

FCC Aqualia, S.A. and Subsidiaries

Consolidated Financial Statements
for the year ended December 31,
2018 and Consolidated Directors'
Report, together with Independent
Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of FCC Aqualia, S.A. and Subsidiaries,

Opinion

We have audited the consolidated financial statements of FCC Aqualia, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2018, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Most Significant Audit Matters

The most significant audit matters are those matters that, in our professional judgement, were considered to be the most significant risks of material misstatement in our audit of the consolidated financial statements of the current period. These risks were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those risks.

Recognition of unbilled revenue in water management services

Description

As indicated in Note 1 to the accompanying consolidated financial statements, one of the Group's main activities is integrated water cycle management, and it recognises revenue from supplying water to its customers. These services are billed in accordance with the frequencies established in each of the contracts with which the Group operates and, therefore, the revenue recognition process requires an estimation of the users' consumption for the periods between the date of the most recent meter reading and the reporting date. In this connection, the recognition of unbilled revenue for water supplies to users, including an estimate of water volumes consumed by them from the date of the most recent meter reading, was determined to be an area of significant auditor attention in our audit due to the materiality of the amount to be billed for work performed recognised as revenue with respect to the total net balance of trade receivables at 31 December 2018, and considering that, as indicated above, it requires Group management to make significant estimates.

Procedures applied in the audit

Our audit procedures to address this matter included, among others, the review of the design and implementation of the relevant controls that mitigate the risks associated with the process to account for unbilled revenue from the supply of water to customers, as well as the performance of tests to determine whether the aforementioned controls operate effectively (including information system controls, for which we involved our internal experts in systems technology). Also, we performed substantive procedures on a selective basis and for a sample of contracts, which included, inter alia and for the selected sample of contracts, the assessment of the reasonableness of the amounts recognised as amounts to be billed for work performed on the basis of the trends of comparable prior periods and the obtainment and adequate understanding of reports quantifying the amounts to be billed for work performed prepared by the service managers responsible for the performance of the aforementioned contracts in order to evaluate the reasonableness of the hypotheses and assumptions made by the Group.

The method used for recognising unbilled revenue for these services and the estimates made in this connection, as well as the additional disclosures relating to the amounts to be billed for work performed under the contracts, which are accounted for in accordance with the aforementioned method, are included in Notes 2-d.16, 2-d.17 and 11.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2018, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the information contained in the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels of responsibility in this regard:

a) A specific level that applies to the consolidated non-financial information statement, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the consolidated directors' report includes a reference to the fact that the information described in section a) above is presented in the consolidated directors' report of the higher FCC Group to which the Group belongs, and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2018 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Parent's Directors for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.


Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description, which is on pages 5 and 6, forms part of our auditor's report.

DELOITTE, S.L.
Registered in ROAC under no. S0692


Raquel Martínez Armendáriz
Registered in ROAC under no. 20755

27 February 2019

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the Parent's directors, we determine those risks that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the most significant assessed risks.

We describe those risks in our auditor's report unless law or regulation precludes public disclosure about the matter.



**FCC Aqualia, S.A.
and subsidiaries.**



CONSOLIDATED FINANCIAL STATEMENTS

- Financial statements
 - Consolidated balance sheet
 - Consolidated income statement
 - Consolidated statement of comprehensive income
 - Consolidated statement of changes in equity
 - Consolidated statement of cash flows
 - Notes to the consolidated financial statements
- Appendix I: Fully consolidated subsidiaries
- Appendix II: Proportionately consolidated jointly controlled operations
- Appendix III: Joint ventures accounted for using the equity method
- Appendix IV Joint ventures
- Appendix V: Changes in the scope of consolidation

CONSOLIDATED DIRECTORS' REPORT



FCC AQUALIA, S.A. AND SUBSIDIARIES
(CONSOLIDATED GROUP)
CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2018 AND 2017 (in thousands of euros)

ASSETS	2018.12	2017.12
NON-CURRENT ASSETS	2,243,353	2,330,608
1. Intangible assets (Note 4)	813,757	848,773
1. Concessions	717,355	751,910
2. Goodwill	85,305	85,306
3. Other intangible assets	11,097	11,557
2. Property, plant and equipment (Note 5)	338,465	333,927
1. Land and buildings	32,761	32,426
2. Plant and other items of property, plant and equipment	305,704	301,501
4. Investments in associates and jointly controlled entities (Note 7)	123,220	117,196
5. Non-current financial assets (Note 9)	916,633	992,702
6. Deferred tax assets (Note 18)	51,278	38,010
CURRENT ASSETS	730,540	577,013
2. Inventories (Note 10)	50,977	33,084
3. Trade and other receivables	206,853	234,429
1. Trade receivables for sales and services (Note 11)	134,445	181,910
2. Other receivables (Note 11)	66,810	52,454
3. Current tax assets	5,598	65
4. Other current financial assets (Note 9)	32,061	47,443
5. Other current assets	4,692	2,912
6. Cash and cash equivalents (Note 12)	435,957	259,145
TOTAL ASSETS	2,973,893	2,907,621

The accompanying Notes 1 to 27 and Appendices I to V are an integral part of the 2018 consolidated financial statements.



FCC AQUALIA, S.A. AND SUBSIDIARIES
(CONSOLIDATED GROUP)
CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2018 AND 2017 (in thousands of euros)

LIABILITIES	2018.12	2017.12
EQUITY (Note 13)	503,244	481,664
1. Equity attributable to the Parent	498,807	430,515
1. Shareholders' equity	525,746	467,926
1. Share capital	145,000	145,000
2. Share premium and reserves	253,713	230,793
4. Profit for the year attributable to the Parent	127,033	92,133
2. Valuation adjustments	(26,939)	(37,411)
2. Non-controlling interests	4,437	51,149
NON-CURRENT LIABILITIES	1,875,772	1,878,792
1. Grants (Note 17)	41,919	44,989
2. Non-current provisions (Note 15)	125,378	116,930
3. Non-current financial liabilities (Note 14)	1,658,924	1,660,613
1. Debt instruments and other marketable securities	1,552,445	1,551,554
2. Bank borrowings	38,340	41,851
3. Other financial liabilities	68,139	67,208
4. Deferred tax liabilities (Note 18)	45,414	51,937
5. Other non-current liabilities	4,137	4,323
CURRENT LIABILITIES	594,877	547,165
2. Current provisions (Note 15)	13,039	12,710
3. Current financial liabilities (Note 14)	53,285	47,525
1. Debt instruments and other marketable securities	17,737	18,031
2. Bank borrowings	8,448	11,228
3. Other financial liabilities	27,100	18,266
4. Trade and other payables	525,858	485,015
1. Payables to suppliers	227,374	212,507
2. Other payables (Note 16)	300,552	275,486
3. Current tax liabilities	(2,068)	(2,978)
5. Other current liabilities	2,695	1,915
TOTAL LIABILITIES AND EQUITY	2,973,893	2,907,621

The accompanying Notes 1 to 27 and Appendices I to V are an integral part of the 2018 consolidated financial statements.



FCC AQUALIA, S.A. AND SUBSIDIARIES
(CONSOLIDATED GROUP)
CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017 (in thousands of euros)

	2018.12	2017.12
Revenue (Note 20)	1,106,112	1,035,210
Own work capitalised (Note 5)	18,862	20,621
Other operating income (Note 20)	33,132	21,224
Changes in inventories of finished goods and work in progress	(8)	(2,520)
Procurements (Note 20)	(439,958)	(387,434)
Staff costs (Note 20)	(265,316)	(255,043)
Other operating expenses	(205,691)	(194,840)
Depreciation and amortisation (Notes 4 and 5)	(94,837)	(92,430)
Non-financial and other capital grants taken to income	4,233	4,548
Impairment and losses on disposal of non-current assets	(1,067)	(1,123)
Other gains/(losses)	963	588
OPERATING PROFIT	156,425	148,801
Finance income (Note 20)	30,958	20,277
Finance costs (Note 20)	(43,290)	(35,212)
Change in fair value of financial instruments	-	-
Exchange gains/(losses)	(903)	(3,038)
Impairment losses and gains on disposal of financial instruments	65	463
FINANCIAL LOSS	(13,170)	(17,510)
Profit of companies accounted for using the equity method (Note 7)	7,200	7,507
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS (Note 18)	150,455	138,798
Income tax (Note 18)	(19,422)	(37,288)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	131,033	101,510
CONSOLIDATED PROFIT FOR THE YEAR	131,033	101,510
Profit attributable to non-controlling interests (Note 13)	4,000	9,377
PROFIT ATTRIBUTABLE TO THE PARENT	127,033	92,133
Basic earnings per share	0.88	0.64

The accompanying Notes 1 to 27 and Appendices I to V are an integral part of the 2018 consolidated financial statements.



FCC AQUALIA, S.A. AND SUBSIDIARIES
(CONSOLIDATED GROUP)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED

31 DECEMBER 2018 AND 2017 (in thousands of euros)

	2018.12	2017.12
Consolidated profit for the year	131,033	101,510
Income and expenses recognised directly in equity	1,242	(12,201)
Cash flow hedges	(269)	273
Translation differences	635	2,566
Actuarial gains and losses and other adjustments	(251)	(534)
Entities accounted for using the equity method	1,060	(11,836)
Tax effect	67	(2,670)
Transfers to the income statement	-	-
Arising from cash flow hedges	-	-
Tax effect	-	-
Total recognised income/(expense)	132,275	89,309
a) Attributable to the Parent	128,081	78,012
b) Attributable to non-controlling interests	4,194	11,297

The accompanying Notes 1 to 27 and Appendices I to V are an integral part of the 2018 consolidated financial statements.

FCC AQUALIA, S.A. AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017 (in thousands of euros)

	Share capital (Note 13)	Share premium and reserves (Note 13)	Interim dividend (Note 13)	Profit for the year attributable to the Parent (Note 13)	Valuation adjustments (Note 13)	Equity attributable to the Parent (Note 13)	Non-controlling interests (Note 13)	Total equity
Balance at 31 December 2016	145,000	606,006	-	71,251	(23,616)	798,641	50,572	849,213
Total recognised income/(expense)	-	(326)	-	92,133	(13,795)	78,012	11,297	89,309
Transactions with shareholders or owners	-	(374,887)	-	(71,251)	-	(446,138)	(12,322)	(458,460)
Return of share premium	-	(32,538)	-	-	-	(32,538)	(1,148)	(33,686)
Distribution of dividends	-	(342,349)	-	(71,251)	-	(413,600)	(11,174)	(424,774)
Other transactions with shareholders or owners	-	-	-	-	-	-	-	-
Other changes in equity	-	-	-	-	-	-	1,602	1,602
Balance at 31.12.2017	145,000	230,793	-	92,133	(37,411)	430,515	51,149	481,664
Impact of transition to IFRS 15 and IFRS 9 (Note 2.b)	-	(10,576)	-	-	64	(10,512)	-	(10,512)
Balance at 01.01.2018	145,000	220,217	-	92,133	(37,347)	420,003	51,149	471,152
Total recognised income/(expense)	-	(118)	-	127,033	1,166	128,081	4,194	132,275
Transactions with shareholders or owners	-	32,623	-	(92,133)	9,213	(50,297)	(51,148)	(50,358)
Return of share premium	-	-	-	-	-	-	-	-
Distribution of dividends	-	92,133	-	(92,133)	-	-	(790)	(790)
Other transactions with shareholders or owners (Note 13)	-	(59,510)	-	-	9,213	(50,297)	(42,203)	(92,500)
Other changes in equity	-	991	-	-	29	1,020	242	2,282
Balance at 31.12.2018	145,000	253,713	-	127,033	(26,939)	498,807	4,437	503,244

The accompanying Notes 1 to 27 and Appendices I to V are an integral part of the 2018 consolidated financial statements.



FCC AQUALIA, S.A. AND SUBSIDIARIES
(CONSOLIDATED GROUP)
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2018 AND
2017 (in thousands of euros)

	2018.12	2017.12
Profit before tax from continuing operations	150,455	138,798
Adjustments to profit or loss	96,357	105,484
Depreciation and amortisation (Notes 4 and 5)	94,837	92,430
Other adjustments to profit (net)	1,520	13,054
Changes in working capital (Note 11)	50,645	45,758
Other cash flows from operating activities	(42,526)	(60,572)
Dividends received	1,610	963
Income tax refunded/(paid)	(39,633)	(55,645)
Other receipts/(payments) from operating activities	(4,503)	(5,890)
CASH FLOWS FROM OPERATING ACTIVITIES	254,931	229,468
Payments due to investments	(71,624)	(585,983)
Group companies, associates and business units	(3,220)	(519,150)
Intangible assets and property, plant and equipment (Notes 5, 6 and 7)	(61,349)	(61,087)
Other financial assets	(7,055)	(5,746)
Proceeds from disposals	94,459	815
Group companies, associates and business units	93,966	309
Property, plant and equipment and intangible assets	421	303
Other financial assets	72	203
Other cash flows from investing activities	30,385	43,268
Interest received	12,450	7,950
Other receipts/(payments) from investing activities	17,935	35,318
CASH FLOWS FROM INVESTING ACTIVITIES	53,220	(541,900)
Proceeds from and payments for equity instruments	(92,500)	(32,629)
Issue/(redemption)	-	(32,629)
(Acquisition)/disposal of own shares (Note 13)	(92,500)	-
Proceeds from (payments on) financial liabilities	(3,264)	948,861
Issue	5,022	1,362,403
Redemption and repayment	(8,286)	(413,542)
Dividends paid and payments on other equity instruments	(710)	(425,284)
Other flows from financing activities	(34,265)	(16,389)
Interest paid (Note 20)	(36,403)	(18,945)
Other receipts/(payments) from financing activities	2,138	2,556
CASH FLOWS FROM FINANCING ACTIVITIES	(130,739)	474,559
EFFECT OF EXCHANGE RATE DIFFERENCES AND OTHERS	(600)	(1,608)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	176,812	160,519
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	259,145	98,626
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 12)	435,957	259,145

The accompanying Notes 1 to 27 and Appendices I to V are an integral part of the 2018 consolidated financial statements.



Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018

1. GROUP ACTIVITY

FCC Aqualia, S.A. (hereinafter, the Parent or FCC Aqualia) was incorporated in Logroño on 26 May 1980 under the name Seragua, S.A. In June 1988, its registered office was transferred to Madrid and in July 2002 it adopted its company name “Aqualia Gestión Integral del Agua, S.A.”. On 2 April 2014, the agreement to change the company's name was executed in a public deed; accordingly, it became known as FCC Aqualia, S.A.

The FCC Aqualia Group is formed by the Parent and a group of Spanish and foreign investees, whose main activity is related to the end-to-end water cycle and which we set forth below in greater detail:

- Management of the end-to-end water cycle includes capture, transportation, treatment and distribution of water from wells, catchment basins and desalination plants to urban centres through pumping systems, pipe-work, distribution networks and complex water treatment facilities to make the water potable and deposit it. Once used, the water is collected through the sewerage networks and taken to purification plants, where it is treated before being returned to the natural environment.

The end-to-end water cycle requires conservation and upkeep, both of the water networks, the sewerage system and of water treatment and purification plants, and of the maintenance and repair of electrical, electronic and plumbing equipment and facilities, among others. All these works lead to the detection of leaks in the networks and to a better use of water.

The process is completed with the performance of technical, administrative and IT works for customer management such as, for example, the reading of meters, billing and collection management of receipts to subscribers and customer services.

- The construction, installation, operation, maintenance, management, repair, purchase, sale and promotion, for its own account or for the account of others, of all manner of treatment stations, plants and equipment, the recovery or elimination of waste and the purification of water and of all those facilities that treat such waste.

The joint ventures in which the FCC Aqualia Group participates perform the same activity and are



detailed in APPENDIX IV.

Also, the Parent has equity interests in companies with similar objects and activities to its own. The details of the fully consolidated, proportionately consolidated and equity-accounted companies are set forth in APPENDICES I, II and III, respectively.

The Group forms part of the FCC's End-to-end Water Management division, whose Parent is Fomento de Construcciones y Contratas, S.A., with registered offices at C/ Balmes, 36, Barcelona.

In 2018, Fomento de Construcciones y Construcciones, S.A., to date, the sole shareholder of FCC Aqualia, S.A., sold 49% of the share capital to Global Infraco Spain, S.L.U. belonging to the IFM Global Infrastructure Fund investment fund, and the FCC Group preserved its majority voting rights on the Shareholders' Meeting and on the Board of Directors, thereby maintaining its control over FCC Aqualia, S.A. Likewise, the FCC Group formed two companies (FCC TOPCO, S.a.r.l and its subsidiary FCC MIDCO, S.A), having contributed to the latter 10% of the shares held by the FCC Group in FCC Aqualia, S.A., which were pledged to secure certain obligations assumed by FCC vis-à-vis IFM, under the shareholders' agreement signed by the latter in relation to its investee FCC Aqualia, S.A., without the FCC Group considering that an enforcement risk exists thereover at the date of these financial statements.

2. REGULATORY FRAMEWORK, BASIS OF PRESENTATION, BASIS OF CONSOLIDATION AND ACCOUNTING POLICIES

a) Basis of presentation

The accompanying consolidated financial statements at 31 December 2018 were prepared by the Parent's directors, in accordance with the International Financial Reporting Standards (IFRSs) adopted by the European Union (IFRS-EU) 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 consolidated financial statements of FCC Aqualia for 2017 were approved at the Company's General Shareholders' Meeting on 16 April 2018.

The consolidated financial statements at 31 December 2018 were prepared from the accounting records kept by FCC Aqualia, S.A. and its investees. These records, which are determined in accordance with the applicable local regulations in each case, were adjusted to the IFRSs for each company comprising the Group, in line with the procedures and operating systems established by the Group, which enable the development and justification of consolidation in compliance with IFRS requirements.



The FCC Aqualia Group's consolidated financial statements at 31 December 2018 were prepared so that they present fairly the Group's consolidated equity and financial position at 31 December 2018, together with the results of its operations, the changes in the consolidated equity and the consolidated cash flows at the Group in the year then ended.

In order to uniformly present the various items composing these financial statements at 31 December 2018, accounting standardisation criteria were applied to the financial statements of the companies included in the scope of consolidation. In general, 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.

For comparison purposes, the 2018 consolidated financial statements include the figures for 2017.

No error corrections or changes in accounting policies from prior years were applied in the 2018 consolidated financial statements.

The consolidated financial statements are presented in thousands of euros as this is the main currency of the area in which the Group operates.

b) Changes in accounting policies

(1) New standards, amendments and interpretations are obligatory for the annual period beginning on 1 January 2018:

The standards that entered into force in 2018 that have already been adopted by the European Union and which have been used by the Group, if applicable, were as follows:

New standards, amendments and Interpretations:		Mandatory application for the Group
Approved for use in the European Union		
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRIC 22	Foreign currency transactions and prepayments	1 January 2018
Amendment to IFRS 2	Classification and measurement of shared-based payments	1 January 2018
Amendment to IAS 40	Transfers of investment property	1 January 2018
Amendment to IFRS 4	Insurance contracts	1 January 2018

On 1 January 2018, the Group applied IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" for the first time. Both standards were applied by recognising the accumulated effect of first-time application as an adjustment to the reserves existing at 1 January 2018. Accordingly, the comparative financial statements for 2017 have not been restated.

The impact of the first-time application of IFRS 15 "Revenue from Contracts with Customers" gave rise to a decrease in equity attributable to the Parent totalling 8,684 thousand euros, primarily as a result of the re-estimation of the revenue previously recognised under IAS 11 "Construction Contracts" and IAS 18 "Revenue", which do not comply with the requirements to be recognised as revenue under the new standard, as it establishes more restrictive criteria for their recognition due to generally requiring the approval of customers. The impact recognised represents a delay in the recognition of previously booked revenue due to modifications to construction contracts not approved by the customer which, in accordance with the standards in force at the end of 2017 (IAS 11 and IAS 18) were recorded when there were reasonable expectations that customer approval would take place in the future. Up until the end of 2017, these expectations were based on past experience in previous contracts with the same customer, involving works with similar characteristics, as well as on the assessment made at the time the relevant contract is concluded with each counterparty, including its solvency and capacity, which is reassessed as required in the event of any change to the contract, on the existence and content of negotiations with the customer and, furthermore, on the possibility of measuring, with sufficient reliability, the amount of the consideration to which it is entitled, all in accordance with probability criteria. In the case of transactions subject to variable consideration, the new standard stipulates that income will be recognised for the transaction in the amount that is highly likely not to suffer a significant reversal when the uncertainty concerning such transaction is subsequently resolved. Variable consideration notably includes revenues from claims made against customers which, in accordance with the criteria established by the preceding standard, were recognised based on probability criteria. Finally, IFRS 15 establishes the allocation to profit or loss of non-incremental expenses incurred when presenting bids that had previously been capitalised.

IFRS 15 also establishes the mandatory identification of the various performance obligations included in the same contract when clearly different activities are carried out under that contract. After analysing its contract portfolio, the Group has concluded that there is no significant impact because either integration services are rendered within the various businesses it carries out, or because they are highly interrelated. Similarly, the Group has developed a uniform method for recognising revenues from contracts with similar characteristics, as is required by the standard.

The first-time application of IFRS 9 "Financial Instruments" had a negative impact on equity attributable to the Parent, amounting to 1,892 thousand euros, arising from the negative impact of the application of the financial assets impairment model that the new regulation states must be estimated based on the expected credit loss, instead of on the credit loss actually incurred, as envisaged in IAS 39 "Financial Instruments: Recognition and Measurement".

IFRS 9 presents a new measurement scheme for hedge accounting, which may mean that in certain cases transactions which, under the preceding standard, did not meet the requirements to be considered hedges may now be defined as hedging transactions. Given the type of financial instruments that the Group uses to mitigate the financial risks to which it is exposed, it has not

identified new transactions that must be considered to be hedges under IFRS 9, or any impact on the accounting treatment.

IFRS 9 also establishes a new classification for financial assets based on the business model, and the Group manages its financial assets for the purpose of obtaining contractual cash flows, such that it must recognise them using the amortised cost method, except in those cases in which they are originally designated at fair value through changes in profit or loss. This treatment is consistent with that which was applied in accordance with the classification established by IAS 39 and, therefore, no significant impacts have been identified that would give rise to a change in the manner of measuring those financial assets.

The impact, broken down by balance sheet heading, of the first-time application of IFRS 15 and IFRS 9 was as follows:

<u>Balance sheet heading</u>	<u>Amount</u>
Trade receivables for sales and services	8.684
Non-current loans to third parties	1.892

(2) Mandatorily applicable new standards, amendments and interpretations for annual periods after the calendar year starting on 1 January 2018 (2019 and thereafter):

At the date of preparation of these notes to the financial statements, the most significant standards and interpretations that had been published by the International Accounting Standards Board (IASB) during the year, but which had not yet entered into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had yet to be endorsed by the European Union, are as follows:

		Mandatory application for FCC Group
Not adopted by the European Union		
Amendment to IAS 19	Plan amendment, curtailment or settlement	1 January 2019
Modification of the conceptual framework	References in IFRS to the conceptual framework	1 January 2019
Amendment to IFRS 3	Business combinations	1 January 2020
Amendments to IAS 1 and IAS 8	Definition of materiality	1 January 2020

The Group generally does not expect the application of the standards not yet approved by the European Union to have a significant impact on its financial statements.

With respect to the standards issued by the IASB in prior years that had not entered into force at the date of these financial statements, it must be highlighted that IFRS 16 "Leases" entered into force on 1 January 2019, which establishes, vis-à-vis the lessor, that all leases (except for certain exceptions relating to low amounts and duration) give rise to the recognition of an asset for the



right of use and to a liability for the future payment obligations incurred. The liability is recognised at the present value of the future cash flows for each lease and the asset in an equivalent amount, adjusted for any early payment made. The Group estimates that the impact will give rise to an increase in property, plant and equipment and an increase in other financial liabilities totalling approximately 72 million euros.

These amounts have been calculated taking into account that the Group will avail itself of the option to apply the standard on a retroactive basis, charging reserves without restating the preceding year's figures, and therefore the adjustment will only affect contracts previously classified as operating leases under the standard in force up until 31 December 2018. In the case of leases previously considered to be finance leases, no adjustment whatsoever will be applied. Furthermore, the Group will not apply the standard to low-value assets, or to contracts that mature within 12 months after the date of first-time application.

c) Basis of consolidation

Subsidiaries

A subsidiary is that over which the Company is capable of exercising effective control. This capacity manifests itself in general when the following three conditions are met: power over the investee; exposure or rights to variable returns from the investee; and the ability to use power over the investee to affect the amount of these returns.

The financial statements of subsidiaries are fully consolidated with those of the Company. Accordingly, all material balances and effects of the transactions between consolidated companies are eliminated on consolidation.

At the time of acquisition of a subsidiary, its assets and liabilities and contingent liabilities are calculated at their fair values at the date of acquisition that gives rise to the takeover, according to IFRS 3 - Business combinations. When the cost of acquisition is higher than the fair value of the identified net assets, the difference is recognised as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets, the difference is taken to profit or loss at the acquisition date.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal.

Also, the interest of minority shareholders is stated at their proportion of the fair values of the assets and liabilities recognised.



The ownership interests of third parties in the equity of their investees are presented in “Equity - Non-controlling interests” in the Group's consolidated balance sheet. Similarly, their share in profit for the year is presented under “Profit attributable to non-controlling interests” in the consolidated income statement (see Note 13).

The subsidiaries indicated in Appendix I were fully consolidated.

Jointly controlled operations

Joint arrangements are those in which investees are managed by a Group company and one or various third parties, in which the parties act jointly to manage significant activities, and in which the decisions regarding such significant activities require the unanimous consent of the parties.

A “jointly controlled operation” is a joint arrangement in which it has been concluded that the participant has direct rights and obligations in line with its proportional part in the arrangement's assets and liabilities.

The financial statements of jointly controlled operations are consolidated with those of the Company using proportionate consolidation, combining the balances and subsequent eliminations only in proportion to the Group's interest in these companies' share capital.

The assets and liabilities from the operations are recognised in the consolidated balance sheet, classified according to their specific nature. Similarly, the income and expenses originating from jointly controlled operations are recognised in the consolidated income statement by type.

The jointly controlled operations indicated in Appendices II and IV were proportionately consolidated.

Equity method

The Group's investments in associates and joint ventures (joint arrangements granting entitlement to net assets from the arrangement) are accounted for in the consolidated financial statements using the equity method, i.e. at a value equivalent to the Group's proportional share in their equity, after the deduction of dividends paid to the Group and other eliminations from equity.

