,952,572
Average daily trading (M€)	12.3	17.8
Market capitalisation at end of period (M€)	2,861	1,824
No. of shares outstanding	378,825,506	260,572,379

[1] Data adjusted for the capital increase in 2016 (118.25 million shares).

9.2. Dividends

In accordance with the principle of prudent management and in the best interest of all the Company's shareholders, in December 2012 FCC's Board of Directors resolved not to pay any dividends. This resolution remained unchanged in 2016.

This decision, included within the framework of the restructuring in progress since 2013, the purpose of which is to enhance operating efficiency and strengthen the balance sheet, must be ratified by the shareholders at the Annual General Meeting to be held in the first half of 2017.

10. Definition of alternative performance measures under esma rules (2015/1415es)

EBITDA

We define EBITDA as the profit from continuous operations before tax, profit or loss of companies by the equity method, financial profit or loss, amortisation expenses, impairment and profit or loss from disposals of non-current assets, subsidies and net variation in provisions and other non-recurring expenditure and income.

EBIT

This corresponds to the operating profit or loss in the profit and loss account and consolidated earnings presented in the enclosed consolidated financial statements.

CARTERA

The FCC Group uses its orders as an off-book measure for certain business areas. We calculate orders for our Environmental Services, Water and Construction divisions, as their business is based on contracts in the long or medium term. We do not calculate orders for the Cement division, owing to the typically short-term nature of the ordering cycle.

On a given date orders are defined as the production or services pending, i.e. contracted sums or clients' orders, excluding taxes, minus any sum under such contracts or orders that has already been recognised as income. Pending income is valued according to current prices on the calculation date. Only sums that are binding on clients under a contract in effect or confirmed order are included as orders.

In the Environmental Services division we recognise the orders resulting from waste-handling contracts only if the contract guarantees exclusivity in the geographical area where the plant, landfill or facility is located.

In the Water division, the FCC Group calculates the income portfolio based on long-term estimates over the course of the contract, which are used as the basis for contracts with clients and at the rates established under those contracts.

In the Construction division, the FCC Group recognises orders only when there is a contract or order signed by the end client.

Once a contract has been included in orders, the value of the production pending completion under that contract remains on the order book until it is completed or cancelled. However, we do make valuation adjustments to reflect any changes to prices and deadlines that may be agreed with the client. For example, after the calculation date a given price may rise or fall as a result of the production contracted owing to additional work to be done. Owing to multiple factors, some or all of the orders linked to a contract may give rise to actual earnings or not. As our orders are subject to projects being altered and cancelled, they cannot be taken as a reliable indication of future earnings.

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INFORME DE AUDITORÍA INDEPENDIENTE DE CUENTAS ANUALES

A los Accionistas de Fomento de Construcciones y Contratas, S.A.,

Informe sobre las cuentas anuales

Hemos auditado las cuentas anuales adjuntas de la sociedad Fomento de Construcciones y Contratas, S.A., que comprenden el balance a 31 de diciembre de 2016, la cuenta de pérdidas y ganancias, el estado de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria correspondientes al ejercicio anual terminado en dicha fecha.

Responsabilidad de los administradores en relación con las cuentas anuales

Los administradores son responsables de formular las cuentas anuales adjuntas, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados de Fomento de Construcciones y Contratas, S.A., de conformidad con el marco normativo de información financiera aplicable a la entidad en España, que se identifica en la Nota 2 de la memoria adjunta, y del control interno que consideren necesario para permitir la preparación de cuentas anuales libres de incorrección material, debida a fraude o error.

Responsabilidad del auditor

Nuestra responsabilidad es expresar una opinión sobre las cuentas anuales adjuntas basada en nuestra auditoría. Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la auditoría de cuentas vigente en España. Dicha normativa exige que cumplamos los requerimientos de ética, así como que planifiquemos y ejecutemos la auditoría con el fin de obtener una seguridad razonable de que las cuentas anuales están libres de incorrecciones materiales.

Una auditoría requiere la aplicación de procedimientos para obtener evidencia de auditoría sobre los importes y la información revelada en las cuentas anuales. Los procedimientos seleccionados dependen del juicio del auditor, incluida la valoración de los riesgos de incorrección material en las cuentas anuales, debida a fraude o error. Al efectuar dichas valoraciones del riesgo, el auditor tiene en cuenta el control interno relevante para la formulación por parte de la entidad de las cuentas anuales, con el fin de diseñar los procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno de la entidad. Una auditoría también incluye la evaluación de la adecuación de las políticas contables aplicadas y de la razonabilidad de las estimaciones contables realizadas por la dirección, así como la evaluación de la presentación de las cuentas anuales tomadas en su conjunto.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión de auditoría.

Opinión

En nuestra opinión, las cuentas anuales adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera de la sociedad Fomento de Construcciones y Contratas, S.A. a 31 de diciembre de 2016, así como de sus resultados y flujos de efectivo correspondientes al ejercicio anual terminado en dicha fecha, de conformidad con el marco normativo de información financiera que resulta de aplicación y, en particular, con los principios y criterios contables contenidos en el mismo.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª, C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Informe sobre otros requerimientos legales y reglamentarios

El informe de gestión adjunto del ejercicio 2016 contiene las explicaciones que los administradores consideran oportunas sobre la situación de la sociedad, la evolución de sus negocios y sobre otros asuntos y no forma parte integrante de las cuentas anuales. Hemos verificado que la información contable que contiene el citado informe de gestión concuerda con la de las cuentas anuales del ejercicio 2016. Nuestro trabajo como auditores se limita a la verificación del informe de gestión con el alcance mencionado en este mismo párrafo y no incluye la revisión de información distinta de la obtenida a partir de los registros contables de la sociedad.

DELOITTE, S.L.
Inscrita en el R.O.A.C. nº S0692

Javier Parada Pardo
10 de marzo de 2017

Translation of financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of Fomento de Construcciones y Contratas, S.A.:

Report on the financial statements

We have audited the accompanying financial statements of Fomento de Construcciones y Contratas, S.A., consisting of the balance sheet as of 31 December 2016, the income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

Directors' responsibility in relation to the financial statements

The Directors are responsible for formulating the accompanying financial statements, so that they provide a true and fair view of the equity, financial position and results of Fomento de Construcciones y Contratas, S.A., in accordance with the regulatory framework for financial reporting applicable to the company in Spain, which is identified in Note 2 of the accompanying report, and the internal control deemed necessary to permit the preparation of financial statements free of material misstatement due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the attached financial statements based on our audit work. We have performed our audit in accordance with the audit regulations in force in Spain. These standards require that we meet ethical standards, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers the internal control relevant to the Company's preparation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements express, in all significant aspects, a true and fair view of the equity and financial position of Fomento de Construcciones y Contratas, S.A. at 31 December 2016 and the results of its operations and its cash flows for the year then ended, in accordance with the regulatory framework for financial reporting that is applicable and, in particular, with the accounting principles and criteria contained therein.

Deloitte S.L. Inscribed in the Companies Register of Madrid, volume 13650, section 8, folio 188, page M-54414, inscription 96. VAT No.: B-79104469.

Company's Registered Office: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020 Madrid

Report on other legal and regulatory requirements

The accompanying Directors' report for 2016 contains the explanations which the Directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have verified that the accounting information contained in the Directors' report coincides with that of the financial statements for 2016. Our work as auditors was confined to checking the Directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of the Company.

DELOITTE, S.L.

Official Spanish Account Auditing Registry (ROAC) Member No S0692

Javier Parada Pardo

10 March 2017

A2

Corporate Governance Report

for Listed Companies

End of relevant fiscal year 2016
Tax ID Code A-28037224

Name:
Fomento de Construcciones y Contratas, S.A.

Registered Office:
c/Balmes, 36. 08007 Barcelona

A. Ownership Structure

A.1 Complete the table below on the Company's share structure:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
04-03-2016	378,825,506	378,825,506	378,825,506

Indicate whether there are different classes of shares with different associated rights:

Yes ☐ No ☒

Class	Number of shares	Unit nominal value	Number of voting rights	Different rights
–	–	–	–	–

A.2 Indicate direct and indirect owners of significant stakes in the entity at year-end, excluding Directors:

Name or company name of shareholder	Number of direct voting rights	Number of indirect voting rights		Pct. of total voting rights
		Direct holder of stake	Number of voting rights	
Gates III, William H.	–	Cascade Investment, LLC.	15,099,985	3.986%
Gates III, William H.	–	Bill & Melinda Gates Fundation Trust	6,629,446	1.750%
Inversora Carso, S.A. de C.V.	36,992,351	Control Empresarial de Capitales, S.A. de C.V.	194,511,944	61.111%
Nueva Samede 2016, S.L.U.	17,172,313	–	–	4.533%

State the most significant changes in the shareholder structure during the year:

Name or company name of shareholder	Transaction date	Description of the transaction
Deutsche Bank AG	21-04-2016	Exceeded 5%
Deutsche Bank AG	01-07-2016	Decreased from 5%
Nueva Samede 2016, S.L.U.	01-07-2016	Decreased from 5%

A.3 Complete the tables below regarding the members of the Company's Board of Directors who have voting rights from shares in the Company:

Name or company name of Director	Number of direct voting rights	Number of indirect voting rights		Pct. of total voting rights
		Direct holder of stake	Number of voting rights	
Aboumrad González, Alejandro	1	–	–	0.000
Dominum Desga, S.A.	6,007	–	–	0.002
Dominum Dirección y Gestión, S.A.	58,454,939	–	–	15.431
EAC Inversiones Corporativas, S.L.	47	–	–	0.000
Gil Madrigal, Manuel	725	Tasmania Inmuebles, S.L.	25,450	0.007
Inmobiliaria AEG, S.A. de C.V.	1	–	–	0.000
Kuri Kaufman, Gerardo	1,001	–	–	0.000
Proglio, Henri	4,600	–	–	0.001
Rodríguez Torres, Juan	180,000	–	–	0.047

Name or company name of Director	Number of direct voting rights	Number of indirect voting rights: Direct holder of stake	Number of indirect voting rights: Number of voting rights	Pct. of total voting rights
Samede Inversiones 2010, S.L.U.	–	Dominum Dirección y Gestión, S.A.	58,454,939	15.431
	–	Ejecución y Organización de Recursos, S.L.	50,965	0.013
	–	Dominum Desga, S.A.	6,007	0.002
	–	EAC Inversiones Corporativas, S.L.	47	0.000
Vázquez Lapuerta, Álvaro	2,910	–	–	0.001

Total pct. of voting rights held by the Board of Directors	15.502

Complete the tables below regarding the members of the Company's Board of Directors who own shares with voting rights in the Company:

Name or company name of Director	Number of direct voting rights	Indirect voting rights: Direct owner of stake	Indirect voting rights: Number of voting rights	Number of equivalent shares	Pct. of total voting rights
–	–	–	–	–	–

A.4 **Indicate, where appropriate, any family, commercial, contractual or business relationships among owners of significant stakes, insofar as they are known to the Company, unless they are insignificant or are derived from ordinary commercial transactions:**

Related names or company names	Type of relationship	Type of relationship
–	–	–

A.5 **Indicate, where appropriate, any commercial, contractual or business relationships between owners of significant stakes and the Company and/or its group, unless they are insignificant or are derived from ordinary commercial transactions:**

Related names or company names	Type of relationship	Type of relationship
–	–	–

A.6 **Indicate whether the Company has been notified of any shareholders' agreements which affect the Company as set out in Articles 530 and 531 of the Spanish Capital Companies Act. If so, list the shareholders involved and briefly describe the agreements:**

Participants in the shareholders' agreement	Pct. of share capital affected	Brief description of the agreement
Esther Koplowitz Romero de Juseu and Financing Entities (Financing Agreement)	50.156	Relevant events of 08/07/2014 (See note)
Esther Koplowitz Romero de Juseu and Control Empresarial de Capitales SA de CV	50.156	Relevant event of 27/11/2014 (See note)
Esther Koplowitz Romero de Juseu, New Samede, Inversora Carso S.A. de C.V. and its subsidiary Control Empresarial de Capitales, S.A. de C.V.	72.357	Relevant event of 05/02/2016 (See note)

Note:

Relevant Event of 08/07/2014: By virtue of the provisions in the long-term syndicated financing agreement that was signed between 24 and 31 March 2014 and which came fully into force on 26 June 2014, the financing entities have undertaken a series of restrictions on the transfer of shares ("Agreement on the Non-transference of shares") and a commitment to the orderly sale of new FCC shares they might receive should they exercise the Warrants after the conversion of Tranche B ("Agreement of Orderly Sale"). Since the Agreement of Non-transfer of shares and the Agreement of Orderly Sale represent a restriction of the free transferability of FCC shares, as the case may be, of the financing entities, both these agreements are shareholders' agreements pursuant to Article 530 of the Spanish Capital Companies Act (hereinafter, LSC), therefore hereby such agreements are disclosed and the corresponding clauses are published, in conformity with Articles 531.1 and 531.3 of LSC.

Relevant event of 27/11/2014: the controlling shareholder of FCC informed that the negotiations with Control Empresarial de Capitales SA de CV, a company fully owned by Inmobiliaria Carso SA de CV, which in turn is controlled by the Slim family, were successfully completed. A copy of the agreement was enclosed.

Relevant event of 05/02/2016: For the purpose of continuing the process of recapitalisation of Fomento de Construcciones y Contratas, S.A. ("FCC" or the "Company") through a new capital increase totalling 709,518,762 euros announced by the Company on 17 December 2015 (the "New Capital Increase"), the Company has been informed that Ms Esther Koplowitz Romero de Juseu ("EK") (and her related companies, Dominum Dirección y Gestión, S.A. ("Dominum") and Nueva Samede 2016, S.L.U. ("Nueva Samede")) signed with Inversora Carso S.A. de C.V. (I.Carso") and its subsidiary Control Empresarial de Capitales, S.A. de C.V. a Renewal, amendment and non-termination contract of the Investment Agreement signed on 27 November 2014.

The Investment Agreement was the subject of a relevant event published on 27 November 2014 and subsequently deposited in the Mercantile Register of Barcelona.

The main aspects of the Renewal of the Investment Agreement are that it establishes the terms and conditions for: (a) the incorporation of Nueva Samede to the Agreement in the capacity of a future shareholder of FCC following the New Capital Increase, (b) the continuation of the FCC recapitalisation process by means of the New Capital Increase, regulating the subscription commitment of both I.Carso and Nueva Samede, and (c) the amendment of certain provisions on corporate governance, the share transfer regime and the elimination of the provision regarding the maximum stake of the parties in the Company's share capital.

In addition, EK, Dominum and Nueva Samede signed, with the appearance of I.Carso, an Agreement for the Purchase and Sale of Subscription Rights for the New Capital Increase and other Supplementary Agreements (the "Rights Purchase and Sale Agreement"). The main aspects of the Rights Purchase and Sale Agreement, which implements the contents of the Renewal Agreement, are: (a) to establish the terms and conditions governing the transfer of the pre-emption rights of the New Capital Increase of EK and Dominum to Nueva Samede; (b) the subsequent exercise thereof by Nueva Samede; and (c) to regulate the commitment of I.Carso (as financier) to finance Nueva Samede for the purchase of the pre-emption rights and the payment of the shares derived from the New Capital Increase.

Indicate whether the Company is aware of any concerted actions among its shareholders. If so, give a brief description:

Yes ☐ No ☒

Participants in the concerted action	Pct. of share capital affected	Brief description of the action
–	–	–

If the shareholders' agreements or concerted actions have been amended or terminated in the year, indicate this expressly.

The Relevant Event of 05/02/2016 revealed that Ms Esther Koplowitz Romero de Juseu ("EK") (and her related companies, Dominum Dirección y Gestión, S.A. ("Dominum") and Nueva Samede 2016, S.L.U. ("Nueva Samede") signed with Inversora Carso S.A. de C.V. and its subsidiary Control Empresarial de Capitales, S.A. de C.V. a Renewal, amendment and non-termination agreement signed on 27 November 2014. The Investment Agreement was the subject of a relevant event published on 27 November 2014 and subsequently deposited in the Mercantile Register of Barcelona, this being the change during this year in the contracts or agreements among shareholders.

A.7 Indicate if there is an individual or legal entity that exercises or can exercise control over the Company in accordance with Article 5 of the Securities Market Law: If so, name the person:

Yes ☒ No ☐

Name or company name
Inversora Carso, S.A. de C.V.

Comments

A.8 Complete the tables below about the Company's treasury shares:

At year end:

Number of direct shares	Number of indirect shares (*)	Pct. of share capital
415.500	–	0,110

(*) Through:

Name of direct owner of stake	Number of direct shares
–	–
Total:	

Detail the significant changes in the year, in accordance with Royal Decree 1362/2007:

Date of disclosure	Total number of direct shares acquired	Total number of indirect shares acquired	Pct. of share capital
–	–	–	–

A.9 Detail the conditions and term of the current authorisation that the Shareholders' Meeting has given to the Board of Directors to issue, buy back or sell own shares.

Resolution of the Annual General Meeting of 23 May 2013 (item seven on the agenda):

The General Meeting of Shareholders, on 30 November 2009, resolved under item two on the agenda to approve a buyback programme of own shares to fulfil the obligations deriving from the issuance of bonds exchangeable for shares, resolved under item one on the agenda at that same General Meeting.

Based on the foregoing, it was resolved to authorise the Company to carry out any acts of disposal under any title allowed by law of the treasury stock held by the Company, which were acquired under the Buyback Programme approved by means of a resolution of the General Meeting of Shareholders on 30 November 2009 under item two of the agenda, which states:

FOMENTO DE CONSTRUCCIONES, S.A., together with any of the Group companies fulfilling any of the circumstances set out in Article 42, paragraph 1, of the Code of Commerce, were authorised for the derivative acquisition of treasury stock, by means of purchase and sale, swap or any other transactions allowed by Law, at the price resulting from their listed price on the acquisition date, which must be comprised between the maximum and minimum values detailed below:

The maximum value would be the result of increasing by 20 per cent the highest listed price in the three months prior to the time of acquisition. The minimum value would be the result of deducting 20 per cent from the lowest listed price also in the 3 months prior to the time of acquisition.

By virtue of this authorisation the Board, the Executive Committee and CEO, indiscriminately, may acquire treasury shares, in the terms provided in Article 146 of the Capital Companies Act.

The Board of Directors, the Executive Committee and the CEO may also, indiscriminately, fully or partially allocate the treasury stock they acquire to the execution of remuneration programmes whose purpose is, or which entail the delivery of shares or share options, pursuant to the provisions in Article 146.1 of the Capital Companies Act.

This authorisation is granted for the maximum period allowed by law, and it must also respect the applicable share capital ceiling according to the regulations in force at the time of acquisition.

The acquisition of the treasury shares, which must be fully called up, should allow the companies in the FCC Group, as the case may be, that have acquired them to fund the restricted reserve established by Article 148, rule 3, of the Capital Companies Act."

A.9 bis. Estimated floating capital

13.143%

A.10 Indicate whether there are any legal restrictions on the transfer of securities and/or the exercise of voting rights. In particular, any types of restrictions which might hinder the control of the company by acquiring shares on the market shall be communicated.

Yes ☒ No ☐

Descripción de las restricciones
By virtue of the provisions in the long-term syndicated financing agreement that was signed between 24 and 31 March 2014 and came fully into force on 26 June 2014, the financial entities undertook a series of restrictions on the transfer of shares ("Agreement of the non-transfer of shares") and a commitment to the orderly sale of new shares after the Warrants were exercised after the Tranche B ("Agreement of the Orderly Sale"). Since the Agreement of non-transfer of shares and the Agreement of Orderly Sale represent a restriction of the free transferability of FCC shares, as the case may be, of the financing entities, both these agreements are shareholders' agreements pursuant to Article 530 of the Capital Companies Act (hereinafter, LSC) For further information, consult the Relevant Event of 08/07/2014, number 208276.

A.11 Has the General Meeting of Shareholders resolved to adopt neutralisation measures in the event of a takeover bid as provided in Law 6/2007.

Yes ☐ No ☒

Detail, if appropriate, any such methods that have been approved and the terms in which the restrictions will be rendered ineffective:

A.12 Indicate if the company has issued securities that are not negotiated on a regulated market in the European Community.

Yes ☐ No ☒

Detail, if appropriate, the different classes of shares and, for each class of shares, the rights and obligations they confer.

B. General Meeting

B.1 State whether there are any differences between the minimum requirements established in the Capital Companies Act (LSC) and the quorum required for a General Meeting to be held.

Yes ☒ No ☐

	Quorum percentage other than that established in Art. 193 of LSC for general cases	Quorum percentage other than that established in Article 194 of LSC for the special cases in Article 194 LSC
Quorum required at first call	50	50
Quorum required at second call	45	45

Description of differences

Consolidated Text of the Bylaws Adopted at the Ordinary General Meeting on 28 June 2016 and registered in the Mercantile Register of Barcelona on 21 October 2016

Art. 17.- Constitution of the Board

1. The Ordinary or Extraordinary General Meeting, will be validly constituted, **at first call,** when the shareholders present or represented at the meeting have at least fifty per cent (50%) of the subscribed capital with voting rights; at second call, the Meeting is quorate when the shareholders present or represented possess at least forty-five per cent (45%) of the share capital with voting rights. Excepted from the foregoing are any cases in which, according to the items included in the agenda, the requirement of a percentage of capital greater than that established by applicable legislation for the possible constitution of the General Meeting is not legally feasible.
2. In addition, the percentages referred to in the preceding paragraph shall also be the percentages applicable, so that the Ordinary or Extraordinary General Meeting can validly decide on the issuance of obligations, which, in accordance with the regulations applicable at that time, that are competence of the General Meeting, capital increases or decreases, changes of corporate form, mergers and spinoffs, the assignment en bloc of assets and liabilities, to suspend or limit the pre-emptive right to acquire new shares, the transfer of the Company's registered office to another country and, in general, any amendment to the Bylaws.
3. If, in order to validly adopt an agreement in respect of any, or several, of the items on the agenda convening the General Meeting were necessary, in accordance with the applicable legal or statutory regulations, for there be attendance by a particular percentage of the share capital social and this percentage is not reached, or the consent of certain shareholders concerned and they were not present or represented, the General Meeting shall limit itself to deliberating and deciding on those agenda items that do not require the attendance of said percentage of the share capital or of such shareholders.

B.2 State whether there are differences in respect of the system established in the Capital Companies Act (LSC) for the adoption of corporate resolutions:

Yes ☒ No ☐

Describe the differences in respect of the system provided in LSC.

	Special majority other than that established in Article 201.2 of LSC for the cases mentioned in Art. 194.1 of LSC	Other cases requiring a special majority
Pct. established by the entity for adopting resolutions	50.01%	50.01%

Describe the differences

The Consolidated Text of the Bylaws Adopted at the Ordinary General Meeting on 28 June 2016 and registered in the Mercantile Register of Barcelona on 21 October 2016.

Art. 26.- Deliberations. Agreements adopted. Minutes

3 […] In particular, the favourable vote of shares present or represented at the Meeting representing over fifty percent (50%) of the subscribed capital with voting rights, or debentures or securities that are convertible into shares that exclude pre-emptive rights for shareholders of the Company shall be required.

B.3 State the rules applying to the amendment of the company bylaws. In particular, indicate the majorities established for the amendment of the bylaws and, as the case may be, the rules established for the protection of shareholder rights in the amendment of the bylaws.

As adopted at the Ordinary General Meeting of Shareholders of 28 June 2016, following the amendments of the Company's bylaws, Article 26 of the bylaws establishes:

"Resolutions shall be adopted by a simple majority of the votes of the shareholders' present or represented at the Meeting, and a resolution shall be deemed to have been adopted when it receives more votes for than against of the present or represented capital, except cases where the Law or these bylaws require a special majority:

In particular, the favourable vote of shares present or represented at the Meeting representing over fifty percent (50%) of the subscribed capital with voting rights, or the issue of debentures or securities that are convertible in shares that exclude pre-emptive rights for shareholders of the Company shall be required.

Therefore, the internal rules of the Company do not contain any provision concerning the amendment of bylaws different to those provided in the law.

B.4 Indicate the figures on the attendance of General Meetings held during the year referred to in this report and those of the previous year:

	Pct. in attendance				
			Pct. of distance vote:		
Date of General Meeting	Pct. present	Pct. represented	Electronic voting	Other	Total
28-06-2016	22.754%	40.610%	0.004%	0.322%	63.690%

B.5 State whether there are any restrictions in the bylaws regarding a minimum number of shares needed to be able to attend the General Meeting.

Yes ☐ No ☒

No. of shares required to attend the General Meeting

B.6 Article revoked.

B.7 Give the address and instructions for accessing corporate governance content and any other information on general meetings that must be made available to shareholders via the Company's web page.

The FCC website (www.fcc.es) has a page dedicated to Corporate Governance, accessible from the home page under 'shareholders and investors' and 'Corporate responsibility'. This page includes the information on the Company's Corporate Governance regulations, government bodies, annual reports on corporate governance and remunerations, meetings of shareholders, shareholders' agreements and ethics and integrity. These sections provide a specific access for electronic voting and for the electronic shareholder forum, pursuant to the provisions in Article 539.2 of the consolidated text of the Capital Companies Act.

This page is two clicks away from the home page. Its contents are structured and ordered by rank, under shortcut titles, and all the pages are printable.

The pages of this website were developed in compliance with Level AA in accordance with UNE 139803:2004 standard, which, in turn, is based on the Web 1.0 Content Accessibility Guidelines of W3C.

All requirements of the Priority 1 and Priority 2 have been checked by experts on accessibility via manual analysis of the accessibility, supplemented by various semi-automatic tools, user agents and technical assistance devices.