The value of these investments in the consolidated balance sheet implicitly includes, where applicable, the goodwill arising on the acquisition thereof.

When the Group's investment in associates has been reduced to zero, the additional implicit obligations, if any, of the subsidiaries accounted for using the equity method are recognised under “Non-current provisions” in the consolidated balance sheet.



The joint ventures indicated in Appendices III were accounted for using the equity method.

Transactions between Group companies

Gains or losses on internal transactions between consolidated companies are eliminated and deferred until they are realised with third parties outside the Group.

Group work on its own non-current assets is measured at production cost, eliminating the intra-group results.

Inter-subsidiary receivables and payables were eliminated from the consolidated financial statements and those between the subsidiaries and the joint ventures and intra-Group income and expenses at all consolidated companies were also eliminated in proportion to the related ownership interests.

Standardisation

The companies included in the scope of consolidation were consolidated on the basis of their individual financial statements, prepared in accordance with the Spanish General Chart of Accounts for those companies resident in Spain, and in accordance with their own local regulations for foreign companies. All significant adjustments required to adapt them to International Financial Reporting Standards and to unify them with the Group's accounting methods were considered in the consolidation process.

Changes in the scope of consolidation

Appendix V presents the changes in the scope of consolidation in 2018 and 2017. The results of these companies are included in the consolidated income statement as from the effective acquisition date or until the effective disposal date, as appropriate.

The heading "Change in scope" in the corresponding notes to the consolidated financial statements shows the effect of the inclusions and exclusions of companies from the scope of consolidation.

d) Accounting policies

The accounting policies used to prepare the FCC Aqualia Group's 2018 consolidated financial statements are as follows:

d. 1 Concessions: Service concession arrangements

The concession contracts are arrangements between a public sector grantor and the FCC Aqualia Group companies, to provide public services for the distribution of drinking water, the construction



and operation of hydraulic infrastructure and others. 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 required to provide the service is returned to the concession grantor, generally for no consideration. Concession contracts are required to provide for the management or operation of the infrastructure. Likewise, a common characteristic is the existence of obligations to acquire or build all the items required to provide the concession service over the contract term.

When the characteristics of the standard are complied with, the aforementioned concession agreements are recognised pursuant to IFRIC 12 “Service Concession Arrangements”. In general, there are two clearly differentiated stages: in the first, the concession operator performs construction or upgrade services that are recognised according to the stage of completion, with a balancing entry in an intangible asset or a financial asset account; in the second, a series of maintenance and/or operating services related to the infrastructure are provided. In both cases, the revenues are recognised as set forth in IFRS 15 “Revenue from Contracts with Customers”.

Intangible assets are recognised when the demand risk of the service is assumed by the concessionaire. On the contrary, financial assets are recognised when the demand risk of the service is assumed by the grantor. These intangible assets also include the amounts paid in relation to the fees for the award of the concessions.

For concessions classified as intangible assets, provisions for dismantling, removal or rehabilitation and any steps to improve and increase 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 discounting of such 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 attributable to infrastructure financing are recognised as an expense in the period, capitalising, only in the intangible asset model, those that accrue during the construction phase and until the related infrastructure is put to use.

Intangible assets are amortised on a straight-line basis over the concession term.

Concession arrangements recognised as financial assets are measured at the fair value of the construction or upgrade services rendered. Under the amortised cost method, the corresponding income is allocated to profit or loss in accordance with the effective interest rate arising from the expected flow of receipts and payments from the concession.



d.2 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 regulations, the initial measurement of the assets and liabilities and their allocation to the various headings may be reviewed within the twelve months following the acquisition date, should it be necessary to consider new data.

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.

Non-controlling interests are generally measured based on the proportional stake held in the assets and liabilities of the acquired company.

If control over a business combination is achieved in stages in more than one transaction (successive purchases), the difference between the fair value at the time control over the preceding interest is obtained and the carrying amount of that interest is recognised as operating profit/(loss).

Once control is obtained over an investee, and until that control is lost, the difference between the amount of any additional equity interest acquired or sold and its carrying amount is accounted for in equity.

Goodwill is recognised as the positive difference between (a) the sum of the fair value of the consideration transferred as a result of the acquired interest and the fair value at the date on which control over these interests is acquired when control is obtained in stages and (b) the percentage of ownership acquired with respect to the fair value of identifiable assets and liabilities.

Goodwill is not amortised. However, it is tested for impairment at least at each balance sheet date, in order to recognise it at the lower of its recoverable value, estimated on the basis of expected cash flows, or acquisition cost, less any prior years' impairment losses. The accounting policies used to determine impairment are detailed in Note 2.d.5. The assumptions used in the impairment test are set forth in Note 4.

d.3 Other intangible assets

In this standard, we refer to the remaining intangible asset headings not included in the previous standards regarding service concession arrangements and goodwill.

These intangible assets include computer software, measured at acquisition cost, reduced by any accumulated amortisation and impairment losses. It is amortised over its estimated useful life of four years on a straight-line basis.



d.4 Property, plant and equipment

Property, plant and equipment is initially measured at acquisition cost and subsequently reduced by any accumulated depreciation and any impairment losses, as detailed in Note 2.d.5. The cost of those assets includes the estimated present value of their dismantling or the withdrawal of the affected items and, in those cases in which they have been contributed by acquired companies, they are initially recognised at their fair value on the acquisition date.

Upkeep and maintenance costs relating to property, plant and equipment are taken to the consolidated income statement in 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.

For non-current assets that necessarily take a period of more than twelve months to become ready for their intended use, the capitalised costs include such borrowing costs as might have been incurred before the assets became ready for their intended use and which have been charged by the supplier or relate to loans or other specific-purpose or general-purpose borrowings directly attributable to the acquisition or production of the assets.

Work done by the Group to build its own assets is recognised at the cumulative cost arising from the sum of external and internal costs, determined with respect to the in-house consumption of input materials, direct labour and manufacturing overheads calculated using absorption rates similar to those applied to measure the value of inventories.

The Group depreciates its property, plant and equipment using the straight-line method, at annual rates based on the years of estimated useful life of the assets, as follows:

YEARS OF ESTIMATED USEFUL LIFE	
Buildings	33 – 50
Technical installations and machinery	10 – 25
Other installations, tools and furniture	7 – 10
Other property, plant and equipment	4 – 6

The residual value, useful life and depreciation method applied to the Group's PP&E are reviewed periodically to ensure that the depreciation method used reflects the pattern in which the revenue deriving from operating the property, plant and equipment is obtained.

At least at the end of each reporting period, the companies determine whether there is any indication that an item or group of items of property, plant and equipment is impaired so that an impairment loss, or the reversal of such losses, can be recognised or reversed in order to adjust the



carrying amount of the assets to their value in use. Under no circumstances do reversals exceed all prior impairment recognised.

d.5 Impairment of non-financial assets

Intangible assets with finite useful lives and property, plant and equipment items are tested for impairment when there is any indication that the assets might have become impaired, in order to adjust their net 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 test 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 are charged or credited to income under “Impairment and losses on disposal of non-current assets”.

To calculate the recoverable amount of the assets subject to impairment tests, the present value of the net cash flows originating from the Cash Generating Units (CGUs) associated therewith was estimated, except those flows related with payments or collections on lending operations and income tax payments, together with those that arise from future improvements or refurbishments envisaged for the assets belonging to such Cash Generating Units. To discount cash flows, a pre-tax discount rate was used, which includes the current market assessments of the time value of money and the risks specific to each Cash Generating Unit.

The estimated cash flows were obtained from the projections made by the management of each CGU which, in general, involve five-year periods, except when the characteristics of the business advise longer periods. In this regard, to calculate the recoverable value of the Group's concession assets, the remaining concession term of the concessions is considered, and only if the Group has contractual compensation commitments likely to materialise will additional renewals be considered. Likewise, growth rates are included, backed by different business plans approved, frequently reviewed, considering zero growth rates for those periods beyond the years projected in the aforementioned plans. Also, it is necessary to indicate that sensitivity analyses are performed to assess the growth of income, operating margins, and discount rates, in order to foresee the impact of future changes in these variables.

Cash flows from CGUs located abroad are calculated in the functional currency used by those cash generating units and they are updated using discount rates that take into consideration the risk



premium relating to each currency. The present value of the net cash flows obtained in this manner are translated at the year-end exchange rate for each currency.

d.6 Leases

Leases are classified as finance leases whenever their terms imply that substantially all the risks and rewards incidental to ownership of the leased asset have been transferred. Other lease arrangements are classified as operating leases.

Finance leases

In finance lease transactions, the Group solely acts as the lessee. In the accompanying consolidated balance sheet, the Group recognises the cost of the leased assets by type and, simultaneously, it recognises a liability for the same amount. This amount is the lower of the fair value of the leased asset at the inception of the lease or, if lower, the present value of the minimum lease payments, plus the purchase option, when there is no reasonable doubt that it will be exercised. The calculation does not include contingent payments, service costs or taxes that may be passed on by the lessor. The total finance charge on the lease is recognised in consolidated profit or loss for the year in which it is incurred, using the effective interest method. Contingent instalments are recognised as an expense for the year in which they are incurred.

The assets recognised for this type of operations are depreciated at rates similar to those applied to property, plant and equipment, as a whole, taking their nature into account.

On expiry of the finance leases, the Group companies generally exercise the purchase option and the lease arrangements do not impose any restrictions regarding the exercise of this option. Also, the lease agreements do not contain any renewal or review clauses.

Operating leases

Operating lease expenses are recognised in the consolidated income statement in the year in which they are incurred.

Any payment received or made on entering into an operating lease is considered as revenue received in advance or a prepayment and taken to the income statement over the lease term in accordance with the pattern of economic benefits transferred or received.

d.7 Investments accounted for using the equity method

The investment is initially recognised at acquisition cost and is 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 investment is adjusted to reflect the proportion of the changes in these companies' equity that were not recognised in their profit or loss.

Necessary measurement adjustments are applied provided that there are indications of impairment, that is, that the recoverable value of the investment is lower than its carrying amount.

d.8 Financial assets

The financial assets held by the Group are classified into 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 Group companies' business, or financial assets that did not arise from the ordinary course of business, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.
- Investments held to maturity: debt securities with fixed or determinable payments traded in an active market which the Group intends and is able to hold to maturity.
- Financial assets available for sale: debt securities and equity instruments of other companies that are not classified in any of the previous categories.

Initial recognition

Financial assets are initially recognised at the fair value of the consideration given plus directly attributable transaction costs.

Subsequent measurement

- Loans, receivables and investments held to maturity are measured at amortised cost.
- Available-for-sale financial assets are measured at fair value and the net 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 permanently impaired, at which time, the cumulative gains or losses previously recognised in equity are recognised in consolidated profit or loss for the year. The asset is considered to be permanently impaired when its value has decreased over 18 months and by 40% of its initial quoted price without having recovered its value.
At least at each reporting date, the Company tests its financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the consolidated income statement.



Trade receivables arising in the Group's normal business activities are stated at their nominal value, adjusted by any expected credit losses over the course of their lives.

Interest received on financial assets is recognised using the effective interest method, while dividends are recognised when the shareholder's right to receive payment has been established. In any case, interest and dividends on financial assets accrued after the date of acquisition are recognised as income in the consolidated income statement.

Classification

Financial assets maturing within no more than twelve months from the balance sheet date are classified as current assets and those maturing within more than twelve months are classified as non-current.

Derecognition of financial assets:

The Group derecognises a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred, together with substantially all the risks and rewards of ownership of the financial asset, such as in the case of firm asset sales, the assignment of trade receivables in factoring operations in which the Group does not retain any significant credit or interest rate risk, sales of financial assets under an agreement to repurchase them at fair value and the securitisation of financial assets in which the transferor does not retain any subordinated debt, provide any kind of guarantee or assume any other kind of risk.

In contrast, the Group does not derecognise financial assets and recognises a financial liability for an amount equal to the consideration received in the transfer of financial assets in which it retains substantially all the risks and rewards of ownership, such as the discounting of bills, recourse factoring, sales of financial assets under repurchase agreements at a fixed price or at a selling price plus interest, and the securitisation of financial assets where the selling company retains subordinated financing or other types of guarantees that substantially absorb all of the expected losses.

d.9 Inventories

Inventories are stated at the lower of acquisition or production cost or net realisable value. Trade discounts, rebates, other similar items and interest included in the nominal amount of the payables are deducted when determining the acquisition cost.

Production cost includes the costs of direct materials and, where applicable, direct labour costs and manufacturing overheads incurred.



Net realisable value represents the estimated selling price less all estimated costs of completion and the costs to be incurred in the marketing, sale and distribution of the product.

The Group recognises the appropriate impairment losses and records them as an expense in the consolidated income statement when the net realisable value of inventories is lower than their acquisition cost (or production cost).

d.10 Foreign currency

The FCC Aqualia Group's functional currency is the euro.

Translation differences

In general, the financial statements of foreign operations denominated in currencies other than the euro have been translated to euros at the year-end exchange rates, with the exception of:

- Share capital and reserves, which were translated at historical exchange rates.
- The income statement items of foreign operations that were translated at the average exchange rates for the year.

Translation differences generated due to the application of the year-end exchange rate method are included net of taxes in "Equity" in the accompanying consolidated balance sheet.

Exchange gains/(losses)

Balances receivable and payable in foreign currencies at each company 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 updated and are allocated to profit or loss.

Also, the exchange differences arising in relation to the financing of investments in foreign operations (in which the investment and the financing are denominated in the same currency) are recognised directly in equity as translation differences.

d.11 Grants

Grants are recognised according to their nature.



Grants related to assets. Those intended for 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 taken to income as the asset or assets to which they relate are depreciated.

Grants related to income. Those other than those defined above that do not relate directly to an asset or group of assets. They are deemed to be operating income at the amount received when granted.

d.12 Provisions and contingencies

In preparing the consolidated financial statements, the Group's directors made a distinction between:

- a) Provisions: creditor balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources will be required to settle the obligation, which is uncertain as to its amount and/or timing.
- b) Contingent liabilities: possible obligations arising from past events, the materialisation of which will be confirmed only by the occurrence or non-occurrence of one or more future events beyond the control of the Group.

The consolidated financial statements include all the provisions with respect to which it is considered more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but rather they are disclosed in the notes to the financial statements, unless the possibility of an outflow is considered remote.

Provisions are stated at the present value of the best possible estimate of the amount necessary to cancel or transfer the obligation, taking into account the information available regarding the event and its consequences, and recognising those adjustments that arise from the restatement of those provisions as a finance cost as they accrue.

The compensation receivable from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will be received, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Group is not liable. In this situation, the compensation will be taken into account for the purpose of estimating the amount of provision that should be recognised, if any.

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. Profit or loss is affected when the asset concerned is depreciated



as described in previous sections of this Note and by the updated present value as described in the preceding paragraph.

Provisions are classified as current or non-current in the accompanying consolidated 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.

d.13 Financial liabilities

Financial liabilities are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These financial liabilities are subsequently measured at amortised cost.

Borrowing costs are recognised on an accrual basis in the income statement using the effective interest method and are added to the amount of the 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.

d.14 Financial derivatives and hedge accounting

A financial derivative is a financial instrument or another type of contract whose value varies in response to changes in certain variables, such as an interest rate, financial instrument price, foreign exchange rate, a credit rating or credit index or any other variable.

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:

- Cash flow hedges. In hedges of this type, the changes in value of the hedging instrument are recognised provisionally under Equity, and are taken to consolidated income when the hedged item materialises.
- Hedges of a net investment in a foreign operation. This type of hedge is aimed at covering foreign currency risk and is treated as a cash flow hedge.

IFRS 9 "Financial Instruments" states that an effectiveness test must be performed, consisting of a qualitative assessment of the financial derivative to determine whether it can be considered to be a hedging instrument and, therefore, effective.

The qualitative requirements that must be met are as follows:

- 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.
- The effectiveness requirements must be met. This means that there is a financial relationship between the hedged item and the hedging instrument such that both generally move in opposite directions upon the occurrence of the hedged risk. Credit risk must not have a dominant effect on the changes in the value of the hedged items and the hedging ratio must be equivalent to the percentage of the exposure to the covered risk.

The hedge is considered to be fully effective provided that the qualitative effectiveness test shows that it complies with those criteria. If not, the hedge would cease to be treated as a hedge and the hedge relationship would cease, recognising the derivative at its fair value through changes in profit or loss.

A quantitative analysis that will determine how the instruments are recognised takes place after their effectiveness has been assessed. This quantitative analysis consists of a retrospective portion for purely accounting purposes and another prospective portion intended to analyse any possible future deviations relating to the hedge.

The retrospective assessment analysis is adapted to the type of the hedge and the nature of the instruments used, and all of the financial derivatives contracted by the Group consist of cash flow hedges (Note 21):

- In the case of interest rate swaps (IRSs) in cash flow hedges, the Group receives a variable 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, and the effectiveness test determines whether changes in the fair value of the IRS cash flows offset changes in the fair value of the hedged risk.

The hypothetical derivative method is used for accounting purposes when performing the quantitative assessment of effectiveness, which establishes that the company will recognise in equity the lower of the absolute change in the value of the hypothetical derivative (hedged position) and the change in the value of the contracted derivative. The difference between the

value of the recognised change in equity and the fair value of the derivative on the date of the effectiveness test will be considered to be the ineffective portion and it will be directly recorded in the income statement.

A distinction must be made between the designated portion and the non-designated portion of cash flow hedges in which the derivative hedge instrument is an option or a forward and not an IRS:

- The treatment of the designated portion will be similar to that indicated for IRSs.
- The fair value of the non-designated portion (forward points or the temporary value of the options) will be recognised in other comprehensive income when related to the hedged portion and will be accumulated in a separate component of equity. This amount will be reclassified from the separate component of equity to the income statement for the period as a reclassification adjustment in the same period or periods in which the expected future cash flow hedges affect results for the period (for example, when a planned sale takes place).

Changes in the fair value of financial derivatives that do not qualify for hedge accounting are recognised in the consolidated income statement as they arise.

The value is calculated using defined methods and techniques based on observable market inputs, such as:

- The interest rate swaps 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 rate curve determined by employing a bootstrapping process for the deposits and swaps traded at any given time. This zero-coupon rate 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.
- The methodology used in the case of a cash flow hedge derivative associated with inflation is very similar to that used for interest rate swaps. Expected inflation is estimated based on observed inflation and is embedded in the swaps indexed to the ex-tobacco European inflation rate used in the market, and translated to the Spanish rate using 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, given different interest rate increase and decrease scenarios at year-end (Note 21).

Note 21 to these consolidated financial statements provides details of the financial derivatives that the FCC Aqualia Group has arranged and other matters related thereto.

d.15 Income taxes

Until 28 September 2018, the FCC Aqualia Group filed consolidated tax returns with the FCC Group, in accordance with file 18/89, including in this system all the Group companies that comply with the requirements of the tax legislation.

At 31 December 2017, the accrued income tax expense of companies that file consolidated tax returns is determined by taking into account the following parameters (aside from the parameters considered in individual tax returns set forth above):

- The temporary and permanent differences arising from the elimination of gains and losses due to transactions between tax Group companies, as a result of the calculation of the consolidated tax base.
- Tax relief and tax credits that relate to each company of the tax group under the regime of consolidated tax returns; for these purposes, tax relief and tax credits are recognised by the company that carried out the activity or obtained the income necessary to obtain the right to receive the tax relief and tax credit.
- The tax losses incurred at certain Tax Group companies that have been offset by the remaining Tax Group companies lead to a reciprocal credit and debit between the companies to which they correspond and the companies that offset them. If a tax loss cannot be set off by the other companies in the Tax Group, these tax assets for losses eligible for set off are recognised as deferred tax assets, following the methods established for their recognition, and the Tax Group is considered to be the taxpayer.
- The FCC Group's Parent recognised the total consolidated income tax payable (refundable) with a charge (credit) to Receivables from (Payables to) Tax Group companies.

Following the aforementioned sales transactions, FCC Aqualia ceased to form part of the consolidated tax group headed by Fomento de Construcciones y Contratas. As a result of the foregoing, the tax loss and tax credit carryforwards, together with unused temporary differences, must be reassigned to the company that generated them. Accordingly, at 31 December 2018, the Income tax expense (tax revenue) of each company belonging to the FCC Aqualia Group is calculated individually and comprises the part relating to the current tax expense (current tax revenue) and the part relating to the deferred tax expense (deferred tax revenue).



In this context, each company has revalued the deferred tax assets and liabilities in accordance with the new situation (see Note 18) and has separately posted the 2018 income tax balance payable.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit/(loss) nor taxable income/(tax loss).

Deferred tax assets are recognised to the extent that it is considered probable that the Group will have taxable profits in the future against which the deferred tax assets can be utilised.

At each year end recognised deferred tax assets are reassessed and all appropriate adjustments are made to the extent that there are any doubts regarding future recovery. Likewise, unrecognised deferred tax assets not accounted for in the consolidated balance sheet at each reporting close are recognised to the extent it is likely they will be recovered through future taxable profit.

Deferred tax assets and liabilities are recognised in the consolidated balance sheet under non-current assets or liabilities, irrespective of the expected date of realisation or settlement, without discounting them to present value.

d.16 Operating income and expenses

In water supply agreements, the Group recognises as income the amount corresponding to the cubic meters supplied to subscribers valued at the sales price.

This sales price is established for each agreement, based on the rates approved by each city council, published in the Official Gazettes of the respective province.

In relation to the cubic metres supplied, the Group makes frequent readings of its subscribers' consumption. At each reporting close, the Group assesses the unbilled sales of water supplies for the recognition of "Completed output pending certification" under "Trade receivables for sales and services" in current assets in the accompanying consolidated balance sheet at 31 December 2018. For quantification purposes, it takes into consideration the cubic meters consumed by each subscriber from the date of the last invoice until the date of the last meter reading performed, where appropriate. Likewise, the remaining consumption based on the available information of comparable historical periods between the dates of the last meter reading and the reporting close is estimated.

In Construction activities, the Group mainly recognises results in accordance with the degree of completion policy, which is determined by measuring the work that has been executed during the



period and its cost, which is recognised in the accounts on an accrual basis, recognising revenues at the selling price of the executed work, covered by a contract signed with the customer.

In relation to the service concession arrangements, the FCC Aqualia Group recognises as operating income the interest deriving from collection rights under the financial model, since the value of that financial asset includes the construction, upkeep and maintenance services that are identical, from an operating standpoint, to those set out in the intangible model and, consequently, it is considered that, accordingly, they provide an enhanced fair presentation, since both models are related to the Group's operating activities (Note 2.d.1).

The remaining 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.

d.17 Use of estimates

In preparing these consolidated financial statements, at 31 December 2018, Group has occasionally used estimates to quantify certain assets, liabilities, revenues, expenses and obligations recognised therein. These estimates relate essentially to the following:

- Impairment losses on certain assets (Notes 4, 5, 6, 7, 9, 10 and 11)
- The useful life of PP&E and intangible assets (see Notes 4 and 5)
- The amount of certain provisions (Note 15)
- The market value of certain derivatives (Note 21)
- The recoverability of deferred tax assets (Note 18).
- The Company's taxable profit to be reported to the tax authorities in the future, which has served as the basis for recognising the various income tax-related balances in these consolidated financial statements (see Note 18).
- Percentage of completion of construction activities. (Note 2.d.16)
- Estimate of the consumption of cubic meters supplied to subscribers between the dates of the last meter reading and the reporting close (see Note 2.d.16)

Although these estimates were made on the basis of the best available information on the facts analysed at the date of authorisation for issue of these consolidated financial statements, it is possible that future events may require these to be changed (upwards or downwards) in coming years, which would be done prospectively.

d.18 Related party transactions

The Group performs all of its transactions with related parties on an arm's length basis.

d.19 Pension obligations and similar liabilities

The Spanish Group companies have not generally established any pension plans to supplement the social security pension plans. However, under the Consolidated Pension Plans and Pension Funds Law, in those specific cases in which similar obligations exist, the companies externalise pension and similar obligations to its employees.

Also, certain foreign companies belonging to the Group assumed the commitment of supplementing the retirement and other similar commitments of its employees. Independent actuarial experts measured the commitments accrued and, where appropriate, the assets used, through generally accepted actuarial methods and techniques included, where appropriate, in the accompanying consolidated balance sheet under the “Non-current provisions” heading within “Non-current employee benefit obligations”, in line with the criteria set forth by IFRSs (Note 15).

d.20 Fair value hierarchies

Assets and liabilities measured at fair value are classified according to the hierarchy established in IFRS 7, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than prices quoted included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data

At 31 December 2018 and 31 December 2017, the Group only held Level 2 assets and liabilities relating to financial instruments measured as indicated in section d.14 "Financial derivatives and accounting hedges".

d.21 Activities with an environmental impact

In general, environmental activities are those operations whose main objective is to prevent, reduce or repair damage caused to the environment. In this regard, investments arising from environmental activities are valued at acquisition cost and capitalised as an addition to fixed assets in the year in which they are incurred.

Expenses arising from business activities aiming to protect and improve the environment are expensed in the year in which they are incurred.



d.22 Consolidated statements of cash flows

The consolidated statement of cash flows, prepared using the indirect method, employs the following terms defined below:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to changes in value.
- Operating activities: the principal revenue-producing activities of the Group and other activities that are not investing or financing activities
- Investing activities: the acquisition, disposal or holding by other means of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of equity and borrowings and that are not operating activities.

d.23 Termination benefits

Under current legislation, the Group companies are required to pay termination benefits to employees terminated under certain conditions.

The Parent's directors consider that as a result of possible dismissals of permanent employees that might arise in the future under normal circumstances and of the amounts payable with respect thereto, the liability incurred for indemnity payments would not be significant; accordingly, no provision was recognised in this regard in the financial statements for 31 December 2018.

d.24 Earnings per share

For the purposes of IAS 33, basic earnings per share are calculated by dividing net profit for the period attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the number of Parent shares held as treasury shares by Group companies. Diluted earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders, adjusted by the effect attributable to dilutive potential ordinary shares and by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of ordinary shares that would be issued assuming the conversion of all the potential ordinary shares into ordinary shares of the Parent. For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the year itself.

The scope of application of IAS 33 is the consolidated financial statements whose parent meets one of the following requirements:



- Its ordinary shares or potential ordinary shares are traded in a public market (a domestic or foreign stock exchange or over-the-counter market, including local and regional markets), or
- It files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any form of instrument in a public market.

At 31 December 2018 and 31 December 2017, the Parent's directors considered that basic earnings per share were the same as diluted earnings per share since none of the aforementioned circumstances arose.