C. Structure of the Company's Administration

C.1 Board of Directors

C.1.1 Maximum and minimum number of Directors provided in the bylaws:

Maximum number of Directors	15
Minimum number of Directors	15

C.1.2 Fill in the table below with the members of the Board:

Name or company name of Director	Representative	Status of Director	Board position	Date of first appointment	Date of last appointment	Election procedure
Dominum Desga, S.A	Esther Alcocer Koplowitz	Proprietary	Chairperson	27-09-2000	28-06-2016	General Meeting
Samede Inversiones 2010, S.L.U.	Esther Koplowitz Romero de Juseu	Proprietary	Vicepresident	13-04-2015	25-06-2015	General Meeting
Carlos Manuel Jarque Uribe		Executive	Director	29-06-2016	29-06-2016	General Meeting
Alejandro Aboumrad González		Proprietary	Director	13-01-2015	25-06-2015	General Meeting
Dominum Dirección y Gestión, S.A.	Carmen Alcocer Koplowitz	Proprietary	Director	26-10-2004	25-06-2015	General Meeting
EAC inversiones corporativas	Alicia Alcocer Koplowitz	Proprietary	Director	30-03-1999	23-06-2014	General Meeting
Manuel Gil Madrigal		Independent	Director	27-02-2015	25-06-2015	General Meeting
Antonio Gómez García		Proprietary	Director	29-06-2016	29-06-2016	General Meeting
Inmobiliaria AEG, S.A. de CV	Carlos Slim Helú	Proprietary	Director	13-01-2015	25-06-2015	General Meeting
Gerardo Kuri Kaufmann		Executive	Director	13-01-2015	25-06-2015	General Meeting
Miguel Ángel Martínez Parra		Executive	Director	29-06-2016	29-06-2016	General Meeting
Henri Proglio		Independent	Director	27-02-2015	25-06-2015	General Meeting
Juan Rodríguez Torres		Proprietary	Director	7-10-2015	28-06-2016	General Meeting
Alfonso Salem Slim		Proprietary	Director	29-06-2016	29-06-2016	General Meeting
Álvaro Vázquez de Lapuerta		Independent	Director	27-02-2015	25-06-2015	General Meeting

Total number of Directors	15

State any removals from the Board of Directors in the period subject to information:

Name or company name of Director	Status of Director at time of removal	Date removed
–	–	–

C.1.3 *Fill in the tables below on the members of the Board and their status:*

EXECUTIVE DIRECTORS

Name or Company name of Director	Position in the Company
Carlos Manuel Jarque Uribe	CEO of FCC
Miguel Ángel Martínez Parra	General Manager of Administration and Finance of FCC
Gerardo Kuri Kaufmann	CEO of Cementos Portland Valderrivas

Total number of Executive Directors	3
Pct. of total Board members	20

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of Director	Name or company name of the significant shareholder who is represented or who proposed the appointment
Dominum Desga, S.A.	Dominum Dirección y Gestión, S.A.
Samede Inversiones 2010, S.L.U	Dominum Dirección y Gestión, S.A.
Alejandro Aboumrad González	Control Empresarial de Capitales, S.A. de C.V.
Dominum Dirección y Gestión, S.A.	Dominum Dirección y Gestión, S.A.
EAC Inversiones Corporativas, S.L.	Dominum Dirección y Gestión, S.A.
Antonio Gómez García	Control Empresarial de Capitales, S.A. de C.V.
Inmobiliaria AEG, S.A. de CV	Control Empresarial de Capitales, S.A. de C.V.
Juan Rodríguez Torres	Control Empresarial de Capitales, S.A. de C.V.
Alfonso Salem Slim	Control Empresarial de Capitales, S.A. de C.V.

Total number of Proprietary Directors	9
Pct. of total Board members	60

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of Director	Profile
Manuel Gil Madrigal	Degree in Law and Business (E-3) from ICADE, he is a founding partner of the company Tasmania Gestión. In the year 2000, he also founded the financial company N+1 and has been a Director of Ezentis, Funespaña, General de Alquiler de Maquinaria (GAM) and Campofrío, among other companies. During his professional career, he has also been Capital Markets Director at AB Asesores Bursátiles, a partner at Morgan Stanley and auditor at Arthur Andersen.
Henri Proglio	Degree from the HEC Paris and is chairman of Thales. He is currently a Director on the Boards of Natixis Banque and Dassault Aviation. He chaired the energy giant Électricité de France (2009-2014) and Veolia Environnement (2003-2009) and has been a Director of FCC, Group Lagardiére and Vinci, among other companies.
Álvaro Vázquez de Lapuerta	Degree in Law and Business (E-3) from ICADE, he is currently a partner of Akiba Partners and Meridia Capital Partners. He was general manager for Spain and Portugal of Dresdner Kleinwort and CEO and Investor Relations manager of the securities company BBVA Bolsa. He previously held posts at JP Morgan in Mexico, New York, London and Madrid.

Total number of Independent Directors	3
Pct. of total Board members	20

State whether any of the Directors considered Independent Directors receive from the Company or from the group any sums of money or benefits other than their remuneration as Directors, or whether they maintain or have maintained during the last year a business relationship with the company or with any of the companies in its group, either in his own name or as a significant shareholder, director or senior executive of a company maintaining or that maintained such a relationship.

In such event, include a statement by the Board justifying the reasons why it considers that said Director may perform functions as an Independent Director.

Name or company name of Director	Description of the relationship	Statement

OTHER EXTERNAL DIRECTORS

Identify any other External Directors and state why these Directors cannot be considered Proprietary or Independent Directors, and indicate any relations between them and the Company, its executives or shareholders:

Name or company name of Director	Reasons	Company, executive or shareholder with which he/she is related
–	–	–

Total number of other external Directors	–
Pct. of total Board members	–

Indicate any changes in Directors' status in the period, as the case may be:

Name or company name of Director	Date of change	Previous status	Current status current
Gerardo Kuri Kaufmann	25/10/2016	Proprietary Director	Executive Director

Note: : On 25 October 2016 there was a change in the name of the director from Proprietary Director to Executive Director, due to his predominant executive role, as he is also the CEO of Portland Valderrivas.

C.1.4 Fill in the table below on the number of women on the Board over the last four years, as well as what type of Directors they are:

	Number of Female Directors				Pct. of total Directors of the same kind			
	FY t	FY t-1	FY t-2	FY t-3	FY t	FY t-1	FY t-2	FY t-3
Executive	0	0	0	0	0.00	0.00	0.00	0.00
Proprietary	4	4	5	5	44.44	50.00	55.55	50.00
Independent	0	0	0	0	0.00	0.00	0.00	0.00
Other External	0	0	0	0	0.00	0.00	0.00	0.00
Total:	4	4	5	5	26.66	36.36	35.71	27.78

C.1.5 State the measures adopted, as the case may be, in order to include a number of women on the Board of Directors such as to be able to reach a balanced number of women and men on the Board.

Explanation of the measures

The Board Regulations establish the following in Article 38.4.h, within the duties of the Appointments and Remuneration Committee: "Assisting the Board in its function of ensuring that the procedures for the selection of its members favour gender diversity, experience and knowledge and are not tainted by implicit biases that might imply any discrimination whatsoever and, in particular, they are to favour the selection of female directors, so as to ensure that the Company deliberately seeks and short-lists women with the necessary professional profile and, as the case may be, the Board must disclose in the Annual Corporate Governance Report the reason why there are few or no female directors and the initiatives adopted to correct this situation. For the foregoing purpose, it must establish a representation goal for the gender that is less represented on the Board of Directors and prepare guidelines on how to reach that goal"

On 18 November 2014 FCC and the Ministry of Health, Social Services and Equality signed an agreement for the promotion of the balanced participation of men and women on the Board of Directors (Collaboration Agreement between the Ministry of Health, Social Services and Equality and FCC Servicios Ciudadanos, for the promotion of the balanced participation of men and women on Boards of Directors).

According to said agreement the Board of Directors of FCC undertakes to: advance in the fulfilment of the recommendation of Art. 75 of Organic Law 3/2007, of 22 March, for the Effective Equality of Men and Women; publicly disclose and keep duly updated the data on the directors in conformity with the recommendations of the Code of Good Governance; for listed companies to include in the internal regulations specific references to the promotion of the balanced participation of men and women on the Board; as well as trying to incorporate members of the least represented gender to the Board.

On 5 December 2016, a follow-up report for the aforementioned 2014 agreement was sent to the aforementioned Ministry.

Also, FCC has signed the Diversity Charter, a voluntary code for the promotion of fundamental principles of equality. The initiative, supported by the European Commission's Justice Department for the development of its policies to fight against discrimination, contemplates the implementation of inclusive policies and non-discrimination programmes in the signatory companies.

C.1.6 Explain the measures adopted, as the case may be, by the Appointments Committee so that the selection procedures are not tainted by implicit biases hindering the selection of women, and so that the Company deliberately seeks women candidates with the appropriate professional profile.

Explanation of the measures

The Board Regulations establish the following in Article 38.4.h, within the duties of the Appointments and Remuneration Committee: "Assisting the Board in its function of ensuring that the procedures for the selection of its members favour gender diversity, experience and knowledge and are not tainted by implicit biases that might imply any discrimination whatsoever and, in particular, they are to favour the selection of female directors, so as to ensure that the Company deliberately seeks and short-lists women with the necessary professional profile and, as the case may be, the Board must disclose in the Annual Corporate Governance Report the reason why there are few or no female directors and the initiatives adopted to correct this situation. For the foregoing purpose, it must establish a representation goal for the gender that is less represented on the Board of Directors and prepare guidelines on how to reach that goal"

If despite the measures adopted, as the case may be, there is a very low number of women on the Board or none at all, explain the reasons justifying this:

Explanation of the reasons
–

C.1.6. bis Explain the conclusions of the Appointments Committee regarding the verification of compliance with the Board member policy selection. And especially whether such policy is promoting the goal for 2020 of having at least 30% female members on the Board of Directors.

At the General Meeting of Shareholders held on 28 June 2016, four new directors were appointed at the proposal of the controlling shareholder Inversora Carso, which asserted the power granted by the shareholders agreement dated 25 February 2016. Two other Board members were also renewed at this Meeting.

In the six cases, the Appointments and Remuneration Committee issued a favourable report to the Governing Council on the suitability of the directors.

In addition, at 31 December 2016, more than 25% of FCC's Board of Directors are women and its non-executive chairperson is Ms Esther Alcocer Koplowitz.

C.1.7 State how shareholders with significant holdings are represented on the Board:

Inversora Carso S.A de C.V., via Control Empresarial de Capitales S.A de C.V., is represented by five proprietary directors: AEG Inmobiliaria, S.A. de C.V. (Representative: Carlos Slim Helú), Juan Rodríguez Torres, Alejandro Aboumrad González, Alfonso Salem Slim, Antonio Gómez Garcia.

Esther Koplowitz Romero de Juseu is represented by four other proprietary directors: Samede Investment 2010, S.L.U (Representative: Esther Koplowitz Romero de Juseu, Dominum Desga), S.A (Representative: Esther Alcocer Koplowitz), EAC Investment Corporate, S.L. (Representative: Alicia Alcocer Koplowitz and Dominum Dirección y Gestión, S.A. (Representative: Carmen Alcocer Koplowitz).

C.1.8 Explain, as the case may be, the reasons why proprietary directors have been appointed at the request of shareholders whose holding is below 3% of the capital:

Name or company name of shareholder	Reason

State whether any formal requests for Director positions on the Board have been rejected, when the shareholders making such request have holdings equivalent to or greater than other shareholders who do have proprietary directors. Detail the reasons for any such rejection, as the case may be:

Yes ☐ No ☒

Name or company name of shareholder	Explicación

C.1.9 State whether any Directors have been removed from office before the end of their term, if they have explained the reasons to the Board and via what means, and if an explanation was given in writing, then state the reasons that they themselves gave:

Name of Director	Reason for removal
–	–

C.1.10 State the powers delegated to the or CEO(s), if any are delegated:

Name or company name of Director	Brief description
Carlos M. Jarque Uribe	All except the non-delegable

C.1.11 Identify, if appropriate, the members of the Board who hold Director or senior executive positions in other companies that are part of the group of the listed company:

Name or company name of Director	Name of group entity	Position	Does he/ she have executive duties?
EAC Investment, Corporate, S.L., (represented by: Alicia Alcocer Koplowitz)	Cementos Portland Valderrivas	Chairperson	No
Inmobiliaria AEG, S.A. de C.V., (represented by Alejandro Aboumrad González	Cementos Portland Valderrivas	Director	No
Gerardo Kuri Kaufmann	Cementos Portland Valderrivas	CEO	Si
Carlos Manuel Jarque Uribe	Cementos Portland Valderrivas	Director	No
Juan Rodríguez Torres	Cementos Portland Valderrivas	Director	No
Álvaro Vázquez de Lapuerta	Cementos Portland Valderrivas	Director	No

C.1.12 State, if appropriate, the Directors of your company who are members of the Board of Directors of other companies listed on official securities exchanges in Spain that are not in your same group of companies, which have been communicated to your company:

Name or company name of Director	Name of listed company	Position
EAC Inversiones Corporativas, S.L. (represented by Esther Alcocer Koplowitz)	REALIA BUSINESS	Director
Carlos Manuel Jarque Uribe	REALIA BUSINESS	Director
Gerardo Kuri Kaufmann	REALIA BUSINESS	CEO
Manuel Gil Madrigal	GRUPO BARÓN DE LEY, S.A.	Director
Juan Rodriguez Torres	REALIA BUSINESS	Non-executive chairperson

C.1.13 State whether the board regulations has established rules about the number of directorships its Board members can hold, and describe any such rules:

Yes ☐ No ☒

Explanation of the rules

C.1.14 Article revoked.

C.1.15 Indicate the overall remuneration of the Board of Directors:

Remuneration of the Board of Directors (in thousand euros)	2,765.60
Amount of pension rights accrued by the Directors (in thousand euros)	201.60
Amount of pension rights accrued by former Directors (in thousand euros)	4,232.00

C.1.16 Identify the senior executives who are not Executive Directors, and state the total remuneration they accrued during the year:

Name or company name	Position(s)
Marcos Bada Gutiérrez	General Manager of Internal Audits
Agustín García Gila	Chairman of Environmental Services
Felipe B. García Pérez	Company Secretary
Miguel Jurado Fernández	Chairman of FCC Construcción
Felix Parra Mediavilla	General Manager of Aqualia

Total remuneration of senior management (in thousand euros)	3,507.16

Note:
The total remuneration figure includes severance pay for the termination of the contracts of three senior executives in 2016: Miguel Hernanz, Julio Pastor and Ana Villacañas.

From 16 January 2017, Pablo Colio replaced Miguel Jurado in the position of General Manager of FCC.

C.1.17 Indicate, as the case may be, the identity of members of the Board who are in turn members of the Board of Directors of significant shareholder companies and/or in group subsidiaries:

Name or company name of Director	Company name of significant shareholder	Position
Alejandro Aboumrad González	Inversora Carso S.A. de C.V.	General Manager and Director at Group companies
Antonio Gómez García	Inversora Carso S.A. de C.V.	Director at Group companies
Gerardo Kuri Kaufmann	Inversora Carso S.A. de C.V.	Administrator at Group companies
Carlos Manuel Jarque Uribe	Inversora Carso S.A. de C.V.	Member of the supervisory board of Telekom Austria AG
Juan Rodríguez Torres	Inversora Carso S.A. de C.V.	Director at Group companies
Alfonso Salem Slim	Inversora Carso S.A. de C.V.	General Manager and Director at Group companies

Identify, as the case may be, any significant relationships, other than those stated in the preceding section, between Board members and significant shareholders and/or subsidiaries in their group:

Name or company name of related Director	Name or company name of related significant shareholder	Description of relationship
–	–	–

C.1.18 State whether there have been any amendments of the board rules during the year:

Yes ☒ No ☐

Description of the amendments
With respect to the composition and operation of the Board of Directors and its committees, several amendments were introduced aimed mainly at coordinating the forecasts of the Rules with the amendments to the Bylaws approved at the Ordinary General Meeting of 28 June 2016, and therefore the following matters in the Rule were amended: – **Artículo 5:** An amendment of the number of Board of Directors is proposed, increasing it from 12 to 15 directors, in accordance with the amendment of Article 28.1 of the Bylaws approved by the Ordinary General Meeting held on 28 June 2016. – **Artículo 7:** The exclusive matters reserved to the Board of Directors are amended in accordance with Article 27.2 of the Bylaws. Specifically, excluding the contracting of financial debt of greater than 20 million euros, the purchase or sale of relevant assets, i.e. assets exceeding 20 million euros, and the conclusion of contracts involving an amount of funds greater than 20 million euros which are not contracts arising from the Company's own activity. – **Artículo 37**: In line with the amendment of Article 40 of the Bylaws approve by the Ordinary Meeting and in accordance with Act 22/2015 on auditing accounts, Article 37, which regulates the Audit and Control Committee, is amended.

C.1.19 *State the procedure for appointing, re-appointment, assessing and removing Directors. State the competent bodies, the process and the criteria for each procedure.*

The General Meeting is in charge of appointing and removing Board members. Directors may be re-elected indefinitely one or more times, for maximum periods of four years (Art. 30.3 of the Bylaws).

According to Article 29.4 of the Bylaws, the Board of Directors, in the proposals of appointment, re-appointment, ratification or removal of directors that it submits to the General Meeting and in the appointment decisions adopted by the Board by virtue of the powers of co-optation that it is legally attributed, shall follow the criteria and guidelines established in that respect in the Rules of the Board of Directors.

Chapter IV of the Rules of the Board of Directors, "Appointment and Removal of Directors," establishes the following:

Article 16. Appointment, ratification or re-election of directors 1. Proposals for the appointment or re-election of directors submitted by the Board of Directors to the General Meeting of Shareholders for its consideration, and the appointments made by the Board using the powers of co-optation attributed to it by law, must fall upon people of recognised integrity, solvency, technical competence and experience, and must be approved by the Board based on a proposal from the Appointments and Remuneration Committee, in the case of independent directors, and based on a prior report of the Appointments and Remuneration Committee, in the case of other directors. 2. The proposal must in any case be backed by a report from the Board assessing the competence, experience and merits of the proposed candidate, which shall be attached to the minutes of the General Meeting or of the Board meeting. 3. Where a legal person is appointed as a director, it must appoint a natural person to discharge the duties of the office on a permanent basis; that natural person must fulfil the requirements as to integrity, solvency, technical competence and experience and the rules on prohibitions and incompatibilities contained in these Rules, and the duties of Director established in these Rules shall apply to him/her on a personal basis. Removal of the representative by the legal person that is a director shall not take effect until their replacement is appointed. Also, the proposal of a natural person as a representative is subject to the report drawn up by the Appointments and Remuneration Committee. 4. From the publication of the notice of the General Meeting, the Board of Directors must publish, on the website, the following information about the persons proposed for appointment or ratification as directors and, as the case may be, on the natural person representing a Director who is a legal person: (i) professional experience and background; (ii) Other Boards of Directors on which they are members, regardless of whether they are listed companies; (iii) an indication of the director's classification; in the case of proprietary directors, the shareholder they represent or have links with must be identified; (iv) the date of their first and subsequent appointments as a company director; (v) shares of the Company and financial derivatives whose underlying are shares of the Company that are owned by the director proposed for ratification or re-appointment or by the candidate for first-time appointment as director. This information must be kept up to date; and (vi) the reports and proposals of the relevant bodies in each case. 5. The Secretary of the Board of Directors will provide each new director with a copy of the Articles of Association, these Rules, the FCC Group Code of Ethics, the Internal Code of Conduct in relation to the Securities Market, the latest annual Financial Statements and Management Report, of both the Company and its consolidated Group, as approved by the General Meeting of Shareholders, the auditors' report on the Financial Statements and the latest financial information provided to the markets. It will also provide them with the names of the current auditors and their interlocutors. 6. Each director must sign a receipt for the documentation and undertake to acquaint himself/herself of it immediately and to faithfully fulfil his obligations as a director. 7. The Company will establish induction programmes to provide newly-appointed directors rapidly with sufficient knowledge of the Company and its Group and the corporate governance rules, while also offering refresher courses when circumstances make this advisable.

Article 17. Term of office
1. Directors will hold office for the term established in the Bylaws. 2. The directors appointed by co-optation will hold office until the next General Meeting is held. Also, if there is a vacancy once the General Meeting is called and before it takes place, the Board of Directors may designate a Director until the next General Meeting takes place. 3. Directors whose mandates expire or who cease to sit on the Board for any reason may not render services to FCC competitors for a term of two (2) years. 4. The Board of Directors, at its discretion, may waive or reduce this limitation for outgoing directors.

Article 18. Re-election of Directors
Besides fulfilling the requirements for appointment established in Article 16 above, prior to proposing the re-appointment of any director to the General Meeting of Shareholders, the Appointments and Remuneration Committee must issue a report evaluating the quality of work and dedication of the proposed directors during their previous mandate.

Article 19. Removal of Directors
1. Directors must step down from the Board when their mandates have expired or when so decided by the General Meeting of Shareholders making use of the powers vested in it by law and by the Articles of Association. 2. The directors must tender their resignation to the Board of Directors and officially resign at the Board's request in the following cases: a) In the case of executive directors, when they no longer occupy the positions or perform the functions by virtue of which they were appointed. b) In the case of proprietary directors, when the shareholder whose interests they represent disposes of its entire holding in FCC or reduces it to such a level that the number of proprietary directors must be reduced. c) When they fall under a situation of incompatibility or legal disqualification provided by law. d) When the Board, by a minimum two-thirds majority, asks the director to resign: - if he or she receives a severe reprimand from the Board due to breach of his or her duties as director, based on a proposal or report by the Appointments and Remuneration Committee, or when their permanence on the Board may jeopardise the Company's credibility and reputation. Accordingly, directors must inform the Board of any criminal charges against them and any subsequent events during trials. In any event, if any director is tried for any of the corporate crimes described in Article 213 of the Capital Companies Act, the Board will examine the case as soon as possible and, based on the specific circumstances, will decide whether or not the director must resign, and it must give a justification in the Annual Corporate Governance Report. 3. If a natural person representing a Director who is a legal person incurs in any of the events provided in the preceding section, the former will be disqualified as a representative. 4. The Board of Directors may not propose the removal of independent directors before the expiry of their tenure for which they had been appointed, except where just cause is found by the Board, based on a report from the Appointments and Remuneration Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the circumstances enumerated in Article 6.2.a) of these rules that disqualify them from appointment as an independent director. The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the Company's capital structure due to the proportionality between the number of proprietary directors and independent directors in relation to the capital represented by the proprietary directors and the rest of the capital. 5. When a director steps down before his mandate has finished, either due to resignation or otherwise, he or she must set out the reasons in a letter to be sent to all other members of the Board, notwithstanding that said change should be communicated as a Relevant Event and the reasons must be disclosed in the Annual Corporate Governance Report. In particular, where the director resigns due to the adoption by the Board of significant or repeated decisions to which the director has placed serious objections on record, and decides to resign as a result, the resignation letter to the other directors must expressly state this fact.

C.1.20 Explain to what extent that annual evaluation of the Board has given rise to important changes in its internal organisation and in the procedures applying to its activities:

Description of the amendments
In the year 2016, no deficiencies were detected such as to warrant an action plan.

C.1.20.bis. Explain the evaluation process and the areas that the Board of Directors has evaluated, assisted, as the case may be, by an external consultant, regarding the diversity in its composition and powers, the functioning and composition of its committees, the performance of the Chairperson of the Board and of the Company's CEO, and of the performance and contribution of each Director.

The Board of Directors of Fomento de Construcciones y Contratas, S.A. (hereinafter, the Company) issued a report that evaluated by the quality and efficiency of its operation and that of its Committees during 2016 for the purpose of complying with the duty imposed by Article 34.9 of the Rules of the Board of Directors, which incorporates Recommendation 36 of the Code of Good Governance of Listed Companies published by the Spanish National Securities Market Commission on 18 February 2015 and Article 529 nonies of the Capital Companies Act.

The Report was reviewed and approved by the Company's Board of Directors which, according to the aforementioned Article 34.9 of the Rules of the Board of Directors, is responsible for assessing the quality and efficiency of its own operations, in its meeting on 3 February 2017. All the Board members played an active part in drafting the report, and all the comments, assessments, opinions and suggestions made by all of them during the process were taken into consideration.

For the 2016 financial year report, the self-evaluation process was carried out via the appraisal of a number of aspects with a bearing on the functioning, efficiency and quality of the performance and decision-making of the Board of Directors, as well as the members' contributions to the performance of the functions and the achievement of the objectives entrusted to the Board.

In addition, the adherence to and compliance by the Board of Directors and its members in respect of the Rules of the Board of Directors and, in general, of the rules of Good Corporate Governance of Listed Companies.

C.1.20.ter. Detail, as the case may be, the business relations between the consultant or any of its group companies with the company or any of its group companies.

This does not apply because the evaluation was done internally.

C.1.21 State the reasons for which Directors may be forced to resign.

Article 19. Removal of Directors

1. Directors must step down from the Board when their mandates have expired or when so decided by the General Meeting of Shareholders making use of the powers vested in it by law and by the Articles of Association.
2. The directors must tender their resignation to the Board of Directors and officially resign at the Board's request in the following cases:
   a) In the case of executive directors, when they no longer occupy the positions or perform the functions by virtue of which they were appointed.
   b) In the case of proprietary directors, when the shareholder whose interests they represent disposes of its entire holding in FCC or reduces it to such a level that the number of proprietary directors must be reduced.
   c) When they fall under a situation of incompatibility or legal disqualification provided by law.

d) When the Board, by a minimum two-thirds majority, asks the director to resign:
- if he or she receives a severe reprimand from the Board due to breach of his or her duties as director, based on a proposal or report by the Appointments and Remuneration Committee, or when their permanence on the Board may jeopardise the Company's credibility and reputation. Accordingly, directors must inform the Board of any criminal charges against them and any subsequent events during trials. In any event, if any director is tried for any of the corporate crimes described in Article 213 of the Capital Companies Act, the Board will examine the case as soon as possible and, based on the specific circumstances, will decide whether or not the director must resign, and it must give a justification in the Annual Corporate Governance Report.

3. If a natural person representing a Director who is a legal person incurs in any of the events provided in the preceding section, the former will be disqualified as a representative.

4. The Board of Directors may not propose the removal of independent directors before the expiry of their tenure for which they had been appointed, except where just cause is found by the Board, based on a report from the Appointments and Remuneration Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the circumstances enumerated in Article 6.2.a) of these rules that disqualify them from appointment as an independent director. The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the Company's capital structure due to the proportionality between the number of proprietary directors and independent directors in relation to the capital represented by the proprietary directors and the rest of the capital.

5. When a director steps down before his mandate has finished, either due to resignation or otherwise, he or she must set out the reasons in a letter to be sent to all other members of the Board, notwithstanding that said change should be communicated as a Relevant Event and the reasons must be disclosed in the Annual Corporate Governance Report. In particular, where the director resigns due to the adoption by the Board of significant or repeated decisions to which the director has placed serious objections on record, and decides to resign as a result, the resignation letter to the other directors must expressly state this fact.

C.1.22 Article revoked.

C.1.23 Is a supermajority, other than the legal majority, required in some decisions?:

Yes ☐	No ☒

If so, describe the differences.

Description of differences
–

C.1.24 Detail whether there are specific requirements, other than those relating to Directors, to be appointed Chairperson of the Board of Directors.