3. DISTRIBUTION OF PROFIT OF THE PARENT

The proposed distribution of the Parent's 2018 profit that will be submitted for approval by shareholders at the Annual General Meeting is as follows:

PROPOSED DISTRIBUTION OF PROFIT <i>(Amounts in thousands of euros)</i>	
<u>Profit for the year</u>	116,644
Distribution:	
To voluntary reserves	116,644

4. INTANGIBLE ASSETS

The breakdown of intangible assets at 31 December 2018 and 2017 is as follows:

(thousands of euros)	Cost	Accumulated amortisation	Impairment	Net value
31.12.2018				
Concessions (Note 6)	1,501,016	(768,039)	(15,622)	717,355
Goodwill	85,330	-	(25)	85,305
Other intangible assets	33,465	(22,368)	-	11,097
TOTAL	1,619,811	(790,407)	(15,647)	813,757
31.12.2017				
Concessions (Note 6)	1,470,342	(703,896)	(14,536)	751,910
Goodwill	85,331	-	(25)	85,306
Other intangible assets	30,747	(19,146)	(44)	11,557
TOTAL	1,586,420	(723,042)	(14,605)	848,773



None of the intangible assets recognised were generated internally and, except goodwill, they all have a finite useful life; hence, they are amortised on a straight-line basis over the period during which it is estimated they will generate income, as follows:

	<u>Estimated useful life</u>
Concessions	5 – 50 years (duration of the concession)
Other intangible assets	4 years

Intangible assets located outside of Spain amounted to 83,146 thousand euros at 31 December 2018 (81,306 thousand euros at 31 December 2017).

There are no additional investment commitments to those already recognised in the specifications under “Non-current provisions” in the accompanying balance sheet (see Note 15).

Changes in intangible assets

The changes in this heading of the consolidated balance sheet in 2017 and 2018 were as follows:

(thousands of euros)	Concessions	Goodwill	Other intangible assets	Amortisation	Impairment	TOTAL
Balance at 31.12.16	1,450,901	85,331	23,455	(661,268)	(15,397)	883,022
Additions	25,148	-	7,045	-	-	32,193
Charges	-	-	-	(64,764)	(1,680)	(66,444)
Reversals	-	-	-	-	706	706
Derecognitions	(4,774)	-	(222)	3,181	1,766	(49)
Transfers	(933)	-	-	222	-	(711)
Translation differences	-	-	469	(413)	-	56
Changes in the scope of consolidation	-	-	-	-	-	-
Balance at 31.12.17	1,470,342	85,331	30,747	(723,042)	(14,605)	848,773
Additions	30,240	-	2,933	-	-	33,173
Charges	-	-	-	(65,428)	(1,966)	(67,394)
Reversals	-	-	-	-	924	924
Derecognitions	(17)	-	(69)	47	-	(39)
Transfers	(3,028)	-	(110)	33	-	(3,105)
Translation differences	-	-	(31)	26	-	(5)
Changes in the scope of consolidation	3,478	-	(5)	(2,043)	-	1,430
Balance at 31.12.18	1,501,015	85,331	33,465	(790,407)	(15,647)	813,757

Concessions

The administrative concessions are defined as those whereby the granting entity awards to a concessionaire (the FCC Aqualia Group), within a period, the construction and operation, or only the operation, of works which, being able to be operated, are required to provide public services of an economic nature.



The public works forming the scope of the concession will be built and operated at the concessionaire's risk and peril, with the latter assuming the economic risks arising from its execution and operation.

The Group recognises under "Concessions" the amounts contributed under the technical specifications, committed in the signing of the concession arrangements, together with other costs incurred to obtain water supply and sanitation service concessions.

In 2018, the Group recognised 30,240 thousand euros as an addition to administrative concessions, which corresponds mainly to the following contracts:

- San Pedro del Pinatar (Murcia), amounting to 7,600 thousand euros, for the renewal in this year and during 15 years, of the provision of the end-to-end water cycle and the investment commitments to be made in such period. The Company has been providing a service in this municipality since June 1988 on a constant basis.
- Pozuelo de Calatrava and Moral de Calatrava (Ciudad Real), amounting to 950 thousand euros, for the purchase from the previous concessionaire, under the water and sewage system supply agreement, in the first of the municipalities over 14 years and the supply, sewage system and purification at the second municipality over 20 years. The agreement was entered into with the approval of the respective city councils, and the Company was subrogated to all the rights and obligations of the former concessionaire.
- Municipalities of Costa Tropical de Granada, amounting to 3,009 thousand euros, for refurbishment and modernisation works in the supply and sanitation network in various of them, including mainly Motril and Almuñécar.
- La Guardia (Toledo), amounting to 500 thousand euros for the agreement reached with this municipality, whereby it transfers the management of the operation of the municipal water supply service to the Aguas del Río Algodor Association so that the Company, as concessionaire of the Association, may provide the service through indirect management.
- Other Spanish municipalities with significant additions under this heading are Añover de Tajo and Navalcán (Toledo), amounting to 420 thousand euros and 267 thousand euros, respectively, and Míajadas (Cáceres), totalling 265 thousand euros, for the investment commitment to be made in the water supply and sanitation networks of both municipalities.
- Guía de Isora (Santa Cruz de Tenerife), amounting to 2,412 thousand euros, for the investment commitment to be made in the network of that municipality.
- Cartaxo and Elvas (Portugal), amounting to 1,500 thousand euros and 1,950 thousand euros, respectively, for the investment commitment to be made in the water supply and sanitation networks of both municipalities.



At 31 December 2018 and 2017, the main administrative concessions were as follows:

2018.12

Contract	Concessions			Advances for Concession arrangements	Duration
	Cost	Am. YTD	Impairment		
Alcalá de Henares (Madrid)	16,474	(9,095)	-	-	25 years
Algeciras (Cadiz)	16,158	(6,110)	-	-	50 years
Almansa (Albacete)	9,234	(1,856)	-	-	25 years
Almería (Almería)	28,618	(14,448)	-	-	40 years
Arcos de la Frontera (Cadiz)	11,187	(2,779)	-	-	25 years
Badajoz (Badajoz)	52,795	(25,428)	-	-	50 years
Barbate (Cadiz)	7,218	(1,896)	-	-	25 years
Cabezo Torres (Murcia)	6,314	(5,224)	-	-	40 years
Calahorra (La Rioja)	6,497	(4,190)	-	-	25 years
Cartaya (Huelva)	8,724	(1,744)	-	-	25 years
Chipiona (Cadiz)	7,054	(3,504)	-	-	40 years
Denia (Alicante)	11,568	(6,649)	-	-	35 years
Gáldar (Gran Canaria)	12,920	(3,286)	(1,943)	-	25 years
Jaén (Jaén)	9,192	(6,616)	-	-	30 years
l'Atmella de Mar (Tarragona)	9,007	(5,044)	-	-	25 years
La Línea de la Concepción (Cadiz)	11,246	(7,674)	-	-	40 years
La Nucia (Alicante)	23,297	(10,671)	-	-	30 years
La Solana (Ciudad Real)	5,513	(2,287)	-	-	35 years
Llanera (Asturias)	9,544	(4,814)	(3,464)	-	25 years
Lleida (Lleida)	49,277	(10,353)	-	-	25 years
Lloret de Mar (Girona)	22,552	(11,762)	(2,873)	-	25 years
Los Alcázares (Murcia)	8,258	(6,797)	-	-	20 years
Mdad. El Girasol (Toledo)	7,855	(4,703)	-	-	25 years
Mdad. Río Algodor (Toledo)	7,678	(1,776)	-	-	50 years
Mérida (Badajoz)	21,402	(12,633)	-	-	30 years
Moguer (Huelva)	7,413	(2,502)	-	-	30 years
Oviedo (Asturias)	37,076	(15,428)	(122)	-	50 years
Salamanca (Salamanca)	8,053	(3,500)	-	-	25 years
San Lorenzo Escorial (Madrid)	6,511	(2,057)	-	-	30 years
Sanlúcar Barrameda (Cadiz)	17,268	(5,675)	-	-	40 years
Sant Feliu Guixols (Girona)	6,934	(4,196)	-	-	50 years
Sant Josep (Balearic Islands)	11,576	(5,622)	-	-	28 years
Santander (Cantabria)	86,350	(43,905)	-	-	25 years
Sóller (Balearic Islands)	6,681	(2,738)	-	-	30 years
Talavera de la Reina (Toledo)	25,354	(17,255)	-	-	25 years
Valverde del Camino (Huelva)	6,206	(1,551)	-	-	25 years
Vélez-Málaga (Malaga)	7,800	(3,968)	-	-	20 years
Vigo (Pontevedra)	183,100	(167,982)	-	-	30 years
Adeje (Tenerife)	119,925	(73,294)	-	-	5-50 years
Ecija (Seville)	9,585	(6,673)	-	-	25 years
Jerez de la Frontera (Cádiz)	101,986	(23,332)	-	-	25 years
La Línea de la Concepción (Cádiz)	10,015	(3,352)	-	211	12 years
Puerto de Santa María (Cádiz)	2,000	(367)	-	-	25 years
Alcázar de San Juan (Ciudad Real)	12,698	(3,381)	-	-	25 years
EDAR municipios (Teruel)	16,618	(8,024)	-	-	21 years
Municipios C.Tropical Granada	28,951	(10,906)	-	-	25 years
Abrantes (Portugal)	10,406	(3,457)	-	-	25 years
Campo Maior (Portugal)	4,032	(1,460)	-	-	30 years
Elvas (Portugal)	7,734	(1,955)	-	-	30 years
Cartaxo (Portugal)	25,517	(5,386)	-	-	35 years
Fundao (Portugal)	7,132	(1,595)	-	-	30 years
Caltanissetta (Italy)	50,543	(15,747)	-	5,376	30 years
Other	301,894	(161,392)	(7,245)	136	5-50 years
TOTAL	1,498,940	(768,039)	(15,647)	5,723	

2017.12

Contract	Administrative concessions			Advances for	Duration
	Cost	Am. YTD	Impairment	Concession arrangements	
Alcalá de Henares (Madrid)	16,474	(8,390)	-	-	25 years
Algeciras (Cadiz)	16,079	(5,758)	-	-	50 years
Almansa (Albacete)	9,234	(1,475)	-	-	25 years
Almería (Almería)	28,618	(13,436)	-	-	40 years
Arcos de la Frontera (Cadiz)	11,187	(2,332)	-	-	25 years
Badajoz (Badajoz)	52,795	(24,366)	-	-	50 years
Barbate (Cadiz)	7,218	(1,607)	-	-	25 years
Cabezo Torres (Murcia)	6,314	(4,698)	-	-	40 years
Calahorra (La Rioja)	6,497	(3,564)	-	-	25 years
Cartaya (Huelva)	8,697	(1,392)	-	-	25 years
Chipiona (Cadiz)	7,054	(3,180)	-	-	40 years
Denia (Alicante)	11,568	(6,070)	-	-	35 years
Gáldar (Gran Canaria)	12,920	(2,629)	(2,075)	-	25 years
Jaén (Jaén)	9,192	(6,310)	-	-	30 years
l'Atmella de Mar (Tarragona)	9,007	(4,684)	-	-	25 years
La Línea de la Concepción (Cadiz)	11,246	(7,165)	-	-	40 years
La Nucia (Alicante)	22,928	(9,634)	-	-	30 years
La Solana (Ciudad Real)	5,513	(2,127)	-	-	35 years
Llanera (Asturias)	13,761	(5,128)	(3,596)	-	25 years
Lleida (Lleida)	49,277	(8,247)	-	-	25 years
Llor de Mar (Girona)	22,552	(10,863)	(3,134)	-	25 years
Los Alcázares (Murcia)	8,258	(6,366)	-	-	20 years
Mdad. El Girasol (Toledo)	7,855	(4,284)	-	-	25 years
Mdad. Rio Algodor (Toledo)	7,678	(1,452)	-	-	50 years
Mérida (Badajoz)	21,188	(11,768)	-	-	30 years
Moguer (Huelva)	7,413	(2,203)	-	-	30 years
Oviedo (Asturias)	37,076	(14,647)	-	-	50 years
Salamanca (Salamanca)	8,053	(2,931)	-	-	25 years
San Lorenzo Escorial (Madrid)	6,511	(1,778)	-	-	30 years
Sanlúcar Barrameda (Cadiz)	17,268	(4,986)	-	-	40 years
Sant Feliu Guixols (Girona)	6,934	(4,101)	-	-	50 years
Sant Josep (Balearic Islands)	11,576	(5,231)	-	-	28 years
Santander (Cantabria)	86,350	(40,440)	-	-	25 years
Sóller (Balearic Islands)	6,681	(2,390)	-	-	30 years
Talavera de la Reina (Toledo)	28,354	(16,032)	-	-	25 years
Valverde del Camino (Huelva)	6,206	(1,302)	-	-	25 years
Vélez-Málaga (Malaga)	7,800	(3,656)	-	-	20 years
Vigo (Pontevedra)	179,964	(159,276)	-	-	30 years
Adeje (Tenerife)	117,491	(67,023)	-	-	5-50 years
Ecija (Seville)	9,585	(6,289)	-	-	25 years
Jerez de la Frontera (Cádiz)	101,986	(19,246)	-	-	25 years
La Línea de la Concepción (Cádiz)	10,015	(2,510)	-	211	12 years
Puerto de Santa María (Cádiz)	2,000	(267)	-	-	25 years
Alcázar de San Juan (Ciudad Real)	12,698	(2,938)	-	-	25 years
EDAR municipios (Teruel)	16,618	(7,150)	-	-	21 years
Municipios C.Tropical Granada	25,943	(10,252)	-	-	25 years
Abrantes (Portugal)	10,406	(3,093)	-	-	25 years
Campo Maior (Portugal)	4,032	(1,324)	-	-	30 years
Elvas (Portugal)	5,784	(1,671)	-	-	30 years
Cartaxo (Portugal)	24,016	(4,637)	-	-	35 years
Fundao (Portugal)	7,132	(1,347)	-	-	30 years
Caltanissetta (Italy)	44,181	(13,116)	-	9,301	30 years
Other	272,801	(147,135)	(5,731)	2,846	5-50 years
TOTAL	1,457,984	-70,896	(14,536)	12,358	



The water services business is characterised by having a very high number of contracts, and the most significant are listed in the preceding table. The contracts primarily cover end-to-end water cycles from capture, transport, treatment and distribution to urban centres through the use of distribution networks and complex water treatment facilities to make the water potable, including the capture and purification of wastewater. They relate to the construction and maintenance of water and sewerage networks and desalination, treatment and purification plants.

Invoices are generally issued based on the use of the service by subscribers, although in exceptional cases, primarily concerning desalination plants, a portion of the receipts originate from the grantor which, in some cases, guarantees a minimum amount equivalent to a certain level of turnover. Accordingly, in most cases, cash flows depend on the consumption of water, which generally remains constant over time.

However, the contracts normally include regular rate review clauses to ensure the recoverability of the investment made by the concessionaire. These clauses establish the future rates based on consumption in previous periods and other variables such as inflation. Concession companies build or receive the right to use distribution and sewerage networks in order to carry out their businesses, in addition to the complex facilities necessary to treat and purify drinking water. The concession terms for these types of infrastructures cover different periods up to a maximum of 50 years and then the facilities revert to the granting entity at the end of the concession without any further compensation being received.

Since the amount of the proceeds received from practically all of the contracts that are fully consolidated depends on the use of the service, therefore meaning that the amounts are variable, demand risk is borne by the concession company and the contracts are recognised as intangible assets. In some cases, including certain desalination plants, proceeds are received based on the cubic metres effectively desalinated, with the concession holder being guaranteed a minimum amount independent of the volume. Therefore, since this involves a fixed payment and the grantor bears the demand risk, those guaranteed amounts are classified as financial assets.

Other intangible assets

"Other intangible assets" includes mainly computer software acquired from third parties, which is amortised on a straight-line basis over four years, and other intangible assets used in concession arrangements.

Goodwill

The breakdown of goodwill (net of impairment) in the accompanying consolidated balance sheet at 31 December 2018 and 2017 was as follows:



(thousands of euros)	31.12.2018	31.12.2017
Depurplan 11, S.A.	18	18
Aqualia Intech, S.A.	2,523	2,523
Merger goodwill	82,764	82,765
TOTAL	85,305	85,306

Merger goodwill relates to that arising in 2002 and 2011 for the mergers by absorption of the Parent with various subsidiaries and which generated goodwill for the difference between the acquisition cost of such subsidiaries and the fair value of the identifiable net assets.

On 21 March 2013, Aqualia Industrial Solutions, S.A. Unipersonal (ex Graver Española, S.A.U.) was merged, as absorbing company, with Nilo Medioambiente, S.L. and Chemipur Químicos, S.L. (as absorbed companies).

On 23 November 2015, Aqualia Industrial Solutions, S.A. merged with Aqualia Intech, S.A., through the absorption by the latter of Aqualia Industrial Solutions, S.A. Unipersonal, both investees of FCC Aqualia. The absorption took place through the inclusion of all elements and the transfer en bloc of the assets and liabilities of the absorbed company to the absorbing company at consolidated values.

The main aspects of the estimates made and the sensitivity analysis in the impairment tests of goodwill were as follows:

- Merger goodwill. In the assumptions used to estimate cash flows, the Parent was deemed to be a cash generating unit as a whole. The main assumptions used are as follows:
 - Annual income growth: 3.1% the first year and an average of 13% for the following years.
 - Growth of perpetual annuity: Zero.
 - Discount rate before taxes: 5.36%.
 - Current cash flow projections do not display high sensitivity, bearing increases in the discount rate of over 16 percentage points, and a drop in cash flows of 88% without incurring impairment.



5. PROPERTY, PLANT AND EQUIPMENT

The net detail of property, plant and equipment at 31 December 2018 and 2017 is as follows:

(thousands of euros)	Cost	Accumulated depreciation	Impairment	Net value
31.12.2018				
Land and buildings	56,284	(23,523)	-	32,761
Land and natural resources	6,709	(41)	-	6,668
Buildings for own use	49,575	(23,482)	-	26,093
Plant and other items of property, plant and equipment	780,904	(475,178)	(22)	305,704
Plant	576,782	(322,409)	-	254,373
Machinery and vehicles	116,092	(90,883)	-	25,209
Property, plant and equipment in progress	4,137	-	-	4,137
Other PP&E	83,893	(61,886)	(22)	21,985
TOTAL	837,188	(498,701)	(22)	338,465
31.12.2017				
Land and buildings	55,182	(22,756)	-	32,426
Land and natural resources	6,732	(39)	-	6,693
Buildings for own use	48,450	(22,717)	-	25,733
Plant and other items of property, plant and equipment	751,815	(450,287)	-	301,501
Plant	55,475	(304,563)	-	254,912
Machinery and vehicles	111,374	(87,496)	-	23,878
Property, plant and equipment in progress	6,337	-	-	6,337
Other PP&E	74,629	(58,228)	(27)	16,374
TOTAL	806,997	(473,043)	(27)	333,927

The movements in the various PP&E headings in 2017 and 2018 were as follows:

(in thousands of euros)	Land and natural resources	Buildings for own use	LAND AND BUILDINGS	Plant	Machinery and vehicles	Property, plant and equipment under construction	Other PP&E	PLANT AND OTHER PP&E	DEPRECIATION	IMPAIRMENT LOSSES	TOTAL
Balance at 31.12.16	6,390	44,788	51,178	516,384	102,472	11,890	68,068	698,644	(431,041)	(39)	318,742
Additions	-	22	22	1,811	1,506	18,209	6,297	27,823	-	-	27,845
Changes	-	-	-	-	-	-	-	-	(28,187)	-	(28,187)
Reversals	-	-	-	-	-	-	-	-	-	12	12
Derecognitions	-	-	-	(1,592)	(2,184)	-	(431)	(4,207)	3,791	-	(416)
Transfers	35	1,890	1,925	17,740	5,779	(24,299)	282	(498)	-	-	1,427
Translation differences	307	1,750	2,057	25,212	3,801	627	413	30,053	(17,595)	-	14,515
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	(11)	-	(11)
Balance at 31.12.17	6,732	48,450	55,182	589,475	111,374	6,337	74,629	751,815	(473,043)	(27)	333,927
Additions	-	115	115	1,234	2,550	19,465	8,488	31,737	-	-	31,852
Changes	-	-	-	-	-	-	-	-	(29,358)	-	(29,358)
Reversals	-	-	-	-	-	-	-	-	-	5	5
Derecognitions	(28)	(182)	(210)	(895)	(1,558)	(3)	(383)	(2,839)	2,746	-	(303)
Transfers	22	1,304	1,326	18,508	3,853	(21,644)	1,140	1,857	(77)	-	3,106
Translation differences	(19)	(112)	(131)	(1,574)	(157)	(18)	(17)	(1,766)	1,058	-	(839)
Changes in the scope of consolidation	2	-	2	34	30	-	36	100	(27)	-	75
Balance at 31.12.18	6,709	49,575	56,284	576,782	116,092	4,137	83,893	780,904	(498,701)	(22)	338,465



Additions in 2018 amounted to 31,852 thousand euros (27,845 thousand euros in 2017), and the most important were those recognised in the contracts entered into by the Group in the Czech Republic, whose investments amounted to 19,083 thousand euros at 31 December 2018 (17,885 thousand euros at 31 December 2017).

The Group companies take out the insurance policies they consider necessary to cover the possible risks to which their property, plant and equipment is subject.

At 31 December 2018, PP&E located outside of Spain had a carrying amount of 297,858 thousand euros and was mainly found in the Czech Republic and Italy (298,593 thousand euros at 31 December 2017).

Fully depreciated property, plant and equipment used in production due to being in a good state of use totals 176,540 thousand euros at 31 December 2018 (157,418 thousand euros at 31 December 2017).

No interest was capitalised in 2018 or 2017, and the total capitalised interest at source was 3,836 thousand euros (3,836 thousand euros in 2017).

Restrictions on title to assets

In the scope of its activity, the Group acquires and builds items for its non-current assets, which will revert to the granting city councils at the end of the contracts.

The Group companies consider that the periodic maintenance plans for their facilities, the cost of which is recognised as an expense in the year in which it is incurred, are sufficient to ensure delivery of the assets that have to be returned to the concessionaire in good working order on expiry of the concession contracts and that, therefore, no significant expenses will arise as a result of their reversion.

Work performed on the Group's intangible assets

Through its specialised companies, the FCC Aqualia performs works and builds infrastructures assigned to water contracts, which are mostly provided in the Czech Republic and do not revert to the city councils that granted the contract. The amount capitalised in this regard amounted to 18,862 thousand euros at 31 December 2018 (20,621 thousand euros at 31 December 2017).

Finance leases

At 31 December 2018 and 2017, the Parent had transport equipment acquired under a finance lease, with a carrying amount of 42 thousand euros at 31 December 2018 (67 thousand euros at 31 December 2017).



The reconciliation of the amount of the future minimum lease payments to their present value was as follows (in thousands of euros):

	31.12.2018	31.12.2017
Future minimum payments	5	38
Unaccrued finance costs	-	(2)
Present value (see Note 14.c)	5	36

On expiry of the finance leases, the FCC Aqualia Group companies generally exercise the purchase option and the lease arrangements do not impose any restrictions regarding the exercise of this option.

The finance lease arrangements entered into by Group companies do not include instalments whose amount must be determined based on future economic events or indexes; accordingly, no expenses were incurred in the year for the payment of contingent rent instalments.

Operating leases

As lessee, operating lease payments recognised by the Group as expenses at 31 December 2018 amounted to 27,554 thousand euros (24,760 thousand euros at 31 December 2017). These instalments relate mainly to machinery leases in the performance of Group activities and the lease of structures for own use.

At 31 December 2018, irrevocable future payment commitments existed for operating leases covering office buildings, transport equipment and other items, totalling 53,165 thousand euros (45,991 thousand euros at 31 December 2017). The detail, by maturity, of the irrevocable future minimum payments is as follows:

	31.12.2018	31.12.2017
Up to one year	12,591	12,284
Between one and five years	36,598	31,435
After five years	3,976	2,272
	53,165	45,991



6. SERVICE CONCESSION ARRANGEMENTS

This Note presents an overview of all the Group's investments in concession businesses, which are recognised in various headings under "Assets" in the accompanying consolidated balance sheet.

The following table presents the total amount of the assets held under service concession arrangements by the Group companies to provide public services for the distribution of drinking water, the construction and operation of hydraulic infrastructure and others, which are recognised under "Intangible assets", "Non-current financial assets", "Other current financial assets" and "Investments accounted for using the equity method" in the accompanying consolidated balance sheet at 31 December 2018 and 2017.

CONCESSIONS AT 31.12.2018	Intangible assets	Non-current collection rights, concession arrangements	Current collection rights, concession arrangements	Loans to associates joint ventures cessionaires	Investments accounted for using the equity method in joint venture cessionaires	Total
(thousands of euros)	(Note 4)		(Note 9.b)	(Note 7)	(Note 7)	Investment
Cost	1,504,663	1,593	5,273	51,021	72,199	1,634,749
Amortisation/Depr eciation	(768,039)	-	-	-	-	(768,039)
Impairment	(19,269)	-	(5,118)	-	-	(24,387)
TOTAL	717,355	1,593	155	51,021	72,199	842,323

CONCESSIONS AT 31.12.2017	Intangible assets	Non-current collection rights, concession arrangements	Current collection rights, concession arrangements	Loans to associates joint ventures cessionaires	Investments accounted for using the equity method in joint venture cessionaires	Total
(thousands of euros)	(Note 4)		(Note 9.b)	(Note 7)	(Note 7)	Investment
Cost	1,470,342	-	5,118	53,228	63,968	1,592,656
Amortisation/Depr eciation	(703,896)	-	-	-	-	(703,896)
Impairment	(14,536)	-	(5,118)	-	-	(19,654)
TOTAL	751,910	-	-	53,228	63,968	869,106

Likewise, the concessionaires controlled by the Group are obliged, in accordance with the concession agreements, to acquire or build assets used in the concessions, in the amount of 62,780 thousand euros at 31 December 2018 (59,726 thousand euros at 31 December 2017).



7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

This heading includes the value of the investments in companies accounted for using the equity method, which includes both the investment and the non-current loans granted to such companies and the jointly controlled entities or associates accounted for using the equity method.