Yes ☐	No ☒

Description of requirements
–

C.1.25 State whether the chairperson has a casting vote:

Yes ☐	No ☒

Issues in respect of which there is a casting vote
–

C.1.26 State whether the Bylaws or the Rules of the Board establish an age limit for Directors:

Yes ☐ No ☒

Age limit for Chairperson	
Age limit for CEO	Age limit for Director

C.1.27 State whether the Bylaws or the Rules of the Board establish a term limit for Independent Directors, other than that established in the regulations:

Yes ☐ No ☒

Maximum number of years in office	

C.1.28 State whether the bylaws or the rules of the Board of Directors establish specific rules for delegating votes on the Board of Directors, how this is done and, in particular, the maximum number of delegations to one same Director, as well as whether any limitations have been established regarding categories where it is possible to delegate, beyond the limitations imposed by the legislation. If so, give a short description.

There are no are formal processes for delegating votes on the Board of Directors.

C.1.29 State the number of Board of Directors meetings held in the year. Also, state the number of times that the Chairperson did not attend the Board meeting. Proxies granted with specific instructions are not counted as absences.

Number of meetings of the Board of Directors	14
Number of Board meetings without the attendance of its Chairperson	0

If the chairperson is the CEO, indicate the number of meetings held, without assistance or representation of any Executive Director and under the Chairpersonship of the coordinator Director.

Number of meetings	–

Indicate the number of meetings held by the various Board Committees in the year:

Number of Executive or Steering Committee meetings	9
Number of Audit Committee meetings	8
Number of Appointments and Remuneration Committee meetings	9

C.1.30 State the number of Board of Directors meetings held in the year that were attended by all its members. Proxies granted with specific instructions are not counted as absences:

Number of Board meetings attended by all the Directors	5
Pct. of attendance over the total votes during the year	89.08%

C.1.31 State whether the individual and consolidated financial statements that are presented for Board approval have been certified:

Yes ☒ No ☐

Indicate any person(s) who have certified the company's individual and consolidated financial statements for Board authorisation:

Name	Position
Carlos Jarque Uribe	CEO
Miguel Martínez Parra	General Manager of Administration and Finance
Juan José Drago Masiá	General Manager of Administration

C.1.32 Detail whether the Board of Directors has established any mechanisms to prevent the individual and consolidated financial statements authorised by it, being presented to the General Meeting with audit qualifications.

The Audit and Control Committee has among its functions that of revising the process of drafting the economic and financial reports that FCC Group publishes from time to time. This revision is particularly important in the case of the annual report; therefore, prior to the Board of Directors' drawing up of the annual financial statements, the Audit and Control Committee thoroughly examines those statements and requests that the external auditor explain the conclusions of its review.

In this way, once the statements are approved by the Board, the external auditor's report contains no qualifications.

C.1.33 Is the Secretary of the Board a Director?

Yes ☐	No ☒

If the Secretary is not a Director, fill in the table below:

Name or company name of Secretary	Representative
Francisco Vicent Chuliá	

C.1.34 Article revoked

C.1.35 State the mechanisms, if there are any, established by the Company to maintain the independence of external auditors, financial analysts, investment banks and rating agencies.

For this purpose, Article 37.5 of the Rules of the Board of Directors states that "The basic function of the Audit and Control Committee is to support the Board of Directors in its supervisory duties by periodically reviewing the processes used to prepare the financial information, the internal controls and the independence of the external auditors, among others. In particular, the matters that the Board of Directors may entrust to the Audit and Control Committee include, but are not limited to, the following:

a) Informing the General Meeting of Shareholders on the questions raised by shareholders which fall within its scope of authority and, in particular, on the outcome of the audit explaining how this has contributed to the integrity of the financial information and the role that the Committee has played in that process.

b) Liaising between the Board of Directors and the Company's external Auditor, evaluating the results of each audit, with the following additional duties with respect to the external Auditor: (i) Making recommendations to the Board of Directors for the selection, appointment, reappointment and removal of the external auditor, being responsible for the selection process, in accordance with EU regulations and the terms and conditions of his or her engagement; (ii) Receiving regular information from the external auditor on the progress and findings of the audit programme, as well as ensuring its independence in the performance of its functions, and checking that senior management are acting on its recommendations; (iii) Discussing with the external Auditors any significant weaknesses found in the internal control system as a result of the audits conducted, without compromising his or her independence; For this purpose, and if appropriate, the Audit and Control Committee may submit recommendations or proposals to the Board of Directors and the corresponding term for their follow-up. (iv) Establish the relevant relations with the external auditor to receive information on matters that may represent a threat to his or her independence for consideration by the Committee, and any other related to the process of conducting the audit and, where appropriate, the authorisation of services other than those prohibited, in the terms referred to in the statutory regulations on the activity of account auditing on the relationship to independence, as well as any other disclosures provided for in the legislation on account auditing and in auditing standards; (v) Ensuring the independence of the external auditor, establishing, in particular, suitable measures: 1) so that contracting consulting services with that auditor or a company of its group does not jeopardise its independence, to which end the Committee will request and receive annually from the auditor a written confirmation of its independence with respect to the Company or entities directly or indirectly related to it, as well as information on any additional services of any type, and the corresponding fees, provided to those entities by the external auditor or by persons or entities related to the auditor, as provided for in the Auditing Act; and 2) so that the Company issues a relevant event to the CNMV as regards the change in Auditor, with a statement about any disagreements with the outgoing Auditor and, and their nature and in the case where the external Auditor resigns, the circumstances that led to this resignation; and (vi) Seeking to ensure that the Company's Auditor takes responsibility for auditing the companies comprising the Group.

c) Issuing a report each year, prior to the publication of the audit report, expressing an opinion on whether the independence of the account auditors or auditing companies have been compromised. In any event, this report must be a realistic assessment of the provision of each and every one of the additional services referred to in section b) (iv) 1 above, considered individually and in the aggregate, other than legal auditing and in relation to the independence or auditing regulations and standards.

d) Supervising the Company's internal audits that oversee the good operation of the information and internal control systems; the head of internal audit is obliged to present an annual work plan to the Committee and directly report to it any incidents arising in the course of implementing the plan, as well as submitting a report on activities to the Committee at the end of each year.

e) Supervising and analysing the efficacy of the Company's internal control and the risk control and management policy approved by the Board of Directors, ensuring that the latter at least identifies: (i) The different types of risks that the Company faces, including, among others, financial and economic risks, contingent liabilities and other off-balance sheet risks; (ii) Establishing the risk level that the Company deems acceptable; (iii) The measures provided to mitigate the impact of the identified risks in the event they materialise; and (iv) The reporting and internal control systems that will be used to control and manage said risks, including contingent liabilities and off-balance sheet risks, submitting them to the Board of Directors for their approval.

f) Supervising the preparation and presentation of the annual financial statements and management report of the Company, both individual and consolidated, and of the information released periodically to the markets, and submitting recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, checking for compliance with legal provisions and the correct application of generally accepted accounting principles, and informing the Board before it adopts any of the following decisions: (i) The financial reports which the Company, owing to its listed status, must disclose from time to time, ensuring that the interim financial statements are drawn up with the same accounting criteria as annual financial statements and, for such purpose, it must consider whether a limited review by the Company's external auditor is appropriate; and (ii) The creation or acquisition of holdings in special purpose entities or entities domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature which, owing to their complexity, might detract from the transparency of FCC Group.

g) With respect to internal control and reporting systems: (i) Supervising the process of preparing, and the integrity of, the financial reports referring to the Company and, as the case may be, the Group, reviewing the compliance with the regulatory requirements, the adequate delimitation of the scope of the consolidated group and the correct application of the accounting criteria; (ii) Reviewing internal control and risk management systems on a regular basis, including tax control systems, to ensure that the main risks are properly identified, managed and disclosed appropriately; (iii) Monitoring the independence and efficacy of the internal audit function; proposing the selection, appointment, re-appointment and removal of the head of internal audit; proposing the department's budget; receiving regular reports on its activities; and verifying that senior management are acting on the conclusions and recommendations of its reports. Receiving information from time to time from the Response Committee and the Risk Control and Management Department on the development of its activities and the functioning of internal controls; and (v) Ensuring that the internal codes of conduct and corporate governance rules comply with regulatory demands and are suitable for the Company, and reviewing that the persons subject to said codes and rules of governance comply with their reporting obligations to the Company.

h) Issuing reports and proposals as requested by the Board of Directors or the Chairperson of the Board and those it deems appropriate for the best performance of its functions, particularly (i) The report on proposed amendments to these Board Rules, pursuant to the provisions in Article 4.3; (ii) Deciding on requests for information presented by directors, pursuant to the provisions in Article 26.3 of these Rules, to the Committee; and (iii) Requesting, as the case may be, the inclusion of any items on the agenda of Board meetings, in the conditions and time periods established in Article 34.3 of these Rules.

C.1.36 State whether the Company changed its external auditor during the year. If so, identify the incoming and outgoing auditor:

Yes ☐ No ☒

Outgoing auditor	Incoming auditor

f there was a disagreement with the outgoing auditor, describe it:

Yes ☐ No ☒

Explanation of disagreement

C.1.37 State whether the audit firm performs other work for the Company and/or its group other than auditing and, if so, state the fees received for such work and those fees as a percentage of total fees billed to the Company and/or its group:

Yes ☒ No ☐

	Company	Group	Total
Amount of other non-audit jobs (in thousand euros)	550	241	791
Amount of non-audit jobs / total amount billed by audit firm (in pct.)	61.59	7.98	20.24

C.1.38 State whether the auditors' report on the previous year's financial statements had any reservations or was qualified. If it was, state the reasons given by the Chairperson of the Audit Committee to explain the content and scope of the qualification or reservation.

Yes ☐ No ☒

Explanation of the reasons

C.1.39 State the number of consecutive years that the current audit firm has been auditing the financial statements of the company and/or its group. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Company	Group
Number of consecutive years	15	15

	Company	Group
Number of years the current audit firm has audited / number of years the Company has been audited (as a percentage)	55.5	55.5

C.1.40 State whether there is a procedure for directors to engage external consultants and, if so, provide details:

Yes ☒ No ☐

Detail the procedure

Rules of the Board of Directors. Article 27. Expert assistance

1. In order to assist them in performing their duties, non-executive directors are entitled to obtain the necessary assistance from the Company to perform their duties and, where necessary, to obtain advice, at FCC's expense, from legal, accounting and financial consultants and other experts.
2. Requests to engage external consultants or experts must be referred to the Chairperson of the Board of Directors and will be approved by the Board of Directors if the latter considers that: a) it is necessary for the proper performance by non-executive directors of their assigned duties, b) the cost is reasonable, in view of the importance of the problem and the assets and revenues of FCC, and c) the technical assistance received cannot be properly provided by internal FCC experts or technical personnel.
3. Requests for expert assistance by any of the Board Committees should not be denied except when a majority of the Board members considers that the conditions envisaged in paragraph 2 of this article are not met."

C.1.41 State whether there is a procedure for directors to have the necessary information to prepare for the meetings of the governing bodies with sufficient time and, if so, provide details:

Yes ☒ No ☐

Detail the procedure

Rules of the Board of Directors. Article 26. Powers of information and inspection

"1. In order to perform their duties, all Directors have the right to request and to compile any suitable and necessary information from the Company that is useful in the fulfilment of their obligations on any aspect related to FCC and its subsidiaries and associated companies, in Spain and other countries. To this end, they may examine documentation they consider necessary, talk to the heads of the departments in question and visit the companies' facilities. 2. So as not to disturb the ordinary operations of the FCC Group, the exercise of these information rights must be channelled through the Chairperson, who will respond to the Director's requests by either providing the information directly or offering the appropriate interlocutors at the pertinent organisational level. 3. If such a request for information is denied, delayed or handled deficiently, the requesting Director may refer his petition to the Audit and Control Committee, which must grant a hearing to both the Chairperson and requesting Director before deciding how to proceed. 4. The requested information may only be denied when, in the opinion of the Chairperson and the Audit and Control Committee, it is unnecessary or could be harmful to the Company's interests. Information requests cannot be denied if supported by a majority of the Board members".

C.1.42 State whether the Company has rules obliging directors to inform and, if appropriate, to resign in any circumstance that might harm the organisation's name or reputation, and describe any that exist:

Yes ☒ No ☐

Explain the rules

Rules of the Board of Directors. Article 25. Directors' duty of disclosure.

Directors must disclose the following to FCC's Appointments and Remuneration Committee through the Corporate Responsibility Department or any other that takes its place: d) Legal, governmental, or any other type of claim which, due to its significance, could have a serious effect on the reputation of FCC. (e) In general, of any event or situation that might be relevant to his or her performance as an FCC Director.

Article 19. Removal of Directors.

1. Directors must step down from the Board when their mandates have expired or when so decided by the General Meeting of Shareholders making use of the powers vested in it by law and by the Articles of Association.

2. The directors must tender their resignation to the Board of Directors and officially resign at the Board's request in the following cases: a) In the case of executive directors, when they no longer occupy the positions or perform the functions by virtue of which they were appointed. (b) In the case of proprietary directors, when the shareholder whose interests they represent disposes of its entire holding in FCC or reduces it to such a level that the number of proprietary directors must be reduced. c) When they fall under a situation of incompatibility or legal disqualification provided by law. d) When the Board, by a minimum two-thirds majority, asks the director to resign: - if he or she receives a severe reprimand from the Board due to breach of his or her duties as director, based on a proposal or report by the Appointments and Remuneration Committee, or when their permanence on the Board may jeopardise the Company's credibility and reputation. Accordingly, directors must inform the Board of any criminal charges against them and any subsequent events during trials. In any event, if any director is tried for any of the corporate crimes described in Article 213 of the Capital Companies Act, the Board will examine the case as soon as possible and, based on the specific circumstances, will decide whether or not the Director must resign, and it must give a justification in the Annual Corporate Governance Report.

3. If a natural person representing a Director who is a legal person incurs in any of the events provided in the preceding section, the former will be disqualified as a representative.

4. The Board of Directors may not propose the removal of independent directors before the expiry of their tenure for which they had been appointed, except where just cause is found by the Board, based on a report from the Appointments and Remuneration Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the circumstances enumerated in Article 6.2.a) of these rules that disqualify them from appointment as an independent director. The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the Company's capital structure due to the proportionality between the number of proprietary directors and independent directors in relation to the capital represented by the proprietary directors and the rest of the capital.

5. When a director steps down before his mandate has finished, either due to resignation or otherwise, he or she must set out the reasons in a letter to be sent to all other members of the Board, notwithstanding that said change should be communicated as a Relevant Event and the reasons must be disclosed in the Annual Corporate Governance Report. In particular, where the director resigns due to the adoption by the Board of significant or repeated decisions to which the director has placed serious objections on record, and decides to resign as a result, the resignation letter to the other directors must expressly state this fact."

C.1.43 State whether any member of the Board of Directors has informed the company that he has been charged with, or tried for, any of the crimes stated in Article 213 of the Capital Companies Act:

Yes ☐ No ☒

Name of Director	Criminal Case	Comments

State whether the Board of Directors has analysed the case. If it has, give a reasoned explanation on the decision made regarding whether it is fit for the director to remain in office, or as the case may be, explain the action taken by the Board of Directors up until the date of this report or those that it plans to carry out.

Yes ☐ No ☐

Decision or action taken	Explanation

C.1.44 Detail the significant agreements entered into by the company which will enter into force, be amended or terminated in the event of a change of control of the company following a takeover bid, and the effects thereof.

On 5 February 2016, 2016 Nueva Samede, S.L.U. ("Nueva Samede") and I.Carso signed a purchase option agreement for shares in Fomento de Construcciones y Contratas, S.A. ("FCC") before the Notary of Madrid Mr Jaime Casanova Recarte under Number 285 of his Notary Record (the "Purchase Option"), under which Nueva Samede irrevocably gave and granted to I.Carso a right of option to purchase 9,454,167 ordinary FCC shares representing 2.496% of its share capital and of which Nueva Samede is owner after the subscription and payment provided for in FCC's capital increase which was registered in the Mercantile Register of Barcelona on the 4 March 2016 (the "Affected Shares").

For the record, the Affected Shares are part of the 7.028% of the share capital of CC owned by Nueva Samede 2016, S.L.U. (hereinafter, "Nueva Samede") which are attributed to I.Carso for the exclusive purposes of Article 5.1.d of the Royal Decree on takeover bids and over which I.Carso has no direct or indirect right of vote whatsoever.

In connection with the foregoing, on 22 July 2016, I.Carso moved to exercise its Purchase Option over the entirety of the Affected Shares with an effective date of 14 June 2016. However, the formalisation of the exercise of the Purchase Option was subject to the condition precedent that the following cumulatively occur: (i) authorisation by the Spanish National Securities Market Commission of the bid formulated by CE, approved on 29 June 2016, and (ii) the presence on FCC's Board of Directors of a majority of directors appointed by I.Carso and/or CEC or any company linked to I.Carso (the "Precedent Condition"), which was fulfilled with the appointments of Mr Miguel Martinez Parra, Mr Alfonso Salem Slim, Mr Antonio Gomez García and Mr Carlos Manuel Jarque Uribe on 28 June 2016. As of 22 July 2016, in accordance with that set out in paragraph two of the Article 36 of Royal Decree 1066/2007 of 27 July, the National Securities Market Commission reported through a Relevant Event that the takeover bid made by Control Empresarial de Capitales, S.A., de C.V. for 100% of the share capital of Fomento de Construcciones y Contratas, S.A. was accepted by a number of 97,211,135 shares, which represent 48.30% of the shares to which the bid was aimed and 25.66% of the share capital of Fomento de Construcciones y Contratas, S.A.

C.1.45 State in aggregate and indicate, in detail, any agreements between the Company and its administration and management officers or employees providing severance, guarantee or golden parachute clauses, whenever they resign or are subject to summary dismissal or if their agreement is terminated due to a takeover bid or other type of transaction.

Number of beneficiaries	2
Type of beneficiary	**Description of the resolution**
CEO	The company has set up a financial fund for his or her benefit that will compensate him or her for the extinguishment of his or her contract that has an annual allocation of 340,000 euros. If the contractual relationship is extinguished during the first three years of this contract (from 18/07/2015), for any reason except the senior executive stepping down, dismissal for objective reasons and disciplinary dismissal, respectively, the senior executive will accrue the amount in the Savings Fund as of the date of extinguishment of his or her contract. This payment will be of a compensatory nature. If this contractual relationship is extinguished after the first three years of this contract have elapsed (since 18/08/2015) for any reason except dismissal for objective reasons and disciplinary dismissal, the senior executive will accrue the amount in the Savings Fund as of the date of extinguishment of his contract. This payment will be of a compensatory nature.

Company Secretary	With regard to the Company Secretary, executive Board member until 13 January 2015, the Company, with the authorisation of the Executive Committee, contracted and paid an insurance premium in order to meet the payment of the contingencies related, among other items, to death or to permanent occupational disability and to retirement bonuses and pensions and other concepts, for some of the Executive Directors and senior executives. In particular, the contingencies giving rise to severance pay are those that entail the extinguishment of the employment relationship for any of the following reasons: a) Unilateral decision by the Company. b) Winding up or disappearance of the parent company for any reason, including merger or spin-off. c) Death or permanent disability. d) Physical disability or legal incompetence for any other reason. e) A substantial change in professional conditions. f) Resignation, upon reaching the age of 60, at the executive's request and with the Company's consent. g) Resignation at age 65, by unilateral decision of the executive. As of 31 December 2016, the secretary general is entitled to a net amount equal to 3.5 times his or her gross annual remuneration.

Indicate whether these contracts have to be notified to and/or approved by the company's or group's bodies:

	Board of Directors	General Meeting
Body that authorises the clauses	X	

	YES	NO
Is the General Meeting informed of the clauses?	X	

C.2 Board of Director Committees

C.2.1 Detail all the Board of Director Committees, their members and the proportion of executive, proprietary, independent and other external directors on these boards:

EXECUTIVE OR DELEGATE COMMITTEE

Name	Position	Current status
Carlos Manuel Jarque Uribe	Chairperson	Executive Director
Dominum Desga, S.A. (represented by Esther Alcocer Koplowitz)	Director	External Proprietary Director
EAC Inversiones Corporativas, S.L. (represented by Esther Alcocer Koplowitz)	Director	External Proprietary Director
Alejandro Aboumrad González	Director	External Proprietary Director
Gerardo Kuri Kaufmann	Director	External Proprietary Director

Pct. of Executive Directors	**20**
Pct. of Proprietary Directors	**80**
Pct. of Independent Directors	**0**
Pct. of other External Directors	**0**

Explain the functions that his committee has, describe the procedures and its rules of organisation and functioning. Summarise the most important activities during the year.

Rules of the Board of Directors. Article 36. The Executive Committee.

Article 36. The Executive Committee 1. The Board may permanently delegate in the Executive Committee all the powers of the Board of Directors with the exception of those which are reserved by law, the bylaws or its these rules. Unless otherwise stipulated in the delegation of powers by the Board of Directors, the Executive Committee will have specific responsibility for deciding on investments, divestments, credits, loans, guarantee and surety facilities as well as other financial facilities for unit amounts not exceeding the figure that is established in Article 7.2.o). Also, in situations of emergency, the Executive Committee will exercise the following powers attributed to the Board of Directors, under Article 8 of these Rules. 2. The Board of Directors, based on a report by the Appointments and Remuneration Committee, will designate the directors to form part of the Executive Committee, ensuring as far as possible that its participation structure is similar to that of the Board itself in terms of the various categories of director. The Secretary of the Board will also be the secretary of the Executive Committee. 3.

The Executive Committee will be composed of a minimum of four (4) and a maximum of ten (10) members. 4. The members of the Executive Committee will step down from the Committee when they cease to be directors or when decided by the Board. Any vacancies arising will be filled as quickly as possible by the Board of Directors. 5. The Chairperson of the Executive Committee will be appointed from among members of the Committee itself. If the Chairperson of the Executive Committee is absent, or if the position is vacant, the duties will be chaired by a Committee member chosen by majority vote of those in attendance. 6. The Executive Committee will hold ordinary meetings in the months when a Board of Directors meeting is not scheduled, apart from the month of August, and it may meet on an extraordinary basis when required by the Company's interests. The Executive Committee will be convened by the Chairperson, on his/her own initiative or upon the request of at least two (2) Committee members. The notice will be sent by letter, telegram, e-mail or fax to each of the Committee members at least forty-eight (48) hours in advance of the meeting date, however it may be called with twenty-four (24) hours' notice of the date and time of the meeting for reasons of emergency, in which case the agenda for the meeting will be limited to the issues that caused such emergency. Along with the announcement of each meeting, the members of the Executive Committee will be provided with the pertinent information they need to form an opinion and to vote. 8. In the absence of the Chairperson of the Executive Committee, or if the position becomes vacant, the Committee may be convened by the longest-standing member or, if there is equal seniority between members, by the oldest one. In the event of legal persons, the age of the individual representing them will be taken into account. 9. The meetings shall be held at the Company's registered offices or any other location designated by the Chairperson and stated in the announcement. 10. The Executive Committee will be quorate when the majority of its members are present or represented at the meeting. Absent members can be represented by another member of the Executive Committee. However, non-executive directors can only be represented by other non-executive directors. 11. Discussions will be directed by the Chairperson, who will give the floor to the attendants wishing to speak. 12. Resolutions will be passed by absolute majority of the Committee members. If there is a tie, the matter will be submitted to the Board of Directors, for which purpose the members of the Executive Committee will request that a Board meeting be called according to the provisions in Article 34 of these Rules, unless a Board meeting has already been called for within the next thirty (30) calendar days, in which case the Chairperson of the Committee will ask the Chairperson of the Board to include the items involved in the tie on the Agenda for the meeting. 13. The Executive Committee, through its Chairperson, will inform the Board of the business transacted and the decisions made by the Committee, and a copy of the minutes of each meeting will be given to each director.

Regarding the most important actions carried out by this Committee, its functioning was evaluated in the meeting held on 19 January 2017.

In view of this report, it can be concluded that the Executive Committee is organised and functions in a proper and efficient manner, in compliance at all times with the criteria established in the Bylaws and the Rules of the Board of Directors.

The Executive Committee has assumed the functions and powers delegated to it by the Board of Directors in accordance with Article 36 of the Bylaws, in compliance at all times with the company's interests, with these understood as maximising the company's financial worth in a sustainable fashion.

In particular, the Executive Committee has exercised the power it is attributed in Article 36.1 of the Rules of the Board of Directors of deciding on investments, divestments, credits, loans, guarantee and surety facilities as well as other financial facilities for unit amounts not exceeding the figure established by the Board in each case. In addition, as recorded in the Board agreement of 28 July 2016, the Executive Committee will monitor the implementation of FCC Group's Corporative Social Responsibility (CSR) Plan.

State whether the Delegated or Executive Committee's composition reflects the composition of the Board in terms of Director type:

Yes ☐	No ☒

If not, detail the composition of the Delegated or Executive Committee

See table above with the composition of the Executive Committee, where it is shown that all its members have the status of external proprietary directors except the Chair, who is the CEO.

AUDIT AND CONTROL COMMITTEE

Name	Position	Current status
Henri Proglio	Chairperson	Independent Director
Manuel Gil Madrigal	Director	Independent Director
Álvaro Vázquez de Lapuerta	Director	Independent Director
Juan Rodriguez Torres	Director	Independent Director

Pct. of Proprietary Directors	25
Pct. of Independent Directors	75
Pct. of other External Directors	

Explain the functions that his Committee has, describe the procedures and its rules of organisation and functioning. Summarise the most important activities during the year.

Rules of the Board of Directors. Article 37. Audit and Control Committee

1. The Board of Directors of FCC will establish, on a permanent basis, an Audit and Control Committee, without executive functions and with powers of reporting, advising and making proposals within its scope of action, comprising a minimum of three (3) and a maximum of six (6) Directors designated by the Board of Directors having regard to their knowledge and experience of accounting, auditing or risk management; all of its members will be non-executive directors and the majority of them will be independent directors, and the Committee will appoint a Chairperson from among its independent members, and it may also appoint a Vice-Chairperson. The term of the members of the Committee may not exceed their terms as directors, notwithstanding the possibility that they may be re-appointed indefinitely so long as they are also re-appointed as directors. Subject to the foregoing, the term of office for the chairperson and vice-chairperson, as the case may be, cannot exceed four (4) years and the same applies to their mandate as members of the Committee, but they may be reappointed once a year has elapsed since their removal.
2. At least one of the members of the Audit and Control Committee shall be an Independent Director appointed on the basis of his/her knowledge and experience in accounting, auditing, or both. Collectively, the members of the Commission will have the relevant technical knowledge in relation to the Company's sector of activity.
3. The Audit and Control Committee will regulate its own functioning pursuant to the Corporate Bylaws and these Rules. The Committee members who have held the post of Chairperson may not be re-elected until at least one year has passed since stepping down as Chairperson. The Audit and Control Committee will designate a Secretary, and may also designate a Vice-Secretary, neither of whom need be a member of the Committee, to aid the Chairperson and provide for the smooth operation of the Committee, duly reflecting, in the meeting minutes, the business transacted, the deliberations and the resolutions adopted. The Secretary or the person standing in for him will draft the minutes of each Committee meeting, which will be signed by the Committee members in attendance.
4. The Audit and Control Committee will be quorate when a majority of its members are present or represented at the meeting; it will adopt decisions by absolute majority vote of those present or represented, and the Chairperson will have a casting vote in the case of a tie.
5. The basic function of the Audit and Control Committee is to support the Board of Directors in its supervisory duties by periodically reviewing the processes used to prepare the financial information, the internal controls and the independence of the external auditors, among others. In particular, the matters that the Board of Directors may entrust to the Audit and Control Committee include, but are not limited to, the following:
   a) Informing the General Meeting of Shareholders on the questions raised which fall within its scope of authority and, in particular, on the outcome of the audit explaining how this has contributed to the integrity of the financial information and the role that the Committee has played in that process.
   b) Liaising between the Board of Directors and the Company's external Auditor, evaluating the results of each audit, with the following additional duties with respect to the external Auditor: (i) Making recommendations to the Board of Directors for the selection, appointment, reappointment and removal of the

external auditor in accordance with EU regulations and the terms and conditions of his or her engagement; (ii) Receiving regular information from the external auditor on the progress and findings of the audit programme, as well as ensuring its independence in the performance of its functions, and checking that senior management are acting on its recommendations; (iii) Discussing with the external Auditors any significant weaknesses found in the internal control system as a result of the audits conducted, without compromising his or her independence; For this purpose, and if appropriate, the Audit and Control Committee may submit recommendations or proposals to the Board of Directors and the corresponding term for their follow-up. (iv) Establish the relevant relations with the external auditor to receive information on matters that may represent a threat to his or her independence for consideration by the Committee, and any other related to the process of conducting the audit and, where appropriate, the authorisation of services other than those prohibited, in the terms referred to in the statutory regulations on the activity of account auditing on the relationship to independence, as well as any other disclosures provided for in the legislation on account auditing and in auditing standards; (v) Ensuring the independence of the external auditor, establishing, in particular, suitable measures: 1) so that contracting consulting and advisory services with that auditor or a company of its group does not jeopardise its independence, to which end the Committee will request and receive annually from the auditor a written confirmation of its independence with respect to the Company or entities directly or indirectly related to it, as well as detailed, individualised information on any additional services of any type, and the corresponding fees, provided to those entities by the external auditor or by persons or entities related to the auditor, as set out in audit laws, and 2) so that the Company issues a relevant event to the CNMV as regards the change in Auditor, with a statement about any disagreements with the outgoing Auditor and their nature and in the case where the external Auditor resigns, the circumstances that led to this resignation; and (vi) seeking to ensure that the Company's Auditor takes responsibility for auditing the companies comprising the Group. c) Issuing a report each year, prior to the publication of the audit report, expressing an opinion on whether the independence of the account auditors or auditing companies have been compromised. In any event, that report must contain a realistic assessment of the provision of each and every one of the additional services referred to in section b) (iv) 1 above, considered individually and in the aggregate, other than legal auditing and in relation to the independence or auditing regulations and standards. d) Supervising the Company's internal audits that oversee the good operation of the information and internal control systems; the head of internal audit is obliged to present an annual work plan to the Committee and directly report to it any incidents arising in the course of implementing the plan, as well as submitting a report on activities to the Committee at the end of each year. e) Supervising and analysing the efficacy of the Company's internal control and the risk control and management policy approved by the Board of Directors, ensuring that the latter at least identifies: (i) The different types of risks that the Company faces, including, among others, financial and economic risks, contingent liabilities and other off-balance sheet risks; (ii) Establishing the risk level that the Company deems acceptable; (iii) The measures provided to mitigate the impact of the identified risks in the event they materialise; and (iv) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks. to the Board of Directors for their approval. f) Supervising the preparation and presentation of the annual financial statements and management report of the Company and the consolidated group, and of the information released periodically to the markets, and submitting recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, checking for compliance with legal provisions and the correct application of generally accepted accounting principles, and informing the Board before it adopts any of the following decisions: (i) The financial reports which the Company, owing to its listed status, must disclose from time to time, ensuring that the interim financial statements are drawn up with the same accounting criteria as annual financial statements and, for such purpose, it must consider whether a limited review by the Company's external auditor is appropriate; and (ii) The creation or acquisition of holdings in special purpose entities or entities domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature which, owing to their complexity, might detract from the transparency of FCC Group. g) With respect to internal control and reporting systems: (i) Supervising the process of preparing, and the integrity of the financial reports referring to the Company and, as the case may be, the Group, reviewing the compliance with the regulatory requirements, the adequate delimitation of the scope of the consolidated group and the correct application of the accounting criteria; (ii) reviewing internal control and risk management systems on a regular basis, including tax control systems, to ensure that the main risks are properly identified, managed and disclosed appropriately; (iii) Monitoring the independence and efficacy of the internal audit function; proposing the selection, appointment, re-appointment and removal of the head of internal audit; proposing the department's budget; receiving regular reports on its activities; and verifying that senior management are acting on the conclusions and recommendations of its reports. Receiving information from time to time from the Response Committee and the Risk Control and Management Department on the development of its activities and the functioning of internal controls; and (v) Ensuring that the internal codes of conduct and corporate governance rules comply with regulatory demands and are suitable for the Company, and reviewing that the people subject to said codes and rules of governance comply with their reporting obligations to the Company. h) Issuing reports and proposals as requested by the Board of Directors or the Chairperson of the Board and those it deems appropriate for the best performance of its functions, particularly (i) the report on proposed amendments to these Board Rules, pursuant to the provisions in Article 4.3; (ii) deciding on requests for information presented by directors, pursuant to the provisions in Article 26.3 of these Rules, to the Committee; and (iii) requesting, as the case may be, the inclusion of any items on the agenda of Board meetings, in the conditions and time periods established in Article 34.3 of these Rules.

6. The Audit and Control Committee will have access to all the documentation and information needed to perform its functions and it may seek the advice of external professionals who, acting as advisors and numbering a maximum of two (2) for each member of the Committee, they deem convenient, in which case the provisions of Articles 27.3 and 35.4 of these Rules will apply. These advisors may attend and speak at the meetings but they may not vote.

7. The Audit and Control Committee will meet at least once per quarter and as convened by the Chairperson or when requested by two (2) Committee members. Each year, the Committee will draft an action plan for the year which it will submit to the Board of Directors, as well as a report on its activities during the year, which will serve as the basis for the evaluation to be conducted by the Board of Directors. In the absence or if attendance is impossible, of the Chairperson of the Audit and Control Committee or if that position is vacant, meetings may be convened by the longest-standing member of the Committee and, in the event of there being two or more members with the same seniority, by the one who is oldest. In the event of legal persons, the age of the individual representing them will be taken into account.

8. Discussions will be directed by the Chairperson, who will give the floor to the attendees wishing to speak. In the absence or if attendance is impossible of the Chairperson of the Audit and Control Committee, or if that position is vacant, the functions of Chair will be performed by the member chosen for this purpose by the majority of attendees.

9. Any member of the FCC Group's management team or personnel, and the Company's external auditors, will be obliged to attend meetings of the Committee when requested to do so, and must collaborate and provide the information at their disposal, as provided by Article 35.6 of these Rules where appropriate.

10. For anything not expressly regulated in this article in respect of the functioning of the Audit and Control Committee, the regulations of the Audit and Control Committee shall apply."

Regarding the most salient actions during the year, it should be noted that on 3 February 2017 the Audit and Control Committee of Fomento de Construcciones y Contratas, S.A. (hereinafter, the Company) issued a report on its activities and functioning during the year 2016.

The conclusions that have been obtained from the evaluation that this Commission has carried out on the various aspects relating to its operation (composition, internal organisation, powers) are positive. Subject to the foregoing, this Committee will communicate to the Board of Directors, provided that it so deems appropriate, improvements that may help to improve the Committee's performance of its functions.

The Committee has fulfilled effectively its basic function established in Article 37.5 of the Rules of the Board of Directors of supporting the Board of Directors in its supervisory duties by periodically reviewing the processes used to prepare the financial information, the internal controls and the independence of the external auditors.

Thus, in the performance and fulfilment of those powers, throughout 2016 the Committee exercised, by way of illustration only, the following functions:

– Acting as a communication channel between the Board of Directors and the Company's external auditors, evaluating the results of each audit and making recommendations to the Board of Directors for the selection, appointment, reappointment and removal of the external auditor in accordance with EU regulations and the terms and conditions of his or her engagement;

– Discussing with the external Auditors any significant weaknesses found in the internal control system as a result of the audits conducted, without compromising his or her independence. Receiving from the external auditor information on any matters that may represent a threat to his or her independence and, where appropriate, the authorisation of services other than those prohibited, in the terms referred to in the statutory regulations on the activity of account auditing on the independence status.

– Ensure the independence of the external auditor, establishing the corresponding measures for this.

– Informing the General Meeting of Shareholders on the questions raised which fall within its scope of authority and, in particular, on the outcome of the audit explaining how this has contributed to the integrity of the financial information and the role that the Committee has played in that process.

– Issuing a report each year, prior to the publication of the audit report, expressing an opinion on whether the independence of the account auditors or auditing companies have been compromised. In any event, that report must contain a realistic assessment of the provision of each and every one of the additional services referred to in Article 37.5. section b) (v)1) of the Rules of the Board of Directors, considered individually and in the aggregate, other than legal auditing and in relation to the independence status or auditing regulations and standards.

– Receiving regular information from the external auditor regarding the audit plan and the results thereof, and verifying that senior executives act on the recommendations of the external auditor.

– Supervising the Company's internal audit service, as well as its risk control and management policy, reviewing the identification of the most relevant risks and the adoption of the necessary measures to mitigate their impact.

– Supervising the preparation and presentation of the annual financial statements and management report, individual and consolidated and of the financial information released periodically to the markets, and submitting recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, checking for compliance with legal provisions and the correct application of accounting principles.

– Issuing a favourable report on the process of drafting the individual and consolidated financial statements and management reports corresponding to the year 2015, and that they have been drafted complying with legal requirements and applying generally accepted accounting principles.

– Issuing a favourable report on the Corporate Governance Annual Report of 2015.

– Supervising the fulfilment by the Company of the internal codes of conduct and the rules of corporate governance.

– Issuing a favourable report on the appropriateness of the information included in the 'Interim Statement' on the first and third quarters of 2016, according to the provisions in Article 20.1 of Royal Decree 1362/2007, of 19 October, and the provisions implementing it, recommending that it be approved by the Board of Directors and sent to the CNMV and Securities Exchanges.

– Informing, in general, on the "Internal Communications Channel's communications" and the corresponding actions performed

– Proposing to the FCC Board of Directors, to be submitted to the ordinary General Meeting of Shareholder, the appointment of Deloitte, S.L. as account auditors for FCC and the consolidated Group for 2017.

– Approving, pursuant to the provisions in Article 34.9 of the Rules of the Board of Directors, the self-assessment report on the performance of FCC's Audit and Control Committee during 2015 and present it to the Board of Directors.

– Issuing a favourable report on the appropriateness of the information included in the financial statements of the first semester of 2016 (Abbreviated financial statements and Interim Management Report), according to the provisions in Article 11 et seq. of Royal Decree 1362/2007, of 19 October, and the provisions implementing it.

Based on the above, it can be concluded that the Audit and Control Committee efficiently and diligently adheres to and complies with the competences conferred by the Company's various corporate documents.

Identify the Director who is a member of the Audit Committee who was appointed on the basis of his/her knowledge and experience in accounting, auditing, or both, and report how many years the Chairperson of this Committee has been in office.

Name of Director with experience	Manuel Gil Madrigal
Number of years of the Chairperson in office	2

APPOINTMENTS AND REMUNERATIONS COMMITTEE

Name	Position	Current status
Álvaro Vázquez de Lapuerta	Chairperson	Independent Director
Manuel Gil Madrigal	Director	Independent Director
Juan Rodriguez Torres	Director	External Proprietary Director
Dominum Desga, S.A. representada por Esther Alcocer Koplowitz	Director	External Proprietary Director

Pct. of Proprietary Directors	50
Pct. of Independent Directors	50
Pct. of other External Directors	–

Explain the functions that his Committee has, describe the procedures and its rules of organisation and functioning. Summarise the most important activities during the year.

Rules of the Board of Directors. Article 38. Remuneration and Appointments Committee

1. The Board of Directors of FCC shall permanently establish an Appointments and Remuneration Committee, without executive functions but with powers for informing, advising and proposing within its scope of action, it will be composed of a minimum of four (4) and a maximum of six (6) members appointed by the Board of Directors. Its members may only be non-executive directors, of which two (2) shall be independent directors and another two (2) proprietary directors. The Committee will appoint the Chairperson from among its independent members. The term of the members of the Appointments and Remuneration Committee may not exceed their terms as directors, notwithstanding the possibility that they may be re-elected indefinitely so long as they are also re-elected as directors.

2. The Appointments and Remuneration Committee will regulate its own functioning pursuant to the Corporate Bylaws and these Rules. The Committee will designate a Secretary, who need not be a member of the Committee, to aid the Chairperson and provide for the proper functioning of the Committee, duly reflecting in the meeting minutes, the development of the deliberations at meetings, the contents of the deliberations and the resolutions adopted; the minutes must be signed by the members of the Committee who attended the meeting in question. The members of the Appointments and Remuneration Committee will step down from the Committee when they step down as directors or when decided by the Board of Directors.

3. There shall be a quorum at the Appointments and Remuneration Committee meetings when the majority of its members are present or represented; its resolutions are to be passed by an absolute majority of the members present or represented and the Chairperson shall have a casting vote in the event of a tie.

4. The Appointments and Remuneration Committee will have the powers to inform, advise and propose within its areas of competence, and in addition to the duties established by law, by the bylaws and according to these Rules, the following functions: a) Evaluating the skills, knowledge and experience needed on the Board. For that purpose, it shall define the duties and capabilities required of the candidates to fill each vacancy, deciding the time and dedication necessary for them to properly perform their duties. Any Director may suggest candidates to the Appointments and Remuneration Committee to be considered to cover vacant positions. b) Examining or organising appropriately the succession of the Chairperson and Chief Executive and, as the case may be, making recommendations to the Board so that the handover proceeds in a planned and orderly manner. c) Submitting to the Board the proposals of appointment and re-election of independent directors so that they may be designated by co-optation or submitted to the decision of the General Meeting of Shareholders, as well as proposals for their re-election or removal by the General Meeting of Shareholders. d) Advising on proposals for the appointment and re-election of the rest of the directors so that they may be designated by co-optation or submitted to the decision of the General Meeting of Shareholders, as well as proposals for their re-election or removal by the General Meeting of Shareholders. e) Advising on the appointment and removal of senior executives and the basic terms of their contract, proposed to the Board by the chief executive, and proposing the candidates for senior executive positions in the Company, in addition to those envisaged in Article 2.2. of these Rules, and making the proposals for reprimands envisaged in Article 19.2.d) of these Rules. The Committee will also issue a report before any appointment to a position or office whose annual remuneration is equal to or greater than the figure established by the Appointments and Remuneration Committee, and it shall be reported to the Board of Directors in each case. f) Proposing to the Board of Directors the remuneration policy for directors and senior executives or those performing senior management functions directly reporting to the Board, the Executive Committee or the CEO, as well as the remuneration of the executive directors and the other conditions of their contracts, overseeing compliance therewith. Also, advising and making proposals on multi-year incentive plans for the Company's senior management, particularly those related to the value of the shares. Also, making proposals to the Board of Directors on the distribution among its directors of the remuneration for Board members decided by the General Meeting of Shareholders, in accordance with the Bylaws and these Rules. g) Preparing and maintaining a record of the status of directors and senior executives of FCC. h) Assisting the Board in the function of overseeing that the procedures for the selection of its members favour the diversity of genders, experience and knowledge, ensuring that the procedures for filling vacancies on the Board are not subject to implicit bias against the selection of female directors, so as to ensure that the Company deliberately seeks and short-lists women with the necessary professional profile, and should disclose to the Board, as the case may be, through the Annual Corporate Governance Report, the reason why there are few or no female directors and the initiatives adopted to correct this situation. For the foregoing purpose, it must establish a representation goal for the gender that is less represented on the Board of Directors and prepare guidelines on how to reach that goal. i) Advising on the proposed appointment of members of the Board of Director committees. j) Advising on the appointment and removal of the Secretary of the Board. k) Verifying the qualifications of the directors under Article 6.3. l) Informing the Board of Directors in advance of all the matters provided in the Law, the Bylaws and these Rules of the Board, particularly on transactions with related parties. m) Receiving and filing, in the record of situations referred to in item g) above and the personal information provided by directors, as established in Article 25 of these Rules. n) Requesting,

as necessary, the inclusion of items on the agenda of Board meetings, under the conditions and by the deadlines established in Article 34.3 of these Rules. The Appointments and Remuneration Committee should consult with the Chairperson and Chief Executive, especially on matters relating to Executive Directors and Senior Executives.

5. The Appointments and Remuneration Committee will regulate its own functioning pursuant to the Bylaws and these Rules.

6. The Appointments and Remuneration Committee will have access to all the documentation and information needed to perform its functions. The members of the Appointments and Remuneration Committee may be assisted during their meetings by up to two (2) advisors per Committee member, as required. Such advisors may attend meetings but not vote, and the provisions of Article 27 of these Rules will apply to them.

7. The Committee will meet as often as determined, at least once per quarter, and whenever convened by the Chairperson or requested by two Committee members. On a yearly basis, the Committee will draft an action plan for the coming year which it will submit to the Board of Directors as well as a report on the activities it has performed during the year, which will be used as the grounds for the assessment that the Board of Directors will carry out.

8. In the absence or if attendance is impossible of the Chairperson of the Appointments and Remuneration Committee, or if the position becomes vacant, the Committee may be convened by the longest-standing member or, if there is equal seniority between members, by the oldest one. In the event of legal persons, the age of the individual representing them will be taken into account.

9. Discussions will be directed by the Chairperson, who will give the floor to the attendants wishing to speak.

10. In the absence or if attendance is impossible of the Chairperson of the Appointments and Remuneration Committee, or if the position becomes vacant, his/her functions will be performed by the member chosen for such purpose by a majority of those attending the meeting.

The process of evaluation that this Committee carried out in 2016 and the assessment report issued during the session of 3 February 2017 on its own operations result in positive conclusions being drawn in respect of both its composition and internal organisation and its exercise of the powers conferred on it.

Notwithstanding this positive assessment, this Committee will inform the Board, whenever it deems appropriate, of any improvements that may help to improve its performance of its duties in the Company's interest.

In general, the Committee will carry out the duties of support and assistance to the Board of Directors in connection essentially in respect of the proposals for appointment, approval and removal of directors, the establishment and control of the policy for the remuneration of directors' and senior executives, and ensuring directors fulfil their duties, especially in situations where there is a conflict of interest and related operations.

The Committee has efficiently undertaken and implemented the powers granted to it in Article 38.4 of Rules of the Board of Directors and 41.3 of the Bylaws.

In this regard, during 2016 it has exercised the following powers, among others:

– Evaluating the skills, knowledge and experience on the Board, defining the duties and capabilities required of the candidates to fill each independent vacancy, and deciding the time and dedication necessary for them to properly perform their duties. By virtue of the shareholders' agreements arranged between Inversora Carso, S.A de C.V., Control Empresarial de Capitales, S.A de C.V. with B1998, Azate and DDG, it was agreed that of the 15 Board members, eight would be named by CEC, four by the Koplowitz family, and the other three would be independent. For that purpose, the Appointments and Remuneration Committee has defined the duties and capabilities required of the candidates to fill each vacancy, deciding the time and dedication necessary for them to properly perform their duties.

– Advising on the proposals for appointment and re-election of directors and members of the Board of Directors' Committees, as well as on the proposals of natural persons representing directors.

– Overseeing compliance with the remuneration policy established by the Group, proposing to the Board of Directors the remuneration policy for directors and senior executives, as well as the basic conditions of senior executive contracts.

– Approving the contents of the documents called 'The Appointments and Remuneration Committee's report on the Chairwoman of the Board of Directors and the Appointments and Remuneration Committee's report on the CEO, so that the Board of Directors may evaluate the performance of their functions during the year 2016, which is subject to the Board of Directors so that it may carry out the assessment mentioned in Article 34.9 of the Rules of the Board of Directors.

– Informing the Board of Directors in advance of all the matters provided in the Law, the Bylaws and these Rules of the Board, particularly on transactions with related parties.

– Preparing a favourable report, in cases of the conflicts of interest included in Article 23 of the Rules of the Board,

– Approving the report on the functioning of the Appointments and Remuneration Committee

– Advising on the appointment of senior executives and other positions comprised within the first three levels

– Approving the Report on the remuneration of the Board as per the bylaws for the year 2015.

– Advising on the fundamental aspects of FCC Group's general wage policy for the year 2016.

C.2.2 Fill in the table below on the number of female directors on the Board Committees during the last four years:

	Number of Female Directors			
	FY t % number	FY t-1 % number	FY t-2% % number	FY t-3 % number
Executive Committee	40% (2)	50% (2)	50% (2)	29% (2)
Audit and Control Committee.	0% (0)	20% (1)	50% (2)	40% (2)
Appointments and Remunerations Committee	25% (1)	25% (1)	37% (3)	30% (3)

C.2.3 Article revoked.

C.2.4 Article revoked.

C.2.5 Indicate, as the case may be, whether the Board Committees are regulated, where the regulations are available for consultation, and any amendments made during the year. Also, indicate if an annual report on each Committee's activities has been drafted voluntarily.

- FCC's Board of Directors rules (Chapter IX, Committees of the Board).
- Report issued by the Board of Directors at its meeting of 3 February 2017 on the quality and efficiency of its functioning and that of its Committees during the year 2016.

C.2.6 Article revoked.

D. Related party and intra-group transactions

D.1 Explain, as the case may be, the procedure for approval of related party and intra-group transactions.

Procedure for informing on the approval of related-party transactions

Article 24 of the Rules of the FCC board states:

Transactions with significant shareholders

"1. The Board of Directors shall approve, on the basis of a prior report by the Appointments and Remuneration Committee, any transactions by the Company or companies in its group with shareholders who, individually or together with others, hold a significant stake, including shareholders represented on the Board of Directors of the Company or of other Group companies or with persons related to them or their directors. Directors who represent or who are related to affected shareholders must refrain from taking part in the discussions and voting on the resolution at issue. 2. Only transactions simultaneously meeting the three characteristics stated under section 6 of the preceding article, in respect of the transactions between the company and its directors or the persons related thereto, will be excepted from this approval requirement."

D.2 Describe those transactions that are significant due to the amount or subject-matter thereof between the company or group entities and the company's significant shareholders:

Name or company name of related significant shareholder	Name of group company or entity in its group	Nature of relationship	Type of transaction	Amount (thousand euros)
Inversora Carso, S.A. de C.V.	Cementos Portland Valderrivas	Company	Delisting takeover bid for Cementos Portland Valderrivas	63,933 (1)
Inversora Carso, S.A. de C.V.	FCC Américas	Contractual	Agreement with FCC Américas on subcontracting work for the Ciudad de la Salud (Panama)	NA
Inversora Carso, S.A. de C.V.	Cementos Portland Valderrivas	Company	Corporate operation on Giant Cement Holding with Elementia	NA (2)
Inversora Carso, S.A. de C.V.	FCC Construcción	Contractual	Sale of stake in Concesionaria Túnel de Coatzacoalcos to Promotora de Desarrollo de América Latina.	66,224(3)
Inversora Carso, S.A. de C.V.	FCC, SA	Contractual	Transaction of non-recourse factoring of clients guaranteed by Insbursa financial group	200,000
Inversora Carso, S.A. de C.V.	Realia Business	Company	Agreement to attend the capital increase of Realia Business, with FCC Group maintaining their actual stake.	54,422
Inversora Carso, S.A. de C.V.	FCC Construcción	Contractual	Consortium for construction contract for the new terminal at Mexico City's airport.	550,000
Inversora Carso, S.A. de C.V.	FCC Construcción	Contractual	Consortium for the construction of the Samalayuca gas pipeline in Mexico.	90,000
Inversora Carso, S.A. de C.V.	Cementos Portland Valderrivas	Contractual	Subordinate financing	80,000

Note:

(1) Maximum amount, assuming the acquisition of the entire minority capital until reaching 100% of the stake.

(2) FCC has not received or paid any amount. This is a capital increase transaction fully subscribed by Elementia. As a consequence, CPV has been diluted.

(3) Pending implementation of suspension clauses.

D.3 Describe those transactions that are significant due to the amount or subject-matter thereof between the company or group entities and the directors or executives of the Company:

Name or company name of the Directors or executives	Name or company name of the related party	Relation	Nature of the transaction	Amount (thousand euros)
Alejandro Aboumrad González	FCC	Director	Service provision	338
Gerardo Kuri Kaufmann	Cementos Portland Valderrivas, S.A	CEO	Service provision	175

D.4 Report the significant transactions made by the company with other entities belonging to the same group, provided they are not eliminated in the preparation of the consolidated accounts and they are not part of the ordinary course of business of the company as to their purpose and conditions.

In any event, any intra-group transactions with entities established in countries or territories deemed to be tax havens must be reported:

Name of group entity	Description of the transaction	Amount (thousand euros)
–	–	–

Note: There are many transactions between Group companies in the ordinary course of their business which are eliminated in the process of drawing up the consolidated financial statements.

D.5 Indicate the amount of the transactions with related parties.

D.6 Describe the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or the group and its directors, executives or significant shareholders.