Movements in investments accounted for using the equity method in each year, by item, were as follows:

(thousands of euros)	Investments (Note 6)	Pending contributions (Note 6)	NC loans (Note 6)	ENDING BALANCE
Balance at 31.12.16	65,877	(41)	54,875	120,711
Acquisitions	230	-	-	230
Share of profit	6,941	-	-	6,941
Distribution of dividends	(981)	-	-	(981)
Sales	(289)	-	-	(289)
Pending contributions	-	-	-	-
Translation differences	(7,976)	-	-	(7,976)
Loans granted/(repaid)	-	-	(1,647)	(1,647)
Impairment charge/(reduction)	-	-	-	-
Other	207	-	-	207
Balance at 31.12.17	64,009	(41)	53,228	117,196
Acquisitions	713	-	-	713
Share of profit	7,314	-	-	7,314
Distribution of dividends	(839)	-	-	(839)
Sales	-	-	-	-
Pending contributions	-	-	-	-
Translation differences	857	-	-	857
Loans granted/(repaid)	-	-	(2,207)	(2,207)
Impairment charge/(reduction)	-	-	-	-
Other	186	-	-	186
Balance at 31.12.18	72,240	(41)	51,021	123,220

The joint ventures accounted for using the equity method are detailed in Appendix III.

The detail of assets, liabilities, revenue and profit and loss at 31 December 2018 and 2017 of each associate and jointly controlled entity, in proportion to the Group's ownership interest in each company, is set out below:



	(thousands of euros)	
	2018	2017
Balance Sheet		
Non-current assets	168,529	171,266
Current assets	71,279	69,492
Non-current liabilities	122,104	125,121
Current liabilities	52,190	53,741
Results		
Revenue	65,055	68,216
Net operating profit	15,251	15,350

In relation to the investments accounted for using the equity method, the FCC Aqualia Group granted guarantees for 650 thousand euros at 31 December 2018 (1,203 thousand euros at 31 December 2017), to financial entities, to ensure continued investment in the share capital of the affected subsidiaries during the term of the loan agreement.

8. JOINTLY CONTROLLED OPERATIONS

The Group companies carry on part of their activities through investments in businesses over which the FCC Aqualia Group jointly exercises control with other non-Group shareholders, mainly through Joint Ventures (JVs) and Economic Interest Groupings (EIGs). These businesses were proportionately consolidated, as indicated in Note 2 to these consolidated financial statements, provided that the investment grants direct rights over assets and direct obligations over liabilities.

The main figures of the various jointly controlled entities, in relation to assets and liabilities and to the income statement at 31 December 2018 and 2017, were as follows.

Joint ventures and economic interest groupings (Thousands of euros)	2018	2017
Revenue	172,547	148,247
Gross operating profit	41,157	32,010
Net operating profit	31,070	21,828
Non-current assets	46,218	60,360
Current assets	59,256	23,957
Non-current liabilities	26,037	30,407
Current liabilities	58,268	41,827



Appendix II lists the proportionately consolidated companies and Appendix IV lists the entities controlled jointly by non-Group third parties through joint ventures.

9. NON-CURRENT FINANCIAL ASSETS AND OTHER CURRENT FINANCIAL ASSETS

The detail of the most significant balances under “Non-Current Financial Assets” and “Other Current Financial Assets” in the accompanying consolidated balance sheet is as follows:

9.a) Non-current financial assets

The breakdown of the non-current financial assets is as follows:

<i>(Amounts in thousands of euros)</i>	Balance at 31.12.18	Balance at 31.12.17
Non-current loans to Group companies	808,945	884,349
Non-current loans, third parties	105,761	107,750
Non-current collection rights, concession arrangements	1,593	-
Held-to-maturity investments	165	165
Non-current derivative financial assets	169	438
Total	916,633	992,702

9.a.1 Non-current loans to Group companies

The detail of non-current financial loans to Group companies was as follows:

	Balance at 31.12.18	Balance at 31.12.17
Fomento de Construcciones y Contratas, S.A.	808,944	522,579
Asesoría Financiera y de Gestión, S.A.	-	361,763
Other	1	7
Total	808,945	884,349

On 8 June 2017, once the amount of the two non-convertible bond issues performed by the Parent had been obtained (see Note 14), FCC Aqualia granted the following loans to FCC Group companies.

- Fomento de Construcciones y Contratas, S.A. (ultimate parent of the FCC Group). Two loans amounting to 425,668 thousand euros and 90,174 thousand euros, maturing on 8 June 2029 and 2037, respectively. In both cases, the interest rate was 2.30% per year and



the interest was capitalised successively over the years, except the last interest period, and it was paid together with the refund of the principal at the maturity date.

- Asesoría Financiera y de Gestión, S.A. A loan in the amount of 357,099 thousand euros, which was the balance in favour of FCC Aqualia, arising from the cash pooling agreement in force between both companies from 24 June 2014 and which was terminated on 8 June 2017. In this case, the maturity date was set at 8 June 2037, the interest earned was 2.30% a year and interest was accumulated yearly until the last interest period, to be paid together with the principal at the maturity date.

The collection of these loans by the lender is subrogated to the obligations assumed by the two borrowers in the Refinancing Agreement signed by the FCC Group on 26 June 2014, and subsequently renewed in November 2014 and in June 2017.

On 28 September 2018, the Company signed a non-extinguishing modifying novation agreement on the three aforementioned loans, as follows:

- Early repayment of the loan granted to Fomento de Construcciones y Contratas, amounting to 90,174 thousand euros, plus the interest accrued to date from 8 June 2017, totalling 2,731 thousand euros.
- Adaptation into a single loan with Fomento de Construcciones y Contratas of the unpaid balances, both of the principal and of the interest, of the loans granted to Fomento de Construcciones y Contratas, for 425,668 thousand euros, and to Asesoría Financiera y de Gestión, totalling 357,099 thousand euros, plus accrued interest since 8 June 2017, amounting to 23,712 thousand euros.

For this loan with an overall balance of 806,479 thousand euros for all the foregoing items, a single maturity date was set for 28 September 2048, together with an interest rate of 3.55%, which will accrue in 12-month periods from 30 November each year.

This new loan is subordinated in the payment of the principal to the repayment conditions existing in the loan granted to Fomento de Construcciones y Contratas by a syndicate of financial entities.

Also, as a result of the new entry into force of the novation of the loan agreement, the loan conditions were substantially modified, not having any impact on the consolidated income statement.

9.a.2 Non-current loans, third parties

The repayment schedule envisaged for non-current loans granted by the Group companies to third parties was as follows:



At 31 December 2018:

(thousands of euros)	2020	2021	2022	2023	2024 and beyond	Total
Non-trade payables	11,201	11,212	11,253	11,298	41,107	86,071
Deposits and guarantees	762	0	10	0	18,918	19,690
Total	11,963	11,212	11,263	11,298	60,025	105,761

At 31 December 2017:

(thousands of euros)	2019	2020	2021	2022	2023 and beyond	Total
Non-trade payables	11,306	11,285	11,270	11,312	44,239	89,412
Deposits and guarantees	742	22	6	1	17,567	18,338
Total	12,048	11,307	11,276	11,313	61,806	107,750

The non-current loans with third parties are classified by type:

Amounts in thousands of euros	Balance at 31.12.18	Balance at 31.12.17
Non-current loans to public entities	86,047	89,354
Non-current deposits and guarantees given	19,690	18,338
Non-current loans to employees	24	58
TOTAL NON-TRADE LOANS BALANCE	105,761	107,750

Non-current loans to public entities include mainly the amounts granted to city councils to finance the performance of works and installations in the water network. These loans accrue variable interest tied to the Euribor, and are basically recovered in the rates of the associated concession arrangements.

LOANS TO THIRD PARTIES				
<i>(Amounts in thousands of euros)</i>				
FINAL MATURITY				
	31.12.18	31.12.17	< 5 YEARS	> 5 YEARS
Alboraya City Council	3,639	3,783		>2023
Alcalá de Henares City Council	3,176	3,446		>2023
Aller City Council	184	233		>2023
Ávila City Council	470	3,240		>2023
Bollullos Par del Condado City Council	1,415	1,416		>2023
Calasparra City Council	208	250		>2023
Callosa del Segura City Council	1,520	1,565		>2023
Caravaca de la Cruz City Council	179	209		>2023
Chipiona City Council	2,341	862		>2023
Cristina City Council	66	78		>2023
El Vendrell City Council	142	165		>2023
Güímar City Council	176	206		>2023
Hellín City Council	12	15		>2023
Hondón de los Frailes City Council	88	97		>2023
Jaén City Council	27,599	29,436		>2023
La Guardia City Council	408	426		>2023
La Línea City Council	1,068	1,227		>2023
Lepe City Council	10,490	10,490		>2023
Lora del Río City Council	314	533		>2023
Los Alcázares City Council	-	406		>2023
Magán City Council	180	207		>2023
Martos City Council	-	120		>2023
Matalascañas City Council	1,362	1,817		>2023
Medina del Campo City Council	-7	83		>2023
Mula City Council	238	416		>2022
Olivenza City Council	623	-		>2023
Puerto de la Cruz City Council	375	1,355		>2023
Ribera del Fresno City Council	278	316		>2023
Ronda City Council	2,515	2,768		>2023
San Pedro del Pinatar City Council	317	339		>2023
San Lorenzo del Escorial City Council	2,806	3,023		>2023
Sant Fost City Council	918	1,037		>2023
Solana de Los Barros City Council	135	153		>2023
la Tordera City Council	-	24	-	-
Turcia City Council	9	9		>2023
Ubrique City Council	371	569		>2023
Vélez-Málaga City Council	8,519	4,193		>2023
Villarrubia de Santiago City Council	155	159		>2023
Base General Menacho	140	153		2020
Campo de Gibraltar region	5,137	5,293		>2022
Regantes Llanos Villamartin community	78	435		>2022
Loans Caja Rural	-	1	2019	
Manc. Costa Tropical Granada	8,321	8,801		2031
Tierras del Adja Association	82	-		>2022
Total loans to third parties	86,047	89,354		



Deposits and guarantees given basically relate to the payments made due to legal or contractual obligations when carrying out businesses of the Group companies, mainly those performed for public entities as a result of guarantees received from customers for water supply services (see Note 14.c).

9.b) Other current financial assets

The detail of “Other Current Financial Assets” at 31 December 2018 and 2017 is as follows:

Amounts in thousands of euros	Balance at 31.12.18	Balance at 31.12.17
Other loans	21,886	32,017
Current loans to companies accounted for using the equity method.	4,622	4,692
Current loans to FCC Group companies	594	6,740
Current loans to non-Group third parties	15,119	18,361
Dividends receivable from joint ventures and associates	-	67
Dividends receivable from companies accounted for using the equity method	1,543	2,149
Dividend receivable from non-Group companies	8	8
Guarantees and deposits given	10,175	15,426
TOTAL	32,061	47,443

There are no restrictions as to the use of these assets, except for the amounts under “Guarantees and deposits given”, which relate to amounts paid to secure certain contracts, which will be surrendered upon maturity thereof.

10. INVENTORIES

The detail of “Inventories” at 31 December 2018 and 2017 was as follows:

<i>(Amounts in thousands of euros)</i>	Balance at 31.12.18	Balance at 31.12.17
Raw materials and other supplies	16,708	13,758
Prepayments on inventories	34,350	19,398
Impairment	(90)	(90)
Initial expenses, pre-project/project	9	18
TOTAL	50,977	33,084

Raw materials and other supplies include replacement parts, fuel and other materials required to perform activities.



Advances on inventories include deliveries to suppliers, normally in cash, on account of future supplies.

11. TRADE AND OTHER RECEIVABLES

a) Trade receivables for sales and services

The breakdown of "Trade receivables for sales and services" was as follows at 31 December 2018 and 2017:

(thousands of euros)	Balance at 31.12.18	Balance at 31.12.17
Progress billings receivable and trade receivables for sales	149,793	189,711
Assignment without recourse of trade receivables, third parties	(101,996)	(101,933)
Completed output pending certification	92,616	97,398
Warranty retainers	4,233	4,094
Output billed pending collection from FCC Group companies	28,537	34,476
Bad debt provisions receivable	(38,738)	(41,836)
TOTAL TRADE RECEIVABLES FOR SALES AND SERVICES	134,445	181,910

"Progress billings receivable and trade receivables for sales" includes the amount of the certifications to customers for work performed and services provided receivable at the consolidated balance sheet date. This heading does not include significant balances with a considerable age, concentrating over 50% of the amount from the foregoing table in an age of less than six months.

The difference between the amount of the output recognised for each of the water supply works and services, measured in accordance with the criteria set forth in Note d.16) "Operating income and costs" and the certified amount for each one of them is recognised as "Completed output pending certification". At 31 December 2018, "Completed output pending certification" includes 14,897 thousand euros relating to works and 77,719 thousand euros relating mainly to water supply to subscribers that had not been billed at the aforementioned date (15,017 thousand euros in works and 82,381 thousand euros at 31 December 2017).

The "Assignment without recourse of trade receivables, third parties" heading relates to collection rights assigned without recourse by the Group at 31 December 2018 and 31 December 2017 to a banking syndicate in which Banco Santander acts as lead bank, based on an agreement signed on 15 July 2011 and amended on 16 June 2014, providing it with the same maturity date as the FCC Group's Refinancing Agreement. Under this agreement, the Parent acts on its own behalf and also as the agent for two subsidiaries, Entemanser, S.A. and Aigues de Vallirana, S.A.U. In 2015, the joint limit available on the assignment was increased from 90,000 thousand euros to 102,000 thousand euros.