Article 23 of the Rules of the Board of Directors states:

1. Within the scope of the duty of avoiding situations of conflicts of interest stated in section 2.e) of the preceding article, Directors must refrain from: a) Carrying out transactions with the Company or companies in its Group, unless they are ordinary transactions done on an arm's length basis and of low relevance, understanding as such those that do not need to be reported in order to give a true and fair view of the equity, financial position and profit or loss of the Company. b) Using the name of the Company or invoking their director status to unduly influence the performance of private transactions. c) Using corporate assets, including confidential information of the Company, for private purposes. d) Taking advantage of the Company's business opportunities. e) Obtaining benefits or remuneration from third parties outside the Company or its Group in connection with the performance of his/her office, except where those benefits are merely a matter of courtesy. f) Performing activities for their own account or on behalf of third parties which entail effective competition, whether actually or potentially, with the Company, or which in any other way may place them in a situation of permanent conflict of interests with the Company.
2. The above provisions shall also apply in the event the beneficiary of the prohibited acts or activities is a person related to the director.
3. In any event, directors must report to the Board of Directors, via the Corporate Responsibility Department or any other replacing it, with reasonable notice, any situation of direct or indirect conflict that they or the persons related to them might have with the interests of the Company or the companies included in FCC Group or its related companies.
4. The Company may dispense from the prohibitions included in this article in individual cases where it authorises the performance by a director or a related party of certain transactions with the Company, the use of certain corporate assets, the use of a specific business opportunity, or the obtainment of a benefit or remuneration from a third party.

5. The authorisation must necessarily be approved by the General Meeting when the object is the dispensation from the prohibition of obtaining a benefit or remuneration from third parties, when it affects a transaction whose value exceeds ten percent (10%) of the corporate assets or has to do with the obligation of not competing with the Company. In the latter case, dispensation will only be provided where no harm is expected for the Company or that which is expected is offset by the benefits that are due to be obtained from the dispensation, by way of an express, separate resolution of the General Meeting.
6. In all other cases affecting the prohibitions included in this article, the authorisation may also be granted by the Board of Directors, following a favourable report of the Appointments and Remuneration Committee, provided that there are guarantees as to the independence of the directors granting the authorisation from the director being dispensed or the affected related party. It will also be necessary to ensure that the authorised transaction is harmless for the corporate assets or, as the case may be, that it is done on an arm's length basis and that the process is transparent. The affected directors or those representing or related to the affected shareholders must refrain from taking part in the discussions and voting on the agreement in question. Only transactions that simultaneously meet the following three (3) characteristics will be excepted from the obligation of being authorised by the Board of Directors referred to in the preceding paragraph: a) They are governed by standard form agreements applied on an across-the-board basis to a large number of clients. b) They are performed at market prices or rates generally set by the person acting as supplier of the goods or services in question; and c) Their amount is no more than 1% of the company's annual revenues.
7. In any event, situations of conflict of interest between Directors shall be included in the Annual Corporate Governance Report according to the terms established by law.
8. For the purpose of the provision herein, related parties will be deemed to be those included in the Capital Companies Act.

D.7 Is more than one Group company listed in Spain?

Yes ☒ No ☐

Identify the subsidiaries that are listed in Spain:

Listed subsidiaries
CEMENTOS PORTLAND VALDERRIVAS S.A.

Note:
From 24 February 2017, Cementos Portland Valderrivas was definitively excluded from the stock exchange.

Has a public definition been established describing precisely the respective business areas and business relationships between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies?

Yes ☐ No ☒

Define any business relationships between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies

Identify the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies:

Mechanisms for resolving conflicts of interest

E. Risk Control Systems

E.1 Explain the scope of the Company's Risk Management System, including those of a fiscal nature.

The current Risk Management Policy was approved, along with the System implementing it, by the Board of Directors in October 2016. The Risk Management Policy and System are designed to identify potential events which, should they occur, would affect FCC Group, and also to manage risks within the accepted risk level, providing reasonable assurance to the Board of Directors and Management of FCC in respect of fulfilling the objectives. Its integration is therefore fundamental to the organisation's business processes.

Risk Management activity at FCC is governed by the following basic principles:

– Integration of the vision of risk-opportunity.

– Allocation of responsibility.

– Segregation of duties/ independence.

– Homogenisation.

– Tracking and control of risks.

– Internal control.

– Action plans.

– Ongoing evaluation of the process.

– Supervision by the Audit and Control Committee.

The scope of application set out in the Risk Management Policy and System covers all companies belonging to the Group, as well as the partially owned companies over which FCC has effective control, and acquired companies from the time the acquisition becomes effective. It also covers FCC Group employees belonging to consortia and joint ventures.

Activities within the scope of FCC Group's Risk Management System include the preparation and updating of the Risk Maps and Risk and Control Matrices of the business units, which will make it possible to prepare FCC's Consolidated Risk Map and Reports on Risk Materialisations and Action Plans. The system also includes the activities of training, control of documentation, monitoring and review of the system and continuous improvement.

In addition, the Risk Management System also establishes internal communication mechanisms at different levels: within the business unit through risk management performance reports, between the Risk and Compliance Committee and the risk management function (e.g. Risk Materialisation Reports) and between General Internal Auditing, Risk Management and Compliance and the Audit and Control Committee.

Risk maps and risk and control matrices contain the identification of the main risks for the business areas, the controls established by Management to mitigate the effect of these risks and the assessment in terms of likelihood of their occurrence and impact on the financial statements of the area analysed.

The process for preparing the Risk Maps of the business units includes the following phases: establishment of objectives, identification of risks, identification of processes, assessment of the risk based on its potential impact should it materialise and its likelihood of occurrence, the identification of those responsible for managing the risks identified.

The process for preparing the Risk and Control Matrices of the business units includes the following phases: identification of key control activities for mitigating these risks, allocation of control responsibilities and the design of key indicators that make it possible to establish an alarm system for deviations and materialisations.

The Group's Risk Management System is based on three levels of risk management. The first two are located in the business unit which, as part of its activity, is the origin of FCC Group's risk. The third is formed firstly by the corporate functions that report to senior management (corporate departments) and lastly by the functions of Internal Audit and Risk Management and Compliance, which report to the Audit and Control Committee.

FCC Construcción has a Risk and Compliance Committee with executive functions, whose functions, according to the Risk Management Policy and System approved, include the implementation of the System, ensuring appropriate compliance with the risk management processes defined and developing sufficient environments of control to mitigate and maintain the risks at acceptable levels.

E.2 Identify the company bodies in charge of drawing up and executing the Risk Management System, including fiscal risks:

As defined in the rules of FCC's Board of Directors, the entire Board has to approve the Company's Risk Control and Management Policy, identifying the risks that are considered to be main ones by the Company and implementing and following-up the internal control systems and suitable information systems, aimed at ensuring their future viability and competitiveness, adopting the most relevant decisions to implement them in the best possible manner.

In addition, the Audit and Control Commission is empowered to supervise and analyse a Risk Control and Management Policy which identifies:

- The different types of risks that the Company faces, including, among the financial and economic risks, contingent liabilities and other off-balance sheet risks.
- Establishing the risk level that the Company deems acceptable.
- The measures provided to mitigate the impact of the identified risks in the event they materialise;
- The reporting systems that will be used to control and manage said risks, including contingent liabilities and off-balance sheet risks, submitting them to the Board of Directors for their approval.

The first level of risk management and internal control is in the operating lines of the business units, which act as the risk takers and are responsible for managing, tracking and reporting on the risk generated, including tax risk, which must be adjusted to the risk appetite and to the authorised risk limits.

The second level comprises support, control and monitoring teams, which ensure effective control of the risk and its management according to the risk appetite, including that related to taxes. The Risk Committees of the business units, as part of the second level of risk management, are responsible for the approval of the Risk Map and the Risk and Controls Matrix of its business area, as well as for the implementation of the Risk Management System, the analysis and monitoring of the levels of exposure to risk and for the design of indicators and integration of controls into the various activities.

The Risk Management and Compliance Department is part of the third level of risk management and internal control and its functions are related to the supervision, coordination, tracking and integration of the organisation's risk management and control process.

This third level also includes the Tax area, which is responsible for defining the generally applicable tax criteria for FCC Group.

In addition, the Response Committee is responsible for ensuring the smooth operation of the Whistleblowing Channel and assess potential improvements in the controls and systems established in the Company, and may establish corrective actions if it deems it necessary.

E.3 Point out the main risks, including fiscal risks, that may affect the achieving the business objectives.

The risk scenarios considered have been classified into four groups: Strategic Risks, Operating Risks, Compliance Risks and Financial Risks.

STRATEGIC RISKS.

Changes in a country's political and socio-economic circumstances.

Changes in the political and socio-economic circumstances in countries where FCC Group operates, or could operate, could give rise to situations such as: a high level of economic interventionism by national governments, fluctuations in local economic growth, political, legal, regulatory and macroeconomic instability or potential local conflict, which could negatively impact FCC Group.

Loss of market share.

FCC Group develops its activities in competitive markets. In seeking new business and in businesses where it already operates, FCC Group competes with large groups and companies. Any possible difficulty in developing competitive bids with profitability could cause a loss of market share.

Cuts in forecasts for investment and demand.

The changes in investment forecasts of both private and public clients may produce different negative impacts on FCC Group. In particular, the context of economic and financial instability of recent years has entailed a decline in revenues from public administrations, which could, in turn, mean a reduction in public spending in certain areas of activity, including in this respect, concession, infrastructure and services projects in which FCC Group operates.

Moreover, the profitability of the Environmental Services and Water Business Areas generally depends on the level of demand, which is subject to changes as a result of market conditions outside FCC Group's control and outside its capacity to control operative costs and efficiency.

Delays in the new contracts that are scheduled in Spain.

As a consequence of the possibility that Spain's economy recovery may not become consolidated, as well as continued economic instability, FCC Group could be affected by the delay in or withdrawal from potential projects by clients in both the public and private sectors. Also, for services provided in which the assets are owned by public administrations but are administrated and exploited by FCC Group, the Group's operating costs could increase if said administrations do not make the necessary investments for the suitable maintenance and renewal of the facilities.

Impairment of reputational image.

FCC Group may find itself involved in certain actions, use of its image, damage by negative external publicity and public opinion against the company which could negatively impact its reputational image and, therefore, its business. It may also face a gap in perception between internal and external public. Managing reputation in order to protect the company brand is done by FCC Group's Corporate Marketing and Brand Department.

OPERATIONAL RISK.

Uncertainty and volatility of raw materials, energy and outsourced services.

In the course of its business, FCC Group consumes significant amounts of raw materials and energy, and works with numerous subcontractors and industries. Changing economic conditions and uncertainty in general could cause price oscillations that would cause FCC Group's profits to be affected.

Municipalisation of the management of services currently provided by FCC Group.

Certain services provided by FCC Group could be affected by decisions of current or future local governments. In certain cases, these decisions could lead to municipalisation. In FCC Group's case in particular, municipalisation could affect the Environmental Services and Water business areas, which would have a negative impact on both present and future profitability and portfolio.

Catastrophic events.

The complexity of certain environments where FCC Group does business increases exposure to the risk of experiencing unexpected events that may cause damage to persons, property or the environment, including natural disasters and acts of a terrorist or criminal nature.

Information Security.

The risk of criminal acts of a cybernetic nature that, whether aimed at the company or not, could affect its assets and entail the prolonged standstill of the operation. FCC Group has an operating unit entrusted with preventing, detecting, analysing and mitigating the factors relating to security issues such as intrusion, attacks, etc.

Rescheduling of projects.

The economic and financial situation could cause a cut in both public and private investment forecasts, which could entail rescheduling various ongoing projects within and outside Spain, which will have a notable repercussion on their profits due to the non-fulfilment of commitments undertaken by the client and the ongoing efforts made by the Group to not breach them.

Risks arising from relations with third parties.

FCC Group could develop its business activities jointly with public authorities or private entities through different forms of association (companies, consortia, economic interest groups, joint ventures or similar entities). Participants in these entities share the operating, economic and financial risks associated to certain projects or activities. However, adverse effects for the project, the business, the underlying economic and political situation or in the economic situation of the partners could lead to conflict, which could negatively affect its performance and, therefore, FCC Group.

Impact of extra costs on businesses engaged in.

FCC Group's design and construction business activities expose it to certain risks inherent in this type of procurement, such as the impact of extra costs. In the Environmental Services, Water and Construction business areas, FCC Group develops 'turnkey' design-construction contracts that are remunerated based on a fixed price. The fact that the price of a 'turnkey' contract may be revised can vary depending on the jurisdiction.

Early termination or unilateral modification of the contract.

Public administrations could unilaterally modify or terminate certain contracts before they are fully executed. The compensation for FCC Group in such cases might not be sufficient to cover the damage caused, aside from the fact that it might be hard to collect that compensation. Regardless of the nature and the amount of the compensation owed to FCC Group by virtue of a concession/construction work agreement terminated by the corresponding client, FCC Group might need to resort to legal action or arbitration proceedings to collect it, which would increase its expenses and delay receiving the amounts of compensations.

Key technical and management staff leaving the company could affect the success of business operations.

The success of FCC Group business operations largely depends on key staff with technical and management expertise.

If FCC Group were to lose a substantial part of its key personnel, which is unlikely, they could be difficult to replace, which would make it more complicated o successfully manage its businesses.

Labour Conflicts.

FCC Group's Construction and Service Business Areas are labour intensive. As a result of the foregoing together with a significant geographic diversity and respective labour laws, there could be, due to different reasons, individual or collective conflicts with employees that would be detrimental to the Company's productive capacity, and its reputational image.

Adaptation of FCC Group personnel to planned operations.

Maintaining a FCC workforce not in line with the implementation needs foreseen by the Group, in terms of both number and quality, could result in both an oversized workforce with a high labour cost relative to production or an undersized workforce with the risk of not carrying out the contracted projects with sufficient quality, with the consequent associated delays and costs.

COMPLIANCE RISK

FCC Group is subject to litigation risk.

FCC Group is, and may be in the future, a party in civil, criminal, arbitration, administrative, regulatory and other proceedings that may arise in the ordinary course of its business. These proceedings may be related to claims because of defects in construction projects executed or in services provided, labour, environmental, tax or contractual claims.

The industries in which FCC Group operates are subject to comprehensive legislation which, in turn, is subject to being amended.

In the execution of its business operations, FCC Group must respect local, provincial, national and international legislation. The laws, standards and regulations applicable to the Group's business vary from one jurisdiction to the next and even between different municipalities and they may be subject to amendments, which may or may not be favourable. A change in the legal framework could lead to different or more restrictive regulations, which could originate changes in FCC Group's operating conditions; this could affect its profits and financial situation.

Breach of the Code of Ethics.

FCC Group has a Code of Ethics in place that regulates the guiding principles of Group employees' conduct and the relations between Group employees and other stakeholders, and all the individuals in the Group must comply with it. Non-compliance with the Code of Ethics may cause serious damage to FCC Group, including deterioration of its image and reputational damage.

Quality of service: the risk of non-quality.

Non-compliance with contractual requirements on quality could cause an impact on profit due to penalties and additional costs, as well as having an impact on FCC Group's reputational image.

FCC Group maintains quality management systems that are strongly rooted and implemented in the organisation. These systems are audited and certified by accredited entities in accordance with the UNE-EN ISO 9001 standard in all its significant activities.

Occupational risks.

A priority goal for FCC Group is to carry out its activities with a high level of health and safety for its entire staff, as well as strictly complying with the legal regulations on this subject, as shown by the Occupational Risk Prevention Policy approved by the Board of Directors. Still, FCC Group could be affected by accidents on its construction sites and in its facilities and while providing services. These accidents could interfere in the operations and, therefore, in their profitability.

FINANCIAL RISKS

FCC Group's level of indebtedness could adversely affect its financial and operational situations.

FCC Group's level of indebtedness arises primarily from its financing agreements. These contracts contain financial ratios and other restrictive agreements that limit its capacity to carry out activities that may be in its long-term interest, or to invest in new projects. During 2017, FCC Group will continue with its debt restructuring process, with the goal of reducing it and optimising its cost and term.

Liquidity Risk.

FCC Group's liquidity risk is mainly attributed to its receivables and is therefore related to the Group's exposure to its clients' credit risk. Its cash requirements are higher in the summer and they are lower in the fourth quarter, when FCC Group receives payments from many of its public-sector clients, particularly in November and December.

Constraints on access to financial markets.

Given the markets in which FCC Group engages in its business activities, in addition to the debt restructuring process the Company is undertaking there could be some difficulty in obtaining or renewing funding to carry out its projects, due to the liquidity constraints of these markets, to the requirements or guarantees requested by credit institutions or government agencies that provide funding, as well as to the viability of the economic models that justify the return of the funds. All of this can lead to loss of business opportunities.

Delayed payment of certain public and private clients for both the provision of services and completed works.

FCC Group's payment capacity is related to the payment capacity if its clients. In this regard, a marked delay in payment by certain public and private clients could cause insufficient generation of revenue to meet payments.

Impairment of goodwill

FCC Group has goodwill of a significant amount on its balance sheet. FCC cannot ensure that the Group will not undergo losses/adjustments due to its impairment or that of the Group's other material assets which, should it occur, could significantly affect business and finances.

FCC Group is exposed to foreign exchange risk.

A noteworthy consequence of FCC Group's positioning in international markets is the exposure resulting from net positions in foreign currencies against the euro or in one foreign currency against another when the investment and financing of an activity cannot be made in the same currency. The exchange rate risk lies mainly in debt denominated in a foreign currency, in investments in international markets and in collections made in currencies other than the euro.

FCC Group is exposed to interest rate risk.

FCC Group is exposed to the risk arising from variations in interest rates because the Group's financial policy seeks to optimise the fact that its current financial assets and its debt are partially linked to variable interest rates. A hike in interest rates could cause an increase of FCC Group's finance costs linked to its borrowing associated to variable interest rates and it could also increase the cost of refinancing FCC Group's borrowing and the issuance of new debt.

E.4 Identify whether the company has a risk tolerance level, including tax risks.

According to the Risk Management Policy, the level of tolerance to risk that assumed by FCC Group will be unique to a given moment and dynamic in time, and will vary based on internal and/or external factors. It must be approved by the Board of Directors and be aligned with the strategy.

The general approach to risk management is that it is considered that any risks that threaten the achievement of the Group's goals and strategies must reach a value in accordance with previously established levels. Any risks that not having that value must be subject to actions so that they reach that value, to the extent that the risk is manageable and the cost of the mitigation measures is justified by the effect that the materialisation of the risk may have on FCC Group.

The Managements of the business units will establish, with the guidelines and methodology of FCC Group's Department of Risk Management and Compliance, specific action plans to minimise the likelihood of occurrence and the potential impacts of the risks identified as critical. The Action Plan must not only be reported and approved initially, but it must be regularly monitored by both the business unit's Risk and Compliance Committee and the Risk Management and Compliance management.

Risk appetite expresses, in quantitative and qualitative terms, the maximum exposure to risk that each business unit is willing to assume. Compliance with the limits of risk appetite will be monitored by the business unit and by the Risk Management and Compliance Management, and mechanisms of reporting of excesses and breaches established.

Risk appetite in FCC Groups must be governed by the following principles:

- Responsibility.
- Comprehensive vision, comparison and questioning of the risk profile.
- Association and integration with strategic plans.
- Future estimate of risk.
- Consistency.
- Review and continuous improvement.

The elements that must define risk appetite at FCC Group are as follows:

- A general profile of predictable medium-low risk, based on a diversified business model.
- A stable and recurring policy to generate profits and to remunerate shareholders.
- An independent Risk Management function with strong involvement of senior management that ensures a strong culture of risk treatment geared to the protection and assurance of appropriate profitability of capital.
- A management model that ensures a comprehensive and interrelated vision of all risks, through a robust environment of corporate control and monitoring of risks, with responsibilities of comprehensive scope for all risks, all businesses and all territories.

- The development of its business activity based on a model of conduct that ensures the interests of its clients and shareholders.
- The suitable and sufficient availability of human resources, systems and tools that make it possible to ensure maintaining a risk profile compatible with the risk appetite established, at both corporate and business levels.
- The implementation of a remuneration policy that contains the necessary incentives to ensure that the individual interests of employees and executives are aligned with the corporate risk appetite framework and that these incentives be consistent with the evolution of FCC Group's profits over the long term.

E.5 State what risks, including tax risks, materialised during the year:

STRATEGIC RISKS

- **Risk that materialised during the year: Changes in the political and socio-economic circumstances of a country.**

  Underlying circumstances:

  The existence of certain unstable geographic markets in which FCC Group operates has led to an ongoing re-planning of projects abroad, with a negative impact on the Group's financial statements. Similarly, there are geopolitical factors, even in stable markets, that have had a negative impact on FCC Group's business, such as referendums, electoral processes, etc. Specifically, the decision of the United Kingdom to leave the European Union has caused a currency depreciation that affects the valuation of assets and liabilities.

  How the control systems operated and response plans:

  During the last few years FCC Group has been developing a thorough strategic, operational and financial reorganisation in the markets where this risk has materialised aimed at mitigating those risks. In addition, an on-going selective increase of presence abroad is being carried out, incorporating new contracts, focusing on a few select territories and on complex projects with high added value.

  The existence of Management and/or Procurement Committees in the business areas, where a multidisciplinary team assesses the suitability of the bid from the technical, economic-financial and legal perspectives.

- **Risk that materialised during the year: Loss of market share.**

  Underlying circumstances:

  The tender policies of some of FCC Group's businesses, which prioritise the profitability and cash flow of the project, together with the strong competition in markets where the Group operates, have affected market share.

  How the control systems operated and response plans:

  Intensive search in markets in which to develop complex projects with high added value to enable FCC Group to profitably develop its business activities.

- **Risk that materialised during the year: Low level of investment.**

  Underlying circumstances:

  Maintaining of a low level of investment in infrastructures construction and services in the different markets in which FCC Group operates, mainly due to the global unstable economic situation and/or politics.

  How the control systems operate and response plans:

  This situation has been mitigated by the selective increase in the presence abroad and the incorporation of new contracts, focusing on a few select territories and on complex projects with high added value.

- **Risk that materialised during the year: Delays in the new contracts expected in Spain.**

  Underlying circumstances:

  The political situation in Spain in 2016, with a caretaker central government for practically the entire year, along with the new regional and local political map, together with great competition, have caused a delay in initiating the provision of some services for which contracts were previously awarded or to be awarded, which has caused adjustments in future forecasts.

How the control systems operated and response plans:

FCC Group performs an intensive analysis of the investment plans of the different public administrations, along with a follow-up and individualised analysis of the contracts affected by extensions, and adjusts in forecasts as necessary.

OPERATING RISKS

- **Risk that materialised during the year: Rescheduling of projects.**

Underlying circumstances:

The current economic and financial situation has caused a cut in both public and private investment forecasts, which entails rescheduling various ongoing projects within and outside Spain, which will have a notable repercussion on their profits due to the non-fulfilment of commitments undertaken by the client and the ongoing efforts made by FCC Group to not breach them.

How the control systems operated and response plans:

In this situation, FCC Group has carried out several initiatives, such as the implementation of contractual arrangements to pass on the costs caused by the rescheduling of projects due to causes beyond the control of the contractor, actions to optimise to the maximum the costs at each of the facilities and so be able to make a great effort to adapt to the new deadlines committed to, the relocation of personnel at rescheduled projects to others underway, in addition to an intense commercial relationship with the client in search of solutions that are satisfactory for both parties.

- **Risk that materialised during the year: Adaptation of the FCC Group staff to planned operations.**

Underlying circumstances:

The economic and financial situation, especially in the public sector, has caused a decline in the Group's turnover that is especially intense in the construction business, mainly due to the collapse of the domestic market. This circumstance has led to a loss of efficiency per production unit, which has been shown on the Group's financial statements over the last few years.

How the control systems operate and response plans:

Over the last few years FCC Group has adjusted its Group structure to current demand in the market, via several staff restructuring measures, gradually adjusting the workforce to the expected production requirements. These adjustments have continued in 2016, which has led to production efficiency improvements that will be more evident in the future.

- **Risk that materialised during the year: Impact of extra costs on businesses engaged in.**

Underlying circumstances:

Due to FCC Group's internationalisation process, in certain markets it is normal to perform contracts that include design and construction, and undertake lump-sum contracts in which it is contractually difficult to claim the impact of extraordinary costs on the development of activities.

How the control systems operate and response plans:

In this circumstance, FCC Group orientates its efforts towards the comprehensive definition of tenders, both technical, including review of measurements, and economic. In addition, commercial work is intensified and aimed at the recognition of these costs, as well as finding solutions that are satisfactory for both parties.

COMPLIANCE RISK

- **Risk that materialised during the year: Litigation.**

Underlying circumstances:

FCC Group is a party in civil, criminal, arbitration-related, administrative, regulatory and similar processes that may arise in the ordinary course of its business. These processes may be aimed at claims for provision of services or labour, environmental, fiscal or contractual lawsuits.

How the control systems operate and response plans:

FCC Group is the defendant in certain lawsuits due to liabilities pertaining to several activities in the development of the awarded contracts. The relevant provisions (for those cases in which a negative outcome is considered probable) have been recorded and it is expected that the lawsuits will not have an impact on the Group's equity. In addition, this year a new FCC Legal Service Model was approved. It establishes the principles that govern its actions, including its structure and functions, the identification and control of the Company's legal risk and that of its businesses: the unit of activity; the efficiency and control of expenditure and the coordination and quality control of the legal services.

FINANCIAL RISKS

- **Risk that materialised during the year: Limitations on access to financial markets.**

  Underlying circumstances:

  The financial situation of FCC Group, which culminated a capital increase in 2016 and has been engaged in a debt restructuring process, has caused certain difficulties for accessing the Group's financing sources, or the refinancing of the current ones with the best possible conditions, with the consequent negative impact on the Group's financial statements.

  How the control systems operate and response plans:

  With the culmination of the refinancing process planned for 2017 and the capital increase of 2016, the Group believes that it will be able to adequately finance its activities in upcoming years.

- **Risk that materialised during the year: Delayed payment of certain public and private clients for both the provision of service and completed works, primarily in Spain.**

  Underlying circumstances:

  Both the entry into force of the Organic Law on the control of trade debts in the Public Sector, so that invoices are paid meeting the legal payment terms, and the new financing plan, allowing the Group to pay suppliers and cancel due liabilities yet to be paid, made it possible to bring down the effects of this risk. However, the delay in payment for finished works and certificates persists, which creates an impact on clients' debt, additional costs and cash flow.

  How the control systems operate and response plans:

  The procedures for monitoring and controlling client debt are maintained. Similarly, commercial work with the clients is intensified with the aim of collecting the debt. All of this has allowed a substantial reduction of the average payment period by those clients in Spain during 2016.

- **Risk that materialised during the year: Foreign exchange risk.**

  Underlying circumstances:

  A consequence of FCC Group's positioning in international markets is the exposure resulting from net positions in foreign currencies against the euro or in one foreign currency against another when the investment and financing of an activity cannot be made in the same currency. FCC Group also maintains some assets and liabilities booked in currencies other than the euro. The exchange rate risk lies mainly in debt denominated in a foreign currency, in investments in international markets and in collections made in currencies other than the euro.

  This year, mainly due to socio-political reasons, there has been extraordinary volatility in the British and Mexican currencies. This volatility led to a 16% depreciation in the pound and a 17% depreciation in the Mexican peso between 1 January and 31 December 2016.

  How the control systems operate and response plans:

  FCC Group's general policy is to reduce, to the extent possible, the negative effect that the exposure to different currencies has on its financial statements, both in transactions and in equity-related movements. Therefore, FCC Group manages the exchange rate risk that can affect both the balance sheet and the income statement through natural hedging whenever possible.

  However, any important fluctuations in the value of these currencies against the euro impact FCC Group's business, financial position and results.

E.6 Explain the response and monitoring plans for the company's main risks, including tax risks.

To respond to and monitor the main risks, FCC Group has a Risk Management Policy and System approved by the Board of Directors in 2016. This Risk Management System provides for the establishment of control mechanisms for these risks through the Risk and Control Matrices. The main phases of preparation of the Risk and Control Matrices are the identification of control activities to mitigate the risk, identification of the owners of control and the establishment of indicators.

The managers of the activity of business units, based on their specific Risk Map and following a common methodology, must identify the key controls for mitigating the inherent risks that affect their activity and their owners. The functioning of the internal control activities must be documented by the owners of these controls, and these must undertake responsibility for their maintenance and integrity with the aim that they can be monitored or audited.

The Department of Risk Management and Compliance reviews the consistency and integrity of the above information as a whole and refers it to the business unit's Risk and Compliance Committee for consideration and approval in accordance with the Risk and Control Matrix.

The Risk Management System also provides mechanisms for preparing Action Plans. The Risk and Compliance Committee establishes priorities for action and identifies measures to be set up, taking into consideration their operational feasibility, potential impact, and the cost-benefit ratio of implementing it.

Risk management regulations also provide for the implementation of regular statements of compliance with the level of risk accepted by those responsible for managing risks, ensuring the existence of a suitable internal control environment in each case.

Specifically, in response to the risks of compliance with contractual requirements and regulations, FCC business units have a quality assurance system in accordance with international standards. In addition, for example, FCC's Construction Area has a Special Accident Risk Treatment Plan which brings together a set of measures applied on construction sites that could cause very severe accidents and social repercussions and could cause serious economic losses to the company due to defects in the project design, implementation or contract management. This plan is regularly reviewed. FCC also has a certified occupation risk management programme for the business areas.

In response to environmental risks and risks to comply with environmental regulations, all business units also have an environmental management system in accordance with international standards and, specifically, some of these units are participants in the European Commission's Eco-Management and Audit Scheme.

The control of financial risks is carried out by specialised departments in the business units, along with the General Administration and Finance Management, whose tasks include taking decision on the mechanisms for transferring risk (insurance) and the management of equity risk.

The information security management system is designed in accordance with international standards, has third-party certification in certain business areas and is focused on addressing information security risks.

The response plans established during the year include the plan for strengthening the Group's capital, the plan for the restructuring of the workforce in the construction area, and the implementation of a new model of FCC Legal Services to identify and control the legal risk of the company and of its businesses.

It is worth highlighting the plan to internationalise FCC Medio Ambiente as a strategy to diversify regional risks, which has resulted in several contract awards in the United Kingdom, the Czech Republic, and the United States. Meanwhile, FCC Construcción has developed a plan to select large international projects of interest to the Group such as for example. the new airport terminal in Mexico City, a tender process in which FCC, in a consortium, was awarded the contract. In addition, to reduce operating risks, a plan has been developed for energy efficiency in the Group's main headquarters and several branch offices.

The plan to reduce the risks of competitiveness and technology has resulted in a number of achievements for FCC in 2016, such as recognition as Global Tunnelling Team of the Year for the work done in the Riyadh Metro, FCC Medio Ambiente's certification in energy management, the Colegio de Caminos Award to FCC Construcción for its sustainability assessment system, the award to FCC Environmental Services for the Dallas recycling plant project and the development of a prototype electric vehicle for the provision of urban services.

F. Internal control and risk management systems in relation to the financial reporting process (FRICS)

Describe the mechanisms in the control and risk management systems in relation to the financial reporting process (FRICS) at your company.

F.1 The Company's control environment.

Disclose, identifying the main characteristics, of at least:

F.1.1. The agencies and/or functions responsible for: (i) the existence and maintenance of an adequate and effective FRICS system; (ii) the implementation thereof; and (iii) supervision thereof.

The Financial Reporting Internal Control System (hereinafter FRICS) must provide to the Audit and Control Committee and to senior management, with reasonable security as to the reliability of the financial reports submitted to the Board for approval, which is publicly disclosed from time to time to the regulators and the market.

The Compliance Policy, which is part of the Governance, Risk and Compliance Regulatory Block approved by the Board of Directors in October 2016, defines the mechanisms, functions and responsibilities related to the process of consolidation and publication of financial information.

The FCC Group bodies and functions that are responsible for the existence, maintenance, implementation and supervision of a suitable and effective FRICS, and the responsibilities attributed to these agencies, are the following:

Board of Directors.

On 28 July 2016, FCC Group's Board of Directors approved its new Board of Directors' Rules, adapting them to the new regulatory environment and best practices. This has changed the responsibilities of the Board and of its Committees.

Article 8 of FCC S.A.'s Board of Directors Rules, defines, among other functions:

- The ultimate responsibility for the approval of the Company's general policies and strategies and, in particular, the Risk Management and Control Policy, including those that are tax-related, identifying the Company's main risks and implementing and monitoring the appropriate internal control and information systems, for the purpose of ensuring its future viability and its competitiveness, taking the decisions best suited for its optimum development and the supervision of internal information and control systems. This function may not be delegated.
- Determine the policy of information and communication with shareholders, the markets and the public opinion, ensuring the quality of the information provided, approving the financial information that, as a listed company, the Company must make public on a regular basis.

In the meeting held on 28 June 2016, the Board of Directors agreed to renew the Company's governing bodies, now the Board of Directors is composed of a total of 15 directors. They met on fourteen occasions during 2016.

Audit and Control Committee.

In Article 37, FCC S.A.'s Rules of the Board of Directors provides that FCC Group's Board of Directors will create a permanent Audit and Control Committee without executive functions and with the powers of information, advice and proposal within its scope of action. In 2016, the Audit and Control Committee was composed of four directors, including the chairman, and it met on eight occasions.

In particular, by way of illustration, in relation to the Internal Control and Information Systems, the following are the competence of the Audit and Control Committee:

- The regular review of, among others, the process for preparing the financial information, the internal controls and the independence of the external auditors.
- Supervising the Company's internal audits that overseeing the good functioning of the Information and Internal Control Systems; the head of internal audit is obliged to present an annual work plan to the Committee and inform it directly of any incidents arising in the course of implementing the plan, as well as submitting a report on activities to the Committee at the end of each year.
- Supervising and analysing the efficacy of the Company's internal control and the Risk Control and Management policy approved by the Board of Directors, ensuring that the latter at least identifies:
  - The different types of risks that the Company faces, including, among the financial and economic risks, contingent liabilities and other off-balance sheet risks;
  - Establishing the risk level that the Company deems acceptable.
  - The measures provided to mitigate the impact of the identified risks in the event they materialise;
  - The Reporting and Internal Control Systems that will be used to control and manage said risks, including contingent liabilities and off-balance sheet risks, submitting them to the Board of Directors for their approval.
  - Supervising the process of preparing, and the integrity of, the financial reports referring to the Company and, as the case may be, the Group, reviewing the compliance with the regulatory requirements, the adequate delimitation of the scope of the consolidated group and the correct application of the accounting criteria;

- Supervising the process of preparing and submitting the individual and consolidated financial statements and management reports, and the financial reports disclosed to the markets from time to time, ensuring the compliance with the legal requirements and the proper application of generally accepted accounting principles, reporting to the Board of Directors on the financial information that the Company, owing to its listed status, must disclose publicly from time to time, ensuring that the interim financial statements are drawn up with the same accounting criteria as annual financial statements and, for such purpose, it must consider whether a limited review by the Company's external auditor is appropriate, and the creation or acquisition of holdings in special purpose entities or entities domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature which, owing to their complexity, might detract from the transparency of FCC Group.

Senior Management.

The senior management of each of the business and corporate senior units are ultimately responsible for the implementation of the Risk Management System and help to develop it.

Management Committees.

Each business unit has a Management Committee or a Committee with similar functions. In addition, FCC Construcción has a Risk and Compliance Committee.

General Administration and Finance Department.

General Administration Management comprises the areas of Administration, Information Systems and Technology, Finances, Investor Relations and Management Control, Corporate and Brand Marketing, Procurement and Human Resources. The Administration area runs FCC Group's administrative management and has, among others, the following functions in relation to Information Systems and Internal Control:

- General accounting
- Accounting standards
- Consolidation
- Tax advice
- Taxation procedures
- Tax compliance
- Administrative procedures

FCC Group's area of Information Technologies and Systems guarantees suitable technological support for the Group's management processes, optimising the management of the necessary resources and service level for users, ensuring the confidentiality and integrity of information systems. FCC has an Information Security. and Technological Risk Management Department working under this area, which is responsible for developing and implementing internal control system policies and procedures for the information systems, including the systems used in the process of preparing and publishing financial information. Its functions include:

- Preparing FCC Group's Information Security Strategy, which is included within the Strategic Systems Plan and to carry out regular monitoring of compliance with it.
- Coordinating with the FCC Information Security Committee and supporting it in the performance of its functions, as well as setting the common strategies on the security of assets for all the Group's business division committees.
- Defining the Corporate Information Security Policies and checking from time to time that they are being met.
- Establishing the risk analysis and management guidelines and defining the method to be applied.
- Coordinating with the different business areas to ensure regulatory compliance in the field of personal data protection.
- Defining and implementing internal controls to verify the proper compliance with the Corporate Information Security Policies.
- Reviewing from time to time the efficacy of the Information Security Management System, as well as measuring the efficiency of the internal controls that are implemented.
- Performing internal audits of the Information Security Management System according to planned intervals.

The Finances area is entrusted with the centralised management of the finances of FCC Group. With respect to Information Systems and Internal Control, its goal is, and it will act in:

- Financing of the Group's activities.
- Management of the Group's debt and financial risks.
- Optimization of cash flow and financial assets.
- Management and financial control of the Group.
- Management of markets and Spain's Security Market Commission (CNMV).
- Investment analysis and financing.
- Management, monitoring and control of sureties and guarantees.
- Insurance and management of industrial and equity risks.
- Management Control.

General Internal Auditing, Risk Management and Compliance.

The purpose of General Internal Auditing, Risk Management and Compliance is to provide the Board of Directors, through the Auditing and Control Committee, and to the Senior Management of FCC Group with supervisory responsibility support for the Internal Control System by exercising a unique and independent governance function aligned with professional standards, which contributes to Good Corporate Governance, verifies the proper compliance with applicable regulations, both internal and external, and reduces to reasonable levels the possible impact of the risks attached to achieving FCC Group 's objectives. This objective consists of providing an independent opinion on the organisation's ability to achieve its objectives, through a systematic and methodological approach of assessment, management and improvement of the processes of:

- Risk management: understood as the process implemented by Management and carried out by FCC Group staff in their application of the strategy defined by the Board of Directors and designed to identify potential events that could affect the achievement of objectives so that the risks can be managed within an acceptable level.
- Internal control: this is carried out by all Group staff based on their responsibility, designed to provide a reasonable degree of confidence in achieving the goals of effectiveness and efficiency in operations, reliability of financial and non-financial information, and compliance with internal and external standards.
- Compliance: development of an internal control structure based on the responsibility entailed in each of the organisation's functions related to good governance, including those related to the Criminal Code.

General Internal Auditing, Risk Management and Compliance is structured in two separate functions whose most significant responsibilities with regards to Financial Information Control Systems are:

- Internal Auditing:
  - Supporting the Audit and Control Committee in monitoring the process of preparing and presenting financial information and other information sent to third parties.
  - Contributing to the development of internal control through monitoring compliance with the policies, standards, procedures and activities that make up the Internal Control System established by the Group to ensure the proper management and reduction of risks.
- Risk Management and Compliance:

  In 2016, the Audit and Control Committee approves conferring the function of Compliance, ratified by the Board of Directors, to General Internal Auditing, Risk Management and Compliance. The main duties of the function of Risk Management and Compliance contained in the Governance, Risk and Compliance Regulatory Block approved by the Board of Directors in 2016 are:

  - The development and implementation of a comprehensive risk management model that allows aligning risk with strategy, conducting a systematic analysis of the risks focused on better decision-making.
  - The development of an Internal Control Compliance System tied to a structure of responsibilities that ensures the maintenance of a level of risk accepted by the Board of Directors through, among other aspects, the incorporation of key controls into the procedures.
  - The establishment of a preventive criminal code compliance management structure under the principle of zero tolerance to non-compliance.

F.1.2. State whether any of the following elements exist, in particular in relation to the process of preparing financial reports:

- **The departments and/or mechanisms are in charge of: (i) designing and reviewing the organisational structure; (ii) clearly defining the lines of authority and responsibility, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures are in place for their proper dissemination in the company.**

According to the Rules of the Board of Directors, the Appointments and Remuneration Committee is tasked with reviewing and organising the succession of the Chairman and Chief Executive and, if appropriate, making recommendations to the Board of Directors so that the succession takes place in an orderly, planned manner.

The functions of the Appointments and Remuneration Committee include reporting on the proposals for appointing and removing senior executives and the basic conditions of their contracts suggested by the Chief Executive to the Board. According to the aforementioned rules, senior executives are considered to be those answering directly to the Board or the First Directive and, in any event, the internal auditor. Senior executives will also be considered to be those who, without fulfilling the same circumstances listed above are declared, as the case may be, by the Board of Directors following a favourable report from its Appointments and Remuneration Committee.

The party ultimately responsible for the design and review of the organisational structure and the definition of the lines of responsibility and authority is the Chief Executive, appointed by the Board of Directors. Each corporate or business department management must define the organisational structure and lines of responsibility of their management.

The process of determining the organisational structure is governed by section 10 of the Group's General Guidelines Manual, which regulates the bodies directly under the Board of Directors, the distribution of functions of the Group's management, and the appointment of executive positions.

In addition, the Compliance Policy, adopted by the Board of Directors, details the specific responsibilities in the Financial Reporting Information Control System (FRICS). In addition to the existence of a first level of internal control in the operational area of the business unit and a second level of internal control in the unit's management areas, the functions located on the third level are those related to the financial information consolidation processes carried out by General Administration Management with Risk Management and with Internal Auditing (all of which are independent of the business unit) which are tasked with the following responsibilities:

General Administration Management.

- Assuming high level executive functions in the management of the FRICS.
- Executing control activities in relation to the consolidation sub-process.
- Standardisation of processes related to the preparation of the information.

Risk Management and Compliance Department.

- Methodological support for the identification and evaluation of risks in the financial reporting process.
- Support in the identification of controls and the design thereof.
- Contribution to the analysis of the strength of the system to detect or prevent risks with significant impact on the reliability of financial information.

Internal Auditing Management.

- Review from time to time of the operation and/or effectiveness of controls on the FRICS.
- Periodic review of the effectiveness of controls on the FRICS.
- Providing advice on the FRICS.

The first-level organisation structure is published on the corporate intranet. The various business units regularly publish internally their own organisational structures and those associated with specific projects and contracts.

- **Code of conduct, approving body, degree of dissemination and instruction, principles and values covered (stating whether it makes specific references to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary actions.**

  According to the Rules of the Board of Directors, a full Board meeting is needed to approve FCC's Internal Rules or Codes of Conduct. Also in accordance with the aforementioned rules, the Audit and Control Committee is also empowered to ensure that the Internal Codes of Conduct and Rules of Corporative Governance meet regulatory requirements and are appropriate for the Company, as well as to review compliance by persons affected by these codes and governance rules with their obligations to communicate with the Company.

  FCC Group has a Code of Ethics, the current version of which was approved by the Board of Directors on the 27 February 2012, regulating the principles that must guide the Group's conduct and is compulsory for all employees and third parties who voluntarily accept its application. It is a key tool for guiding actions in various areas, from the relationship with and among employees, internal control and fraud prevention, commitment to the market, the Company and the community, etc. It is published on both the corporate intranet and the Group's website, where anyone can access it for information. All FCC Group employees are obliged to comply with the Code of Ethics and to communicate, using the channel that the Company has made available to them, practices contrary to the Code and the regulations of the practices they could observe were based on.

  Currently, FCC Group is working on updating its Code of Ethics and a cross-cutting working group has been created.

  In relation to the degree of dissemination, and as stated above, during the year no concrete new training activities were carried out, although the campaign on adhering to the Code of Ethics remains active on the corporate intranet.

  In addition, the Compliance Policy states that all employees must sign a statement of compliance with FCC Group's Code of Ethics from time to time. With regard to new hires, they must formally undertake their commitment to compliance when they are hired or their contracts renewed and in any other circumstances where the Company so requires.

  Among the principle and values included in the Code are: regulatory compliance and respect for ethical values, respect for people, equal opportunities and non-discrimination, people's health and safety, internal control and fraud prevention, respect for free competition, political neutrality, respect for the environment and social commitment, among others.

  Regarding the recording of transactions and the preparation of financial reports, the section on "Handling Information" in the Code of Ethics, specifies that *"The falsification, manipulation or deliberate use of false information is fraud. As a principle of conduct, FCC Group undertakes to provide transparency of information, understood as the commitment to convey reliable information to the markets and to society that will allow them to have a true and fair view of the Group's activities, strategy and economic, social and environmental performance. Employees must convey this information in a truthful, comprehensive and understandable manner. In no event will they knowingly provide incorrect, inaccurate or imprecise information that may mislead the recipient of the information".*

  The body responsible for analysing breaches and proposing corrective actions and penalties is the Response Committee. This committee functions as an official body and comprises four members: the General Manager of Internal Auditing, Risk Management and Compliance, the General Manager of Legal Counsel, the Corporate Labour Relations Manager and the Corporate Responsibility Manager, and functionally answers to the Chief Executive and CEO of FCC Group. Its functions are contained in the Crime Prevention and Response Manual.

  The Company has established a procedure that allows employees to confidentially report any irregularities or malpractice observed; the Response Committee is the recipient of these complaints.

  The responsibilities for training on and disseminating the Code of Ethics are aligned with the development of a culture of compliance in FCC Group. Therefore, the function of Compliance, together with the business units' Risk and Compliance Committees, must promote the inclusion of content on compliance in training plans so that they are progressively disseminated at all organisational levels.

In addition, FCC Group has a Fiscal Code of Conduct approved by the Board of Directors on 25 September 2014. This code is aligned with the Code of Ethics and includes transparency to markets and the Company in tax-related matters as one of its core values.

- **Whistleblowing Channel, which allows financial and accounting irregularities to be reported to the Auditing Committee, as well as possible breaches of the code of conduct and irregular activities within the organisation, stating, as the case may be, the confidential nature thereof.**

  FCC Group has an internal communication channel and procedure that allow its employees and third parties to confidentially check on doubts and report irregular conduct in criminal or any other type of matter regarding the Code of Ethics.

  Communications can be done three ways:

  – An html page in the Group's Intranet: internal communication channel.

  – Mail sent to Apdo. de Correos 19312, 28080-Madrid, managed by the Chairperson of the Response Committee.

  – Email addressed to comitederespuesta@fcc.es, managed by the Response Committee

  The procedure and the operation of the internal communication channel are described in the Code of Ethics, approved by the Board of Directors and published on both the public website and on the Group's intranet. This code specifies that all employees of FCC Group and of any of the other companies in which FCC Group has management control have the duty to report any breach or violation of the conduct described in the document.

Through its chair, the Response Committee regularly submits a summary of its activities to the Audit and Control Committee.

- **Training and periodical refresher programs for the personnel involved in the preparation and review of financial reports, and in the evaluation of the FRICS, covering at least accounting standards, auditing, internal control and risk management.**

  FCC Group's Training Plan for 2016 included several training activities related to the preparation and monitoring of financial information, which included the following: Update of International Regulations on Financial/Accounting Information. Update on accounting practices. Update on corporate income tax. Raising awareness and best practices in information security for FCC Group (ISO 27000:2013). Tax conflicts. Consolidation. Cost Control. Corporate Finance. SEPA regulations. Preparation and presentation of financial reports and reporting. Financial Excel. Advanced Corporate Finance. Basic Corporate Finance. Treasury. Foreign Trade Finance. International Taxation. Management of investment funds and risk capital. FCC Group Risk Management. International Cash Flow Management. Value Added Tax. VAT in Foreign Trade. Means of payment for international trade and accounting treatment. Tax Developments: Developments in Corporate Income Tax, VAT, Personal Income Tax and Non-Resident Income Tax. Project finance. Valuations and Transfer Pricing.

  During 2016, 13.5 % of the training hours conducted at FCC Group were used for acquiring, updating and re-training on economic and financial knowledge, including accounting and auditing standards, internal control and the management and control of risks, as well as other regulatory and business matters of which knowledge is needed in order to correctly prepare the Group's financial information.

F.2 Evaluation of financial information risks

Report, at least, on:

F.2.1. What are the main characteristics of the risk identification process, including error or fraud, in respect of:

- **Whether the process exists and is documented.**

The Policy and Risk Management System approved by the Board of Directors in 2016 defined a risk management and control model based on the existence of three levels of risk management with their respective internal control activities. Within each specific function at each level, there must be the sufficient and necessary independence to allow the model to function properly.

Levels of Risk Management:

The first risk management level is carried out by the business unit's operating lines, which are responsible for managing, monitoring and adequately reporting the risk that is generated, which must be adjusted to the authorised risk appetite and risk ceilings. To meet this function, this first risk management level must have the means to identify, measure, manage and report the risks that are satisfactorily assumed. The Internal Control of Risk Management Risk activities carried out by the first level include:

– The preparation of the regular Materialisation of Risk Reports.

– The assumption of executive functions regarding the assurance, and responsibilities regarding, managing vertical or individual risks in projects or the response thereto.

– The implementation of responses to risks identified by Management.

The second risk management level is made up by support, risk control and supervision teams within the business unit. This second level oversees the effective control of risks and ensures that these are managed according to the defined risk appetite level. The Internal Control of Risk Management Risk activities carried out by this level include:

– Drafting of the initial risk maps at the time of bidding for a new project.

– Monitoring the Risk Materialisation Reports exceeding the materiality allocated to each business unit.

– Aggregate analysis of the risk level assumed by each business unit at every given moment to ensure that the risk level accepted and approved by the Board of Directors is not exceeded.

– Taking decision on the treatment of risks.

– The assumption of executive functions in the assurance of cross-cutting risks or those involving the business unit or the response thereto, as well as of responsibility for the management of these risks itself.

As part of this second level of risk management, the Risk and Compliance Committees, as direct interlocutors with the function of Risk Management, are responsible for implementing the Risk Management System and for approving the Risk Maps, Action Plans and Training Plans related to risk management. As part of the implementation, they must monitor the level of exposure to the risks identified, establishing indicators and mechanisms for mitigation.

The third level of risk management has corporate functions that are outside the business unit, and reports directly to senior management and the Audit and Control Committee. At this level, the function of Risk Management is to be responsible for carrying out the proper coordination of all control and risk management processes, reporting on any incidence found and acting to centralise and convey best practices in this field. The function of Internal Auditing, as the last line of defence and acting as the last final control stage, is to regularly assesses whether the policies, methods and procedures are appropriate and checks that they are actually implemented.

The Internal Control of Risk Management activities carried out by the Risk Management and Compliance Department include:

– Collaborating in the development of the risk management strategy for approval by the Board.

– Leading the implementation of the Risk Management System, coordinating risk management activities so that they use consistent criteria in each business unit.

– Assisting in the identification and assessment of risks, advising management on treating the risks identified.

– Collaborating in the implementation and maintenance of the framework for the business risk management and policy, supporting the Board through the Audit and Control Committee.

– Preparing aggregate risk analyses and reports.

– Providing assurance in respect of the risk management processes and the correct evaluation thereof.

– Evaluating the preparation of key risk reports by the business unit and reviewing the management thereof.

The Internal Control of Risk Management activities carried out by the Internal Auditing Department include:

– Reviewing compliance with the risk management process.

– Reviewing the management of key risks.

– Reviewing the effectiveness, efficacy and efficiency of the controls.

– Evaluating the risk management processes, including the supervision of controls and procedures.

– Independently monitoring the effectiveness of compliance with the activities assigned to the function of Risk Management and Compliance.

– Keeping the Compliance function informed of any circumstances found within the Internal Audit function with regulatory implications.

Identification of Risks. Risk Maps.

The ongoing identification of relevant risks and threats must consider their potential impact on key management objectives and financial statements, strategic objectives, corporate governance, operational sustainability and continuity, including the analysis of the value chain, to ensure that the most critical stakeholders and the risks to which the company could be indirectly exposed are identified. In this phase, the proper understanding of the external and internal factors involved in the business or activity is essential.

Risk Maps take stock of the identification of the main risks of the business areas, including risks related to errors and fraud in preparing the financial information, together with the controls established by Management to mitigate the effect of said risks and the assessment, in terms of likelihood of occurrence and their impact on the financial statements of the area being analysed. The risk map must be updated regularly, based on, among other aspects, the information available on materialisations.

Therefore, with support from the risk managers in the different business areas, the Group's Management is being guided in a process of redefining and improving those risks, including the risks related to financial reporting and the preparation of those reports, both in terms of the definition and the allocation of responsibilities in risk management in the field of operations and in the preparation of procedures and methods, which include:

– Identifying key risks for the FCC Group based on the potential threat they pose to the achievement of the organization's objectives.

– Evaluating risks. The risk evaluation scales are defined in terms of the potential impact they could have if they were to materialise and the likelihood that they will occur.

– Identifying the key control activities to mitigate those risks.

– Identifying the risk holders.

– Allocating control responsibilities.

– Establishing key risk indicators.

From time to time, the management of each business area analyses, together with the Risk Management Department, what risks have materialised in each of the Group areas, reporting the conclusions to the Audit and Control Committee.

Additionally, and once the model has been fully implemented for risks exceeding the accepted risk level for each of the sectors of activity, the necessary action plans are established with the possible corrective measures to ensure their critical levels fall within the accepted risk level. These action plans include the necessary actions to reinforce existing controls and they may even incorporate new controls.