The changes in provisions for bad debt receivables in the period between 31 December 2016 and 31 December 2017 and between 31 December 2017 and 31 December 2018 were as follows:

(thousands of euros)	2018	2017
Opening balance	41,836	42,112
Net allowances	(3,121)	(306)
Changes in the scope of consolidation	25	-
Translation differences	(2)	30
Closing balance	38,738	41,836

The net period provisions for the year were recognised with a charge to “Other operating expenses” in the accompanying consolidated income statement at 31 December 2018.

b) Other receivables

The breakdown of the "Other receivables" heading at 31 December 2018 and 31 December 2017 was as follows:

(thousands of euros)	Balance at 31.12.18	Balance at 31.12.17
Tax receivables for grants awarded (Note 18)	32,432	32,377
Sundry receivables	20,349	17,289
Payroll advances	-	59
VAT refundable	11,841	2,233
Accrued social security taxes refundable	634	440
Indirect taxes borne	1,554	56
TOTAL OTHER RECEIVABLES	66,810	52,454

“Tax receivables for grants awarded” was due to the balances receivable for grants awarded for R&D projects due to operating deficits receivable for water services.

“Sundry accounts receivable” includes, among others, the amount recognised in 2017, based on a legal ruling favourable to the Parent for damages and losses against Monóvar Municipal Council (Alicante), amounting to 4,765 thousand euros in principal and 548 thousand euros in interest.

12. CASH AND CASH EQUIVALENTS

Up to the date of issue of the bonds referred to in Note 14, the Company participates in the cash pooling system of the FCC Group to which it belongs. From the aforementioned date onwards, cash was managed autonomously; accordingly, the Company increased its levels of cash considerably arising from its ability to generate cash flows.



(thousands of euros)	Balance at 31.12.18	Balance at 31.12.17
Cash	435,957	259,145
TOTAL	435,957	259,145

Breakdown by currency (thousands of euros)	Balance at 31.12.18	Balance at 31.12.17
Czech crowns	23,266	24,637
US dollars	2,121	4,751
Euros	385,856	212,311
Algerian dinars	1,727	815
Serbian dinar	797	1,542
UAE dirham	3,869	555
Egyptian pound	36	7,357
Chilean peso	151	157
Mexican pesos	15,968	3,853
Bosnian mark	1	5
Saudi riyal	1,708	3,017
Uruguayan peso	379	67
Colombian peso	27	78
Sucre	51	-
TOTAL	435,957	259,145

In 2018 and 2017, the Group's cash balances earned interest at markets rates. At 31 December 2018 and 2017, in relation to the bonds issued by the Company, which are detailed in Note 14, guarantees were provided in relation to certain accounts which, at their respective dates, have a balance of 285,489 thousand euros and 166,178 thousand euros. Despite the foregoing, of these amounts, only those included in the debt servicing account, whose balance amounts to 34,118 thousand euros at 31 December 2018 and 31,729 thousand euros at 31 December 2017, are restricted vis-à-vis the Company.



13. EQUITY

The consolidated statements of changes in equity at 31 December 2018 and 2017 show the changes in equity attributable to the shareholders of the Parent in the respective years.

Equity attributable to shareholders of the Parent

a) Share capital

FCC Aqualia, S.A.'s share capital is represented by 145,000,000 ordinary bearer shares with a par value of 1 euro each. All shares are fully subscribed and paid and carry the same rights. The Company's shares are not traded on the stock market.

As indicated in Note 1, in 2018, Fomento de Construcciones y Contratas, S.A. sold 49% of share capital to Global Infraco Spain, S.L.U., belonging to the IFM investment fund and transferred 10% of its equity interest to a company wholly owned by the FCC Group, known as FCC MIDCO, S.A., and its shareholder structure was thereby distributed as follows:

Shareholder	No. of securities	% direct ownership interest
Fomento de Construcciones y Contratas, S.A.	59,450,000	41.00
Global Infraco Spain, S.L.U.	71,050,000	49.00
FCC MIDCO, S.A. (*)	14,500,000	10.00
	145,000,000	100.00

(*) FCC MIDCO, S.A. is wholly owned by Fomento de Construcciones y Contratas, S.A., hence Fomento de Construcciones y Contratas, S.A. is the direct and indirect holder of 51% of FCC Aqualia, S.A.

b) Share premium and reserves

The breakdown of this heading at 31 December 2018 and 2017 was as follows:

Amount in thousands of euros	Balance at 31.12.18	Balance at 31.12.17
Reserves of the Parent	215,957	141,951
Consolidation reserves	37,756	88,842
	253,713	230,793

b.1) Reserves of the Parent

This heading contains a series of reserves set up by the Group's Parent, FCC Aqualia, S.A., in relation to retained earnings and to comply with certain applicable legislation.



The detail at 31 December 2018 and 2017 is as follows:

Amount in thousands of euros	Balance at 31.12.18	Balance at 31.12.17
Share premium	79,481	79,481
Legal reserve	29,000	29,000
Voluntary reserves	74,765	759
Special reserves	76	76
Goodwill reserves	32,635	32,635
	215,957	141,951

Share premium and voluntary reserves

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.

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 reserve.

At its Annual General Meeting of 8 June 2017, the Parent approved a dividend distribution with a charge to Reserves and Share Premium, amounting to 446,000 thousand euros, which was paid in June 2017, with a charge to the following accounts:

Distribution with a charge to Share premium	32,537
Distribution with a charge to Voluntary reserves	413,463
Total	446,000

Legal reserve

Under the Spanish Limited Liability Companies Law, the Parent must earmark an amount equal to 10% of its profit for the year to the legal reserve until such reserve represents at least 20% of share capital. The legal reserve cannot be distributed to shareholders except in the event of liquidation.

The legal reserve may be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

At 31 December 2018 and 31 December 2017, this reserve had been set up in full.



Goodwill reserve

Under article 273.4 of the Consolidated Spanish Limited Liability Companies Law in force until 31 December 2015, the Parent had been provisioning a restricted reserve for the amount of the goodwill appearing on the asset side of the consolidated balance sheet over a 20-year period, whose balance at 31 December 2018 and 2017 was 32,635 thousand euros.

In accordance with the amendments made to the Spanish Limited Liability Companies Law by Audit Law 22/2015, of 20 July, for reporting periods beginning on or after 1 January 2016, the Company will interrupt contributions to this goodwill reserve, and any amount that exceeds the goodwill reported on the asset side of the balance sheet will be made available as from this year.

b.2) Consolidation reserves

“Consolidation Reserves” in the accompanying consolidated balance sheet includes the reserves at fully consolidated companies and at companies accounted for using the equity method generated from the date on which the companies were acquired.

The detail of the amounts included under this heading for each of the most significant companies at 31 December 2018 and 2017 is as follows:

Amount in thousands of euros	Balance at 31.12.18	Balance at 31.12.17
FCC Aqualia, S.A.	42,275	29,946
Abrantaqua, S.A.	645	437
Acque di Caltanissetta, S.p.a.	3,508	2,762
AISA Montenegro	(970)	395
Aisa Pristina LLC	122	(179)
Aisa D.O.O. Beograd-Vracar	(1,567)	(243)
Agua do Fundao, S.A.	193	24
Aigües de Vallirana, S.A.	1,517	1,417
Aquajerez, S.L.	(5,201)	(5,904)
Aqualia Mace LLC	366	(2,405)
Aquos el Realito, S.A. de CV	2,202	1,850
AIE Costa Tropical de Granada	(878)	(567)
Aqualia Czech, S.L.U.	(33,321)	7,076
Aqualia Intech, S.A.	18,426	16,622
Aqualia México, S.A de C.V.	7,336	7,942
Aqualia Infraestructuras Inzenyring	(23,449)	(6,861)
Aqualia New Europe, B.V.	1,246	1,246
Colaboración, Gestión y Asistencia, S.A.	0	(1,228)
Conservación y Sistemas, S.A.	267	267
Constructora de Infraestructuras de Aguas de Queretaro SA de CV	(5,677)	(3,262)
Constructora de Infraestructuras de Aguas de Potosí SA de CV	(8,677)	(6,628)
Depurplan 11, S.A.	357	(239)
Empresa Gestora de Aguas Linenses	253	107
Entemanser, S.A.	(32,006)	(25,716)
FCC Aqualia América, S.A., Unipersonal	(549)	(748)
FCC Aqualia USA CORP	(1,321)	(621)
FS Colaboración y Asistencia, S.A.	0	1,363



Amount in thousands of euros	Balance at 31.12.18	Balance at 31.12.17
Girona, S.A.	1,580	1,640
Hidrotec Tecnología del Agua, S.L.U.	11,215	11,095
Infraestructura y distribución general del agua, S.L.U.	(2,295)	(1,984)
Inversora Riutort, S.L.	287	288
Orasqualia Construction, S.A.E.	685	682
Orasqualia DEVEL.Waste T.P.S.A.E.	8,782	6,774
Orasqualia O&M	1,756	848
HA Proyectos especiales Hidráulicos S.R.L. de C.V.	693	1,211
Proveïments d'aigua, S.A.	414	343
Shariket Tahlya Miyah Mostaganem	32,279	28,100
Shariket Miyeh Ras Djinet	9,599	8,394
SmVak	(13,616)	(5,917)
Sociedad Española de Aguas Filtradas, S.A.	3,305	2,893
Suministro de Aguas de Querétaro, S.A. de C.V.	262	217
Tratamiento Industrial de Aguas, S.A.	17,133	17,144
Vodotech Spol SRO.	201	56
Other companies	379	205
Total consolidation reserves	37,756	88,842

FCC Aqualia, S.A. included an amount of 42,275 thousand euros at 31 December 2018 (29,946 thousand euros at 31 December 2017), as consolidation reserves for those arising from the distribution in each year of the dividends of the subsidiaries and which, in the following year, become reserves of the Parent.

c) Valuation adjustments

This heading includes cash flow hedge derivatives (Note 21), together with translation differences arising from the translation to euros of the financial statements of subsidiaries denominated in another currency.

The details at 31 December 2018 and 2017 (in thousands of euros) were as follows:

	Balance at 31.12.18	Balance at 31.12.17
Valuation adjustments	(91)	(119)
Translation differences	(26,848)	(37,292)
	(26,939)	(37,411)



The amounts under "Valuation adjustments" for each of the most significant companies at 31 December 2018 and 2017 were as follows (in thousands of euros):

	Balance at 31.12.18	Balance at 31.12.17
Aquajerez, S.L.	64	168
Aquos el Realito, S.A. de C.V.	(155)	(287)
	(91)	(119)

The amounts under "Translation differences" for each of the subsidiaries with a functional currency other than the euro at 31 December 2018 and 2017 were as follows:

(thousands of euros)	Balance at 31.12.18	Balance at 31.12.17
Algeria	(12,013)	(12,733)
Shariket Tahlya Miyah Mostaganem S.p.a.	(8,809)	(9,338)
Shariket Miyeh Ras Djinet S.p.a.	(3,204)	(3,395)
Mexico	(3,974)	(4,301)
Aqualia México, S.A. de C.V.	(3,685)	(4,277)
Suministro Aguas de Querétaro, S.A. de C.V.	(103)	(123)
Constructora de Infraestructuras de Agua de Querétaro, S.A. de C.V.	241	478
Aquos El Realito, S.A. de C.V.	(1,590)	(1,845)
Operadora El Realito, S.A. de C.V.	(15)	(22)
HA Proyectos especiales Hidráulicos S.R.L. de C.V.	(107)	(136)
Constructora de Infraestructuras de Aguas de Potosi, S.A. de C.V.	1,318	1,624
Aqualia desalacion Guaymas S.A. de C.V.	(33)	-
Egypt	(14,533)	(14,871)
Orasqualia Devel. Waste. T.P.	(13,188)	(13,412)
Orasqualia Construction S.A.E.	(580)	(579)
Orasqualia O&M	(765)	(880)
Czech Republic	3,350	(5,581)
Aqualia Czech, S.L.U.	1,796	916
Smvak	1,783	(6,363)
Aqualia Infraestructuras Inzenyring, s.r.o.	(233)	(138)
Vodotech Spol, s.r.o.	4	4
United States	(58)	(37)
FCC Aqualia USA Corp.	(58)	(37)
Colombia	(5)	(4)
Sera. Q.A. Duitama E.S.P. S.A.	(5)	(4)
Serbia	(54)	(52)
Aisa D:O:O: Beograd-Vracar	(54)	(52)
Abu Dhabi	402	287
Aqualia MaceLLC	402	287
Oman	37	-
Omán Sustainable Water Services SAOC	37	-
Total translation differences	(26,848)	(37,292)

The main change in 2018 took place in the Czech Republic, due to the change of ownership interest in Aqualia Czech and Smvak, following the acquisition of 49% of such subgroup, pursuant to that described in section e) below, with translation differences changing from non-controlling interests to the Parent.



The main net investment balances abroad, by geographical market, expressed in thousands of euros, were as follows:

Amounts in thousands of euros	Balance at 31.12.18	Balance at 31.12.17
Mexico	14,924	1,847
Czech Republic	77,712	66,948
United States	1,976	1,310
Serbia	2,460	2,368
Other	204	75
TOTAL	97,276	72,548

d) Consolidated profit attributable to the Parent, by company.

The detail, by company, of the consolidated profit attributable to the Parent, is distributed as follows:

Amounts in thousands of euros