- **If the process covers all financial reporting objectives (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.**

  The operational risks identified in the risk map include the risk of the lack of reliability of the economic and financial information affecting each one of the business areas. For the global assessment of this risk, the risk of errors in the financial reporting in each of the business areas analysed, to cover all the objectives of the financial reporting, mainly the registration, integrity, cut-off of operations, homogeneity of the reports, validity and assessment, are generally considered.

  Given the singularity of the reporting risks and how important it is for FCC Group to satisfactorily control this type of risks, the Risk Management System incorporates risks related to reporting in the risk maps, regarding the risks associated with internal and external financial and non-financial reporting and covering aspects such as reliability, opportuneness and transparency.

  Regarding the risk of fraud, this is also provided for in the Criminal Risk Map, integrating fraud types into risky behaviours. The Criminal Risk Map must be updated regularly based on potential materialisations of risky behaviour, the detection of deficient control environments and the appearance of new risky behaviours.

- **A specific process is in place to define the scope of consolidation, regarding the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.**

  FCC Group has a register of companies that is regularly updated, which includes all the Group's holdings, whatever their nature, whether they are direct or indirect, as well as any entity that the Group can control regardless of the legal form of said control, therefore including both financial vehicle companies and special purpose companies. The management of this company register is done in accordance with the procedures regulated by the Economic and Finance Manual, and there are information sheets on the corporate intranet individualised by company that contain aspects such as its shareholders, company purpose, administrative body, etc.

  Each of the areas in which FCC Group is organised is responsible for the maintenance and updating of the scope of consolidation corresponding to its business area. The Consolidation and Accounting Standardisation Department keeps the database updated in the Corporate Intranet mentioned in the preceding paragraph, as well as the Economic and Finance Manual in relation to the list of the Group companies within the scope of consolidation, based on the data provided by the business areas. Additionally, controls are carried out from time to time on the proper accounting of the companies included in the scope of consolidation.

- **Whether the process takes into account the effects of other types of risks (operating, technological, financial, legal, reputational, environmental, etc.) to the extent they affect the financial statements.**

  FCC Group's Risk Management Systems classifies the following types of risk based on their probable impact on the financial statements and other factors:

  – **Strategic:** These are risks considered to be key for the organisation and hence managed on a proactive and priority basis. These risks, should they materialise, seriously compromise the achievement of the strategic objectives.

  – **Operating:** These risks are related to operations management and the value chain of each one of the business areas and the protection of assets in the case of possible losses.

  – **Compliance:** These are risks affecting internal or external regulatory compliance.

  – **Financial:** Risks associated with the financial markets and with the generation and management of cash.

  – **Information or reporting:** These refer to internal and external financial and non-financial information and comprise established aspects of reliability, opportunity and transparency.

- **Which of the company's governing bodies oversees the process.**

  The financial reporting risk identification process is supervised by the Audit and Control Committee via General Internal Auditing, Risk Management and Compliance department as part of its function of supervising FCC Group's internal control and risk management systems, as provided in Article 37 of the Rules of the Board of Directors.

  In addition, the Risk and Compliance Committees in the business units also carry out work monitoring the process of identifying risks, and their main functions and responsibilities are to implement the Risk Management System, prepare and approve documents, analyse and monitor, design warning indicators and communicate with the Risk Management and Compliance department.

  Lastly, and as mentioned earlier, the third level of Risk Management, which places the corporate functions outside the business units, has General Administration and Finance Management, whose functions also include the process of identifying financial information risks, and the functions of Compliance and Internal Auditing, whose responsibilities have been described throughout this document.

F.3 Control activities

Disclose, identifying the main characteristics, whether you have at least:

F.3.1. Procedures for reviewing and authorising the financial reports and the description of the FRICS, which are to be disclosed to securities markets, indicating who is responsible for these, as well as for the documentation describing all the activities and controls (including those related to the risk of fraud) of the different types of transactions that may materially affect the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgments, estimates, appraisals and projections.

With their second-level function of compliance with internal control, the areas of economic and financial control, management control, legal advice, procurement and technical services of each business unit define and implement the financial information control policies and procedures and are responsible for designing, implementing and maintaining the internal controls created by those responsible for operations. Meanwhile, as recipients of the financial information, the Management Committees or committees of similar function of each business unit carry out monitoring tasks.

Regarding the Financial Information Internal Control System, high-level executive functions are assumed by FCC Group's General Administration Management. Having previously received the report of the Audit and Control Committee, the Board of Directors will prepare the Financial Statements and the Management Report. These statements will be certified in advance as to their integrity and accuracy by the General Manager of Administration and Finance with the approval of the CEO. In addition, during the process of publishing the financial information in securities markets, whether quarterly or occasionally, or when a relevant event takes place, the managers of each area will review the information reported for consolidation. This information is consolidated by the Group's General Administration and Finance Management, which carries out certain control activities in the closing of the accounts to ensure the reliability of said information.

In addition, the specific review of the relevant judgments, estimates, assessments and projections used to quantify certain assets, liabilities, income, expenses and commitments recorded and/or broken down in the financial statements, is also carried out by General Administration and Finance Management, supported by the rest of the General Managements. Any hypotheses and estimates based on business developments are reviewed and analysed together with the corresponding Business Departments. These procedures and their associated controls are included in the General Standards Manual and in the Group's Economic and Finance Manual.

Also, the function of Risk Management and Compliance provides methodological support in relation to identifying and evaluating risks in the financial reporting process and in identifying and designing controls, and the function of Internal Audit reviews the financial information disseminated regularly to the markets.

The conclusions of the evaluation of internal controls conducted by the external auditor as part of the audit of accounts, together with the monitoring carried out by General Internal Auditing, Risk Management and Compliance are referred to the Audit and Control Committee through reports contains the recommendations considered necessary to correct them.

With regard to the documentation describing activities and controls, in addition to the bases set out in the Compliance Policy and in Articles 10, 11 and 14 of the Rules of the Board of Directors, which describes the specific functions relating to the financial statements, the Management Report and the relationship with securities markets, FCC Group has defined procedures for the closing and maintenance processes for the chart of accounts, including procedures for ensuring the correct identification of the scope of consolidation. In particular, the Economic and Finance Manual covers the various types of processes and transactions that may affect the financial statements (accounting, tax, insurance, cash flow, computer applications, etc.) and contains a series of rules that make it possible to obtain economic and financial information in a standardised and correct manner.

F.3.2. Internal control policies and procedures for IT systems (including, among others, secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

The model chosen for the Information Security Management System is the one set out in the 27000 series of the ISO international standards. In this model, the risk analysis of the information assets administered by FCC Group assumes a relevant position, as an evaluation item prior to the deployment and management of risk mitigating measures. This Information Security Management System has certification from an independent organisation which accredits certain infrastructure and water activity processes (construction and industrial) pursuant to the aforementioned ISO/IEC 27001 international standard.

FCC has an Information Security Policy that defines the Company's information security model, the regulatory body, the organisation and responsibilities of the security, the classification of the information, the areas of information security, the risk analysis model and the procedures for auditing information. The internal control policies and procedures for information systems cover all processes of the Group's information management, including the processes of preparation and publication of financial information.

The documentation for the Information Security System includes specific rules on database security, encryption technologies, control of access to applications and information systems, control of computer hardware settings, principles and measures necessary to ensure the confidentiality, integrity and availability of the information accessed and/or processed through mobile devices, safety criteria for backups, management of security incidents, security for information system testing and maintenance rooms, security criteria for implementing and connecting networks, principles to be met by passwords, control of privacy, security for developments, security criteria for procuring services from non-Group companies, principles of security to meet in FCC facilities where information is processed, control of roles and responsibilities in the information security, return of technological resources, secure browsing guide and email security guide.

Information security is evaluated from time to time through internal reviews conducted by the Information Security Department.

F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

As FCC Group policy, only goods and services which cannot be produced or implemented internally with Group staff will be purchased or contracted, unless this means higher costs than contracting a third party.

According to FCC's Procurement Rules in effect in 2016, the Procurement Department is responsible for directly managing procurement related to the specific activity of Central Services for all business and corporate areas, regardless of the type of goods or services, including IT-related services, consultancies, tax advice, legal advice, audits, etc., and the management of the Group's cross-cutting procurement of goods and services. In addition, procurement for which management is delegated to business units must conform to the provisions in the Manual of General Guidelines.

The Procurement Rules and, more specifically the Procurement Manual, additionally sets out the activities and responsibilities in managing suppliers, especially in relation to the analysis process prior to the invitation for tender that must be carried out, and its evaluation through performance management after the total or partial implementation of the service. Meanwhile, business units include mechanisms for monitoring and evaluating the services provided in their procurement and inspection procedures for outsourced services.

Regarding significant outsourced activities impacting the Financial Statements, FCC Group has outsourced the provision of management services for its computer and telecommunications infrastructure, and support for the main corporate applications. As part of the contract, investments are being made with a view to standardising the architecture of FCC's systems so that there are no differences in terms of availability and integrity in the environments managed by the companies making up the Group. The Systems and Information Technology Department has specific procedures for controlling outsourced services through contractual regulation of the following aspects:

– Alignment/certification of the provision of the service with regard to the regulations of reference (ISO/MEC 20000 and ISO/IEC 27001, among others).
– Mechanisms of governance and monitoring of the service.
– Audits, inspections and reviews of the provision.
– Management of service levels.

Subcontracted activities related to carrying out or processing transactions that are shown in the Group's financial statements are the valuation of financial derivatives, the carrying out of actuarial calculations and of certain appraisals of plant, property and equipment carried out from time to time.

F.4 Reporting and communication

Disclose, identifying the main characteristics, whether you have at least:

F.4.1. A specific function to define and update the accounting policies (accounting policies area or department) and to solve any doubts or disputes arising from the interpretation thereof, maintaining fluid communications with the operations managers in the organisation, together with an updated accounting policy manual that is communicated to all the units through which the Company operates.

The responsibility to apply the Accounting Policies of FCC Group is centralised in General Administration and Finance Management, is centralised in the Consolidation and Accounting Standards and Administrative Coordination Departments, and their functions, among others, are the following

- Defining the accounting policies of the Group and including them in the Economic and Finance Manual
- Issuing the accounting regulations applied in the Group.
- Solving doubts or disputes arising from the interpretation or application of the Group's accounting policies to any of its Companies.
- Analysing the unique individual operations and transactions that the Group has carried out or those that are planned, to ensure that they are booked according to the Group's accounting policies.
- Tracking the new regulatory projects under study at the IASB, the new standards approved by this agency and the process of official validation thereof.

The Administrative Coordination Division specifies, clarifies or broadens the instructions and regulations issued.

The Economic and Finance Manual, which contains the accounting regulations, is available on the Group's intranet. The updating and maintenance of the manual is the responsibility of the Administration, Management Control, Finances and Taxes Divisions and Departments.

In cases where the application of accounting regulations is subject to different interpretations, General Internal Auditing and Risk Management and Compliance and/or General Administration and Finance Management may take part in the explanation to the external auditor, stating the grounds on which the interpretation of FCC Group is based.

F.4.2. Mechanisms for gathering and preparing financial reports with standardised formats, to be applied and used by all the units in the Company or the Group, supporting the main financial statements and the notes to the financial statements, as well as any financial reports on FRICS.

FCC Group has implemented SAP environmental tools for consolidating the economic and financial information which cover its needs to report its financial statements. This tool manages to centralise in a single system most of the information corresponding to the accounting for the individual financial statements of the subsidiaries making up the Group. The system is centrally managed and uses a single chart of accounts.

Using this tool, the Corporate Finance area collects the complete information from the entire FCC Group and its banking or non-banking relationships, such as financial lease companies or insurance companies, for the issuance of guarantees for both domestic and international companies, provided that these companies consolidate globally or proportionally.

The internal accounting policies, procedures and standards related to the account closing, reporting and consolidation processes are described in the Group's Economic and Finance Manual, which also details the information that must be furnished for consolidation purposes and defines the basic documents and forms to be used for that purpose.

Additionally, for the annual close and in order to publish the annual financial report, the General Manager of Administration sends out by email the plan for closing the year, which includes a series of instructions for those responsible for providing the relevant financial information. The Administrative Coordination Division will establish, clarify or extend said instructions whenever it is required.

The consolidated financial statements follow International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). In order to homogenise FCC Group's economic and financial reporting according to international standards, model financial statements and a corporate accounting chart have been developed, and these are also included in the Economic and Finance Manual.

F.5 Supervision of the system's functioning

Disclose, identifying the main characteristics, whether you have:

F.5.1. The FRICS supervision activities performed by the Auditing Committee, and whether the company has an Internal Auditing function authorised to support the Committee in its task of supervising the Internal Control System, including FRICS. Likewise, the scope of the FRICS assessment carried out during the year and the procedure that the person responsible for executing the evaluation uses to communicate the results, state also whether the company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

The Audit and Control Committee was created by the Board of Directors as a permanent body without executive function and with the powers of information, advice and proposal within its scope of action. Its activities are:

- Informing the General Meeting of Shareholders on the questions raised which fall within its scope of authority and, in particular, on the outcome of the audit explaining how this has contributed to the integrity of the financial information and the role that the Committee has played in that process.
- Liaising between the Board of Directors and the Company's external Auditor, evaluating the results of each audit, with the following additional duties with respect to the external Auditor:
- Supervising the Company's internal audits that oversee the good operation of the information and internal control systems; the head of internal audit is obliged to present an annual work plan to the Committee and directly report to it any incidents arising in the course of implementing the plan, as well as submitting a report on activities to the Committee at the end of each year.

- Monitoring and analysing the effectiveness of the Company's internal control and the control and management of risk policy approved by the Board of Directors. Specifically:
  - Supervising the process of preparing, and the integrity of, the financial reports referring to the Company and, as the case may be, the Group, reviewing the compliance with the regulatory requirements, the suitable delimitation of the scope of the consolidated group and the correct application of the accounting criteria;
  - Reviewing internal control and risk management systems on a regular basis, including tax control systems, to ensure that the main risks are properly identified, managed and disclosed appropriately;

The function of Internal Audit is carried out by General Internal Auditing, in the framework of General Internal Auditing, Risk Management and Compliance. Its main mission is to facilitate the Audit and Control Committee fulfilling its functions and responsibilities. General Internal Auditing acts with total independence from the management areas. By agreement of the Board of Directors, its answers functionally to the Audit and Control Committee. Its functions include the efficiency of the internal controls, ensuring compliance with legal requirements, the evaluation and enhancement of the risk management processes, and ensuring that the financial information prepared is correct and appropriate for FCC Group. These functions are specifically, among others, the following:

– Reviewing the (individual and consolidated) accounting information, the Management Reports and the financial information disclosed to the markets from time to time, evaluating that they are correct and reliable, in compliance with the law in force, and that the generally accepted accounting principles are applied.

– Suggesting internal control measures to enable compliance with standards applying to the preparation and disclosure of financial reports.

– Checking that assets really exist and the systems guaranteeing their integrity and safeguarding.

– Supporting the different areas in their technical relations, control and monitoring with external auditors.

– Assisting the members of the Group's Organisation, furnishing them with analyses, recommendations, advice and information on the activities reviewed. Reporting any incidents that are detected to Management and recommending corrective actions.

The result of the reviews carried out by the Internal Auditing function, the incidents detected and the reports on the performance of risk management are reported by General Internal Auditing, Risk Management and Compliance to the Audit and Control Committee.

Meanwhile, the Audit and Control Committee approves the Annual Audit Plan and monitors the Activities Report. In 2016, the following work relating to the management and control of risks and the monitoring of the Group's financial information, among others, was carried out in various areas:

– Review of the physical and logical security of the information systems that support the Group's processes and business areas in Spain, including those related to the financial information.

– Management of complaints received through the Whistleblowing Channel subject to internal audit. This management consists of receiving, keeping, investigating and resolving, if appropriate, the complaints received through the channels set up for this mentioned in section F.1.2.

– Monitoring of the preparation and auditing of the individual and consolidated financial statements of FCC, S.A., as well as of the half-yearly financial statements reviewed by the external auditor.

– Monitoring of the financial information disclosed to regulators and markets and monitored by the Audit and Control Committee:

  o Annual financial report,

  o Management reports,

  o Semi-annual financial report,

  o Quarterly reports,

  o Annual Corporate Governance Report.

- Review of financial information associated with fulfilling financing agreement conditions.
- Proposal for the Board's approval of the block of the rules in matters of governance, risk and compliance comprising the following documents:
  - Compliance Policy and System,
  - Risk Management Policy and System,
  - Criminal Compliance Policy and System.
- Collaboration in identifying critical risks by business units, providing a consistent methodology aligned with the Risk Management Policy and System.
- Audit of key works and projects focused on, among other aspects, the review of financial information and contractual risks.

F.5.2. If there is a discussion procedure whereby the auditor (in accordance with what is provided in the NTA), the Internal Auditing function and other experts may communicate to senior management and to the Auditing Committee or Directors of the company, any significant internal control weaknesses identified during the process of reviewing the financial statements or any others entrusted to them. In addition, report whether there is an action plan to correct or mitigate the observed weaknesses.

Article 37 of FCC's Rules of the Board of Directors provides that it is the competence of the Audit and Control Committee to serve as a communications channel between the Board of Directors and the Company's external auditor, assessing the results of each audit and, in relation to the external auditor, it is also responsible for:

- Discussing with the external auditors any significant weaknesses of the Company found in the Internal Control System as a result of the audits conducted.
- Receiving regular information from the external auditor on the progress and findings of the audit programme, as well as preserving its independence while performing its functions and also checking that senior management are acting on its recommendations;
- Seeking to ensure that the Company's Auditor takes responsibility for auditing the companies comprising the Group.

In addition, heading 7 of FCC Group's Basic Internal Audit Rules, section i) states that the Audit and Control Committee will have knowledge of, through General Internal Auditing, Risk Management and Compliance and of its relations with the external auditors, of the process of preparing the financial information, the correct application of generally accepted accounting principles and compliance with the legal and operational requirements of the Internal Control Systems.

In addition, the Group's Basic Internal Auditing Rules sets out, among Internal Auditing's functions and competences, that of assisting the members of the Group's Organisation, providing them with analyses, recommendations, advice and information on the activities reviewed, report to Management any incidents found and recommend corrective actions.

With the purpose of ensuring that the financial reports submitted to the Audit and Control Committee have been prepared according to generally accepted accounting principles and that they offer a true and fair view of the state of affairs of FCC Group, the General Internal Auditing Management performs a number of processes for the review of the accounting information (both individual and consolidated), the management reports and the financial reports disclosed to the markets from time to time.

FCC Group's General Internal Auditing, Risk Management and Compliance reports regularly to the Audit and Control Committee on any significant internal control weaknesses identified during the performance of their tasks, giving recommendations to appropriately correct them. The Audit and Control Committee also receive the revelations carried out by the General Administration and Finance Management.

Lastly, the Group's auditor has direct access to the Group's Senior Executives, and has meetings with them from time to time, both to obtain the information needed to perform his work and to communicate any control weaknesses detected. The external auditors present the conclusions of their reviews to the Audit and Control Committee, detailing the internal control weaknesses that have come up while reviewing the Group's financial statements, including any aspects they consider relevant. In 2016, the internal auditor attended the Audit and Control Committee five times and submitted three reports

F.6 Other relevant information

N/A

F.7 Report by the external auditor

Report on:

F.7.1. If the FRICS information disclosed to the markets has been reviewed by the external auditor, the Company must include the relevant report as an Appendix. Otherwise, explain the reasons for the absence of this review.

The information included here on the Financial Reporting Internal Control System was reviewed by the external auditor, and the report thereof is attached as an Appendix to this document.

G. Degree of compliance with corporate governance recommendations

State the Company's degree of compliance with the recommendations of the Unified Code of Corporate Governance for listed companies.

In the event of not complying with some recommendations or only partial compliance, include a detailed explanation of the reasons so that the shareholders, investors and the market at large may have sufficient information to assess the Company's procedures. General explanations will not be acceptable.

1. **The Articles of Incorporation of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the Company by means of share purchases on the market.**

Compliant ☒ Explain ☐

2. **When a parent and a subsidiary company are stock market listed, the two should provide detailed disclosure on:**

   a) **The type of activities they engage in, and any business dealings between them, as well as between the subsidiary and other group companies.**

   b) **The mechanisms in place to resolve possible conflicts of interest.**

Compliant ☐ Partially compliant ☐ Explain ☒ Not applicable ☐

Although Article 7.2 (m) of FCC's Rules of the Board of Directors provides for the definition and coordination of the respective areas of activity and possible business relationships between the Company and listed Group subsidiaries, Fomento de Construcciones y Contratas believes that, at this time, the relations between the parent company and the various Group companies or subsidiaries are taking place in normal market conditions and there is no obstacle or impediment that necessitates the approval of that definition.

Note:
From 24 February 2017, Cementos Portland Valderrivas was definitively excluded from the stock exchange.

3. **During the celebration of the Annual General Meeting, supplementing the dissemination in writing of the Annual Corporate Governance Report, the Chairperson of the Board of Directors should verbally inform the shareholders, in sufficient detail, of the most relevant aspects of the Company's corporate governance, in particular:**
   a) **The changes that have taken place since the previous Annual General Meeting.**
   b) **The specific reasons why the Company does not follow one or more recommendations of the Corporate Governance Code and the alternative rules applied in this matter, if any.**

Compliant ☐ Partially compliant ☐ Explain ☒

The Company believes that sufficient information about its corporate governance is offered to its shareholders in the specific report that accompanies the information made available to them prior to the Meeting being held.

In this regard, the section on "Right to Information" in the announcement of the General Meeting of Shareholders explicitly states that any shareholder may obtain from the Company, among other documents, the Annual Corporate Governance Report, which, as part of the Management Report, is subject to approval by shareholders, for examination at the Company's registered offices or by having it sent to them immediately and free of charge.

This report may be consulted on the Company's website in the section on corporate governance.

4. **The Company should define and foster a policy on disclosures and contacts with shareholders, institutional investors and vote advisors that is fully respectful of the rules against market abuse, giving similar treatment to shareholders in the same position.**

   The Company should publish that policy on its website, including information on how it has been put into practice and identifying the interlocutors or persons in charge of executing the policy.

Compliant ☐ Partially compliant ☐ Explain ☒

Although the Company has not formally approved a policy on this matter, through the Stock Market and Investor Relations Department and Shareholders Department it maintains a relationship with institutional investors and vote advisors that is fully respectful of the aim of the recommendation, of which the Board is informed.

5. **The Board of Directors does not submit to the General Meeting a proposal on the delegation of powers, for the issuance of shares or convertible securities excluding pre-emptive subscription rights, for an amount in excess of 20% of the share capital at the time of delegation**

   When the Board of Directors approves an issuance of shares or convertible securities excluding pre-emptive subscription rights, the Company must immediately publish on its website the reports on said exclusion mentioned in commercial legislation.

Compliant ☒ Partially compliant ☐ Explain ☐

6. The listed companies drawing up the reports stated below, whether by obligation or voluntarily, should publish them on their website sufficiently ahead of the Annual General Meeting, even though dissemination thereof may not be compulsory:

   a) Report on the Independence of the auditor.

   b) Reports on the operation of the Audit Committee and the Appointment and Remuneration Committee.

   c) Report of the Audit Committee on transactions with related parties.

   d) Corporate social responsibility policy report.

Compliant ☒ Partially compliant ☐ Explain ☐

7. The Company should broadcast live its General Meetings of Shareholders via its website.

Compliant ☐ Partially compliant ☐ Explain ☒

The Company does not follow this recommendation because it has not, to date, received a request in this regard by its shareholders, and the cost it means for the Company.

8. The Audit Committee should ensure that the Board of Directors submits its financial statements to the General Meeting of Shareholders without any limitations or qualifications on the audit report and, in the exceptional event there are any qualifications, both the Chairperson of the Audit Committee and the auditors must clearly explain to the shareholders the contents and scope of those limitations or qualifications.

Compliant ☒ Partially compliant ☐ Explain ☐

9. The Company must publish on its website, on a permanent basis, the requirements and procedures it will accept for accrediting title to ¬shares, the right of attendance at the General Meeting of Shareholders and the exercise or delegation of voting rights.

Said requirements and procedures are to favour attendance and the exercise of shareholder rights and are to be applied in a non-discriminatory manner.

Compliant ☒ Partially compliant ☐ Explain ☐

10. When an authorised shareholder, prior to the General Meeting of Shareholders, has exercised the right to complete the agenda or submit new resolution proposals, the Company:

    a) Must immediately disseminate the supplementary items and new resolution proposals.

    b) Must publish the attendance card form or vote delegation or remote voting form with the necessary amendments so that the new items on the agenda and alternative proposals may be voted under the same terms as proposed by the Board of Directors.

    c) Must submit all those items or alternative proposals to vote and must apply the same voting rules as those drawn up by the Board of Directors, including in particular the assumptions or deductions on the way of a vote.

    d) Subsequent to the General Meeting of Shareholders, it must communicate the breakdown of the vote on said supplementary items or alternative proposals.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

11. If the Company plans to pay premiums for attending the General Meeting of Shareholders, it must establish beforehand a general policy on premiums and said policy must be stable.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

12. The Board of Directors should perform its duties with unity of purpose and independent judgement, affording all shareholders the same treatment. It should be guided at all times by the Company's best interest and, as such, strive to maximise its value over time in a sustained manner.

In seeking the corporate interests, besides respecting the law and regulations and a behaviour based on good faith, ethics and the respect for generally accepted usage and good practice, it must reconcile, where applicable, the corporate interests with the legitimate interests of its employees, suppliers, clients and other stakeholders involved, as well as caring for the impact of the Company's activities on the community at large and on the environment.

Compliant ☒ Partially compliant ☐ Explain ☐

13. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise between five and fifteen members.

Compliant ☒ Partially compliant ☐ Explain ☐

14. The Board of Directors must approve a Director selection policy that:

a) Is specific and can be verified.

b) Ensures that the appointment or re-election proposals are based on the prior analysis of the needs of Board of Directors.

c) Favours the diversity of know-how, experience and gender.

The results of the prior analysis of the needs of the Board of Directors are to be included in the report of the Appointments Committee published when calling the General Meeting of Shareholders where the appointment or re-election of each Director is to be ratified.

The Director selection policy must foster the goal of having female Directors representing at least 30% of the total members of the Board of Directors in the year 2020.

The Appointments Committee will verify the fulfilment of the Director selection policy annually and it will be reported in the Annual Corporate Governance Report.

Compliant ☒ Partially compliant ☐ Explain ☐

15. Proprietary and independent directors should occupy an ample majority of seats on the Board, while the number of Executive Directors should be the minimum necessary, bearing in mind the complexity of the corporate Group and the ownership interests they control.

Compliant ☒ Partially compliant ☐ Explain ☐

16. The ratio between proprietary and non-executive members should match the proportion between the capital represented on the Board by these Directors and the remainder of the Company's capital.

This criterion may be relaxed:

a) In large capitalization companies where few or no equity stakes attain the legal threshold for significant shareholdings.

b) In companies with a plurality of shareholders represented on the Board of Directors that are not otherwise related.

Compliant ☒ Partially compliant ☐ Explain ☐

17. The number of independent directors should represent at least one half of all Board members.

However, when the Company is not a company with high market capitalisation or, being so, it has one shareholder or several shareholders acting together who control over 30% of the share capital, the number of independent directors must represent at least one third of the total Directors.

Compliant ☐ Partially compliant ☐ Explain ☒

FCC has three independent directors among its fifteen members, which represents nearly 20% of total directors.

FCC believes that this percentage does not make it necessary to increase the number of independent directors, taking into account the Company's highly concentrated shareholder structure and the effective role played by the three independent directors.

18. Companies should post the following particulars on the Directors on their websites, and keep them permanently updated:

a) Professional experience and background.

b) Other Boards of Directors on which they are members, regardless of whether they are listed companies, and any other remunerated activities they may perform regardless of their nature.

c) An indication of the Director's classification, in the case of proprietary directors, stating the shareholder they represent or have links with;

d) The date of their first and subsequent appointments as a Company Director;

e) Shares held in the Company and any options thereon.

Compliant ☒ Partially compliant ☐ Explain ☐

19. The Annual Corporate Governance Report should also disclose, subsequent to a prior verification by the appointments committee, the reasons for the appointment of proprietary directors at the request of shareholders controlling less than 3% of capital; and explain any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

20. Proprietary Directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure they had been appointed for, except where just cause is found by the Board, based on a proposal from the Appointments Committee. In particular, there shall be deemed to be a just cause when the Director takes new positions or obligations preventing him/her from dedicating the necessary time to perform the functions of a Director, breaches the duties inherent to the office or incurs circumstances which make him/her lose independent status, according to what is established in the applicable laws.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction leads to changes in the Company's capital structure, when such changes in the structure of the Board of Directors are prompted by the proportionality criterion stated in Recommendation 16.

Compliant ☒ Explain ☐

22. **Companies should establish rules obliging Directors to inform the Board of any circumstance that might harm the Company's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent proceedings.**

The moment a Director is indicted or tried for any of the crimes stated in corporation law, the Board should examine the matter as soon as possible and, in view of the particular circumstances, it shall decide whether that Director should remain in his position or not. The Board should also disclose all such determinations in the Annual Corporate Governance Report.

Compliant ☒ Partially compliant ☐ Explain ☐

23. **All Directors should express clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. In particular, independents and other Directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.**

When the Board makes material or reiterated decisions about which a Director has expressed serious reservations, then he or she must draw the pertinent conclusions, and if he or she decides to resign, the reasons must be explained in a letter as regards the following recommendation.

The terms of this recommendation should also apply to the Secretary of the Board, regardless whether he or she has Director status.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

24. **Directors who resign from office before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all the members of the Board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.**

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

25. **The Appointments Committee should ensure that non-executive directors have enough time available to properly perform their functions.**

The Rules of the Board must establish the maximum number of Boards on which its Directors may be members.

Compliant ☐ Partially compliant ☒ Explain ☐

In Article 21.4 of the Rules of the Board of Directors, the Company sets out that "Directors must inform the Appointments and Remuneration Committee of their other professional obligations in case these could interfere with the commitment required by their positions. The Board of Directors must, at the proposal of the Appointments and Remuneration Committee, establish the number of boards the directors of which they may be a member".

Since the aforementioned Committee has so far not made any statement in respect of this number, the Company believes that it partially fulfils the recommendation.

At the moment, the Company has not established the maximum number of boards that each director may belong to, given that the directors' demonstrated commitment to the company is appropriate, and therefore there is no need to state the number.

26. **The Board should meet with the necessary frequency to properly perform its functions efficiently, and at least eight times a year, in accordance with a calendar and agendas set at the beginning of the year, to which each Director may propose the addition of other items on the agenda not considered initially.**

Compliant ☒ Partially compliant ☐ Explain ☐

27. **Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When a Director cannot attend a meeting, they must appoint a proxy with instructions.**

Compliant ☒ Partially compliant ☐ Explain ☐

28. When Directors or the secretary express concerns about some proposal or, in the case of Directors, about the Company's performance, and such concerns are not resolved at the Board meeting, the person expressing them can request that they be recorded in the minute book.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

29. The Company should provide suitable channels for Directors to obtain suitable advice for the performance of their functions, extending it in special circumstances to external advice at the Company's expense.

Compliant ☒ Partially compliant ☐ Explain ☐

30. Regardless of the know-how required of Directors to perform their functions, Directors should also be offered refresher programmes by their companies when circumstances so advise.

Compliant ☒ Partially compliant ☐ Explain ☐

31. The agenda of meetings must clearly indicate the items on which the Board of Directors must adopt a decision or resolution so that Directors may study or gather the information they need for that purpose beforehand.

Whenever, exceptionally and for reasons of urgency, the Chairperson wishes to submit for approval to the Board of Directors decisions or resolutions that are not included on the Agenda, the prior and express consent of the majority of the Directors present shall be required, and this shall be duly recorded in the minutes.

Compliant ☐ Partially compliant ☒ Explain ☐

Although the second part of this recommendation is not included word-for-word in the Company's internal rules, it is true, however, that when topics not on the agenda are added to it, this is done with the prior consent of the directors in attendance.

32. Directors must be informed from time to time of shareholder movements and the opinion of significant shareholders, investors and ratings agencies on the Company and its Group.

Compliant ☒ Partially compliant ☐ Explain ☐

33. The chairperson, as the person in charge of the efficient operation of the Board of Directors, apart from exercising the functions entrusted to him/her by law and the bylaws, must prepare and submit to the Board of Directors a programme of dates and matters to be discussed; organise and coordinate the periodic evaluation of the Board and, as the case may be, of the chief executive of the company; must be responsible for managing the Board and that it operates effectively; makes sure that enough time is dedicated to discussing strategic matters, and agrees to and reviews the programmes for refreshing each Director's know-how, when the circumstances so advise.

Compliant ☒ Partially compliant ☐ Explain ☐

34. When there is a coordinating Director, the Bylaws or the Rules of the Board of Directors, apart from the powers legally entrusted to him/her, must attribute the following to him/her: preside over the Board of Directors in the absence of the chairperson and the vice-chairpersons, if there are any; to take stock of the concerns of the non-executive directors; to be in contact with investors and shareholders to know their points of view in order to build an opinion on their concerns, in particular, in relation to the Company's corporate governance; and to coordinate the plan for the succession of the chairperson.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

35. The Secretary of the Board of Directors must especially oversee that the actions and decisions of the Board of Directors take into account the recommendations on good governance included in this Code of Good Governance that are applicable to the Company.

Compliant ☒ Explain ☐

36. The Board in full should evaluate the following items on a yearly basis, adopting, where applicable, an action plan to correct the deficiencies detected in respect of:

a) The quality and efficiency of the Board's operation.

b) The operation and composition of its Committees.

c) The diversity in the composition and powers of the Board of Directors.

d) The performance of the chairperson of the Board of Directors and of the Company's chief executive.

e) The performance and contribution of each Director, paying special attention to those in charge of the different Board Committees.

To evaluate the different committees, the reports they submit to the Board of Directors will be used, and the Board itself will be evaluated based on the report submitted by the Appointments Committee.

Every three years, the Board of Directors will be assisted for its evaluation by an external consultant, whose independence will be verified by the Appointments Committee.

The business relations between the consultant and the Company or any of the Group companies must be detailed in the Annual Corporate Governance Report.

The process and the areas that are evaluated will be described in the Annual Corporate Governance Report.

Compliant ☒ Partially compliant ☐ Explain ☐

37. When there is an Executive Committee, the representation of the different Director categories must be similar to that of the Board of Directors itself and the Secretary of the Committee must be the Secretary of the Board.

Compliant ☐ Partially compliant ☒ Explain ☐ Not applicable ☐

The Secretary of the Executive Committee coincides with the Secretary of the Board. However, there are no independent directors in the Committee, whereas there are three independent members on the Board of Directors.

38. The Board must always be informed of the matters discussed and the decisions adopted by the Executive Committee, and all the Board members must receive a copy of the minutes of Executive Committee meetings.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

39. The members of the Audit Committee, particularly its Chairperson, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters, and a majority of the members must be Independent Directors.

Compliant ☒ Partially compliant ☐ Explain ☐

40. Under the supervision of the Audit Committee, there must be a unit assuming the internal auditing function and overseeing the proper operation of the reporting and internal control systems, functionally dependent on the non-executive chairperson of the Board or of the Audit Committee.

Compliant ☒ Partially compliant ☐ Explain ☐

41. The head of the internal auditing unit should present an annual work programme to the Audit Committee, report to it directly on any incidents arising during its implementation, and submit an activities report at the end of each year.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

42. Apart from those provided by Law, the Audit Committee has the following functions:

1. In relation to the reporting and internal control systems:

   a) Monitor the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.

   b) Monitoring the independence of unit that performs the internal audit function; proposing the selection, appointment, re-appointment and removal of the head of internal auditing; proposing the department's budget; approving the focus and work plans, making sure that its activity is geared towards the relevant risks for the company; receiving regular reports on its activities; and verifying that senior executives are acting on the findings and recommendations of its reports.

   c) Establishing and supervising a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the company.

2. With respect to the external auditor:

   a) Investigate the issues giving rise to the resignation of any external auditor, in the case thereof.

   b) Make sure the remuneration of the external auditor does not jeopardise his/her quality or independence.

   c) Monitor that the company notifies the change of auditor to the CNMV as a relevant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same, if any.

   d) Make sure that the external auditor meets annually with the plenary Board of Directors to report on the work carried out and on the evolution of the Company's accounting and risks situation,

   e) Make sure that the Company and the external auditor respect the rules in force on the performance of services other than auditing services, the limits on the auditor's concentration of business and, generally, any other rules on the independence of auditors.

Compliant ☒ Partially compliant ☐ Explain ☐

43. The Audit Committee should be empowered to meet with any Company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant ☒ Partially compliant ☐ Explain ☐

44. The Audit Committee is to be informed of any structural or corporate amendments planned by the Company so that it can analyse and submit a report to the Board of Directors beforehand on the economic conditions and impact on the accounts, especially on the proposed exchange equation, if applicable.

Compliant ☐ Partially compliant ☒ Explain ☐ Not applicable ☐

To date, all the operations referred to in this recommendation have been approved by the votes in favour of all the Company's directors, including independent directors, and so the step prior to these operations with the Audit Committee is not considered be necessary.

45. The risk management and control policy should specify at least:

a) The different types of risk, both financial and non-financial, (operational, technological, legal, company, environmental, political, reputational, etc.) to which the Company is exposed, with the inclusion of contingent liabilities and other off-balance-sheet risks under financial or economic risks.

b) Establishing the risk level that the Company deems acceptable.

c) The measures provided to mitigate the impact of the identified risks in the event they materialise;

d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Compliant ☒ Partially compliant ☐ Explain ☐

46. Under the direct supervision of the Audit Committee or, as the case may be, of a specialised committee of the Board of Directors, there must be an internal function for controlling and managing the risks, exercised by a unit or department within the Company that is expressly attributed these functions:

a) Ensuring the proper operation of the risk control and management systems and, in particular, that all the important risks affecting the Company are satisfactorily identified, managed and quantified.

b) Actively participating in the elaboration of a risk strategy and in the important decisions on managing that strategy.

c) Ensuring the risk control and management systems satisfactorily mitigate risks within the policy defined by the Board of Directors.

Compliant ☒ Partially compliant ☐ Explain ☐

47. The members of the Appointments and Remuneration Committee (or of the Appointments Committee and the Remuneration Committee, if they are separate) are to be appointed making it a point that they have the suitable know-how, skills and experience for the functions they are to perform, and the majority of the members should be independent Directors.

Compliant ☐ Partially compliant ☒ Explain ☐

The current composition of the Appointments and Remuneration Committee comprises two proprietary directors and two independent directors, one of whom holds the Chairmanship.

FCC believes that the composition of the Appointments and Remuneration Committee, with two independent directors of a total of four, one of which is, in addition, the Chairman, is sufficient guarantee of this Committee's proper functioning while simultaneously fulfilling the spirit or philosophy of the recommendation.

48. Highly capitalised companies should have separate Appointments and Remuneration Committees.

Compliant ☐ Explain ☒ Not applicable ☐

The two committees that are recommended are integrated within a single Appointments and Remuneration Committee, because the Board of Directors considers that together in one Committee, it is easier for such committee to fulfil the functions with which it is entrusted.

49. The Appointments Committee should consult with the Company's Chairperson and Chief Executive, especially on matters relating to Executive Directors.

Any Board member may suggest directorship candidates to the Appointments Committee for its consideration to fill vacancies.

Compliant ☒ Partially compliant ☐ Explain ☐

50. The Remuneration Committee must exercise its functions independently and, apart from the functions it is attributed by law, it should also have these functions:

a) Proposing to the Board of Directors the basic conditions of senior management contracts.

b) Overseeing compliance with the remuneration policy set by the Company.

c) Reviewing from time to time the remuneration policy applied to Directors and senior executives, including remuneration systems including shares and the application thereof, as well as guaranteeing that their individual remuneration is proportional to that paid to other Directors and senior executives of the Company.

d) Ensuring that any conflicts of interest do not jeopardise the independence of the external advice provided to the Committee.

e) Verifying the information on Director and senior executive remunerations included in the different corporate documents, including the annual report on Directors' remuneration.

Compliant ☒ Partially compliant ☐ Explain ☐

51. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior managers.

Compliant ☒ Partially compliant ☐ Explain ☐

52. The rules on the composition and operation of the Supervision and Control Committees are to be included in the Rules of the Board of Directors and must be consistent with those applying to the legally obligatory committees according to the preceding recommendations, including:

a) They are to be made up exclusively by non-executive Directors, with a majority of independent Directors.

b) Committee Chairmen must be independent directors.

c) The Board of Directors shall appoint the members of the Committees, taking into account the Directors' knowledge, skills and experience and each Committee's area of competence; discuss their proposals and reports; and at the first Board meeting following each Committee meeting, should inform on the business and activities performed, and respond for the work carried out.

d) These Committees may engage external advisors when they feel this is necessary to carry out their duties.

e) Minutes must be drawn up of their meetings, and they shall be available for all the Directors.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

53. Monitoring of compliance with the rules of corporate governance, the internal codes of conduct and the corporate social responsibility policy is to be attributed to one or split across several of the Board of Director Committees, which may be the Audit Committee, the Appointments Committee, the Corporate Social Responsibility Committee, if there is one, or a specialised committee that the Board of Directors, exercising its powers of self-organisation, decides to create for the purpose, and they will specifically be attributed the following minimum functions:

a) Monitoring compliance with the Company's internal codes of conduct and rules of corporate governance.

b) Monitoring the communication strategy and shareholder and investor relations, including small and medium shareholders.

c) Evaluation from time to time of the Company's corporate governance system, in order for it to fulfil its mission of developing the Company's interests and take into account, as appropriate, the legitimate interest of other stakeholders.

d) Review of the Company's corporate responsibility policy, seeing to it that it is geared to creating value.

e) Monitoring the corporate social responsibility strategy and practices and evaluating the degree of compliance therewith.

f) Monitoring and evaluating relationships with the different stakeholders.

g) Evaluating everything related to the Company's non-financial risks, including operating, technological, legal, social, environmental, political and reputational risks.

h) Coordination of the process of reporting non-financial information and diversity, in conformity with the applicable regulations and accepted international standards.

Compliant ☒ Partially compliant ☐ Explain ☐

54. The corporate social responsibility policy must include the principles or commitments voluntarily assumed by the Company in its relations with the different stakeholders, identifying at least:

a) The objectives of the corporate social responsibility policy and the development of support instruments.

b) The corporate strategy regarding sustainability, the environment and social matters.

c) Specific practices in matters related to: shareholders, employees, clients, suppliers, social issues, the environment, diversity, fiscal responsibility, respect for human rights and prevention of illegal conduct.

d) The methods or systems for monitoring the results of applying the specific practices stated under the preceding item, the associated risks and the management thereof.

e) The mechanisms for supervising non-financial risk, ethics and company behaviour.

f) The channels for communication, participation and discussion with stakeholders.

g) The responsible communication practices preventing the manipulation of information and protecting integrity and honour.

Compliant ☒ Partially compliant ☐ Explain ☐

55. The Company is to report, on a separate document or in the management report, on matters related to corporate social responsibility, using any of the internationally accepted methods for the purpose.

Compliant ☒ Partially compliant ☐ Explain ☐

56. The remuneration of Directors shall be as necessary to attract and retain Directors with the required profile and to reward the dedication, qualification and responsibility of the position, but not too high so as to jeopardise the independence of criteria of non-executive Directors.

Compliant ☒ Explain ☐

57. Variable remuneration linked to the performance of the Company and personal performance, as well as remuneration via the delivery of shares, options or share options or share-indexed instruments and long-term savings systems such as pension plans, retirement schemes and other corporate benefit systems, must be limited to executive Directors.

The delivery of shares as remuneration to non-executive Directors may be considered, but must be conditional upon their keeping them until they are no longer Directors. The foregoing shall not apply to the shares that the Director may need to dispose of, as the case may be, to meet the costs related to the acquisition thereof.

Compliant ☒ Partially compliant ☐ Explain ☐

58. In the case of variable remuneration, the remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the Company's sector, or other circumstances of this kind.

In particular, the variable components of remuneration:

a) Should be linked to performance criteria that are predetermined and measurable, and those criteria must consider the risk assumed to obtain a result.

b) Should foster the sustainability of the Company and include non-financial criteria suited to long-term value creation, such as compliance with the rules and internal procedures of the Company and of the risk control and management policies.

c) Are to be based on the balance between compliance with short, medium and long-term objectives, allowing the remuneration of returns for continuing performance during a sufficiently long period to appreciate their contribution to sustainable value creation, such that the measuring elements do not focus only on singular, occasional or extraordinary facts.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

59. The payment of a relevant part of the variable remuneration should be deferred for a sufficient minimum period to make sure that the previously established performance conditions have been met.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

60. In the case of remuneration linked to company earnings, any qualifications stated in the external auditor's report which may reduce the said results should be considered.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

61. A relevant percentage of the variable remuneration of executive Directors is to be linked to the delivery of shares or share-indexed financial instruments.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

62. Once the shares or share options or share rights corresponding to the remuneration systems are allocated, Directors must not transfer the ownership of a number of shares equal to twice their fixed annual remuneration, and must not exercise the options or rights till at least three years have elapsed since the allocation.

The foregoing shall not apply to the shares that the Director may need to dispose of, as the case may be, to meet the costs related to the acquisition thereof.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

63. Contractual agreements should include a clause enabling the Company to claim the refund of the variable remuneration when the payment was not adjusted to the performance conditions or when it was paid according to data that were subsequently proven not to be exact.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

64. Contract termination payments should not exceed an established amount equivalent to two years of the total annual remuneration and are not to be paid until the Company has been able to check that the Director has met the previously established performance criteria.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

H. Other information of interest

1. If you consider that there are any relevant principles or aspects of corporate governance in the Company or subsidiaries which have not been assessed in this report but which are necessary to include in order to provide more complete and reasoned information on the structure or governance practices of the company or group, state and explain the contents thereof below.
2. This section may include any other information, clarifications or nuances related to the previous sections of the report, insofar as they are relevant and not repetitive.

   Specifically, indicate whether the company is subject to laws other than those of Spain in the field of corporate governance and, as the case may be, include any information that it must provide other than that required in the report herein.
3. The company may also indicate whether it has voluntarily adhered to other codes of ethics or good practices, that are international, industry or otherwise. If applicable, identify the relevant code and the date of adherence. In particular, mention whether the Company has adhered to the Code of Good Tax Practice, of 20 July 2010.

FCC has its own Code of Ethics, approved by the Board of Directors on 10 June 2008, subsequently reviewed in 2010 and 2012. The Group has provided employees with a Whistleblowing Channel in relation to this Code.

FCC adhered to the United Nations Global Pact on 7 May 2007.

This Annual Corporate Governance report was approved by the Board of Directors of the Company at its meeting held on 10 March 2017.

State whether any of the Directors voted against or abstained from voting the approval of the report herein.

Yes ☐ No ☒

Name or company name of the Director who has not voted in favour of this report.	Reasons (against, abstention, not attended)	Explain the reasons

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INFORME DE AUDITOR REFERIDO A LA "INFORMACIÓN RELATIVA AL SISTEMA DE CONTROL INTERNO SOBRE LA INFORMACIÓN FINANCIERA (SCIIF)" DE FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. CORRESPONDIENTE AL EJERCICIO 2016.

A los Accionistas de Fomento de Construcciones y Contratas, S.A.,

De acuerdo con la solicitud del Consejo de Administración de FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (en adelante, la Entidad) y con nuestra carta propuesta de fecha 11 de enero de 2017, hemos aplicado determinados procedimientos sobre la información relativa al SCIIF incluida dentro del apartado F) del Informe Anual de Gobierno Corporativo (IAGC) adjunto de FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. correspondiente al ejercicio 2016, en el que se resumen los procedimientos de control interno de la Entidad en relación a la información financiera anual.

El Consejo de Administración es responsable de adoptar las medidas oportunas para garantizar razonablemente la implantación, mantenimiento y supervisión de un adecuado sistema de control interno así como del desarrollo de mejoras de dicho sistema y de la preparación y establecimiento del contenido de la información relativa al SCIIF incluida dentro del apartado F) del Informe Anual de Gobierno Corporativo (IAGC) adjunto.

En este sentido, hay que tener en cuenta que, con independencia de la calidad del diseño y operatividad del sistema de control interno adoptado por la Entidad en relación a la información financiera anual, éste sólo puede permitir una seguridad razonable, pero no absoluta, en relación con los objetivos que persigue, debido a las limitaciones inherentes a todo sistema de control interno.

En el curso de nuestro trabajo de auditoría de las cuentas anuales y conforme a las Normas Técnicas de Auditoría, nuestra evaluación del control interno de la Entidad ha tenido como único propósito el permitirnos establecer el alcance, la naturaleza y el momento de realización de los procedimientos de auditoría de las cuentas anuales de la Entidad. Por consiguiente, nuestra evaluación del control interno, realizada a efectos de dicha auditoría de cuentas, no ha tenido la extensión suficiente para permitirnos emitir una opinión específica sobre la eficacia de dicho control interno sobre la información financiera anual regulada.

A los efectos de la emisión de este informe, hemos aplicado exclusivamente los procedimientos específicos descritos a continuación e indicados en la Guía de Actuación sobre el Informe del auditor referido a la Información relativa al Sistema de Control Interno sobre la Información Financiera de las entidades cotizadas, publicada por la Comisión Nacional del Mercado de Valores en su página web, que establece el trabajo a realizar, el alcance mínimo del mismo, así como el contenido de este informe. Como el trabajo resultante de dichos procedimientos tiene, en cualquier caso, un alcance reducido y sustancialmente menor que el de una auditoría o una revisión sobre el sistema de control interno, no expresamos una opinión sobre la efectividad del mismo, ni sobre su diseño y su eficacia operativa, en relación a la información financiera anual de la Entidad correspondiente al ejercicio 2016 que se describe en la información relativa al SCIIF incluida dentro del apartado F) del Informe Anual de Gobierno Corporativo (IAGC) adjunto. En consecuencia, si hubiéramos aplicado procedimientos adicionales a los determinados por la citada Guía o realizado una auditoría o una revisión sobre el sistema de control interno en relación a la información financiera anual regulada, se podrían haber puesto de manifiesto otros hechos o aspectos sobre los que les habríamos informado.

Asimismo, dado que este trabajo especial no constituye una auditoría de cuentas ni se encuentra sometido a la normativa reguladora de la actividad de auditoría de cuentas vigente en España, no expresamos una opinión de auditoría en los términos previstos en la citada normativa.

Se relacionan a continuación los procedimientos aplicados:

1. Lectura y entendimiento de la información preparada por la entidad en relación con el SCIIF – información de desglose incluida en el Informe de Gestión – y evaluación de si dicha información aborda la totalidad de la información requerida que seguirá el contenido mínimo descrito en el apartado F, relativo a la descripción del SCIIF, del modelo de IAGC según se establece en la Circular nº 7/2015 de la CNMV de fecha 22 de diciembre de 2015.

2. Preguntas al personal encargado de la elaboración de la información detallada en el punto 1 anterior con el fin de: (i) obtener un entendimiento del proceso seguido en su elaboración; (ii) obtener información que permita evaluar si la terminología utilizada se ajusta a las definiciones del marco de referencia; (iii) obtener información sobre si los procedimientos de control descritos están implantados y en funcionamiento en la entidad.

3. Revisión de la documentación explicativa soporte de la información detallada en el punto 1 anterior, y que ha comprendido, principalmente, aquella directamente puesta a disposición de los responsables de formular la información descriptiva del SCIIF. En este sentido, dicha documentación incluye informes preparados por la función de auditoría interna, alta dirección y otros especialistas internos o externos en sus funciones de soporte a la Comisión de Auditoría y Control.

4. Comparación de la información detallada en el punto 1 anterior con el conocimiento del SCIIF de la entidad obtenido como resultado de la aplicación de los procedimientos realizados en el marco de los trabajos de la auditoría de cuentas anuales.

5. Lectura de actas de reuniones del Consejo de Administración, Comisión de Auditoría y Control y otras comisiones de la entidad a los efectos de evaluar la consistencia entre los asuntos en ellas abordados en relación al SCIIF y la información detallada en el punto 1 anterior.

6. Obtención de la carta de manifestaciones relativa al trabajo realizado adecuadamente firmada por los responsables de la preparación y formulación de la información detallada en el punto 1 anterior.

Como resultado de los procedimientos aplicados sobre la Información relativa al SCIIF no se han puesto de manifiesto inconsistencias o incidencias que puedan afectar a la misma.

Este informe ha sido preparado exclusivamente en el marco de los requerimientos establecidos por el artículo 540 del texto refundido de la Ley de Sociedades de Capital y por la Circular nº 7/2015 de fecha 22 de diciembre de la Comisión Nacional del Mercado de Valores a los efectos de la descripción del SCIIF en los Informes Anuales de Gobierno Corporativo.

DELOITTE, S.L.

Javier Parada Pardo
10 de marzo de 2017

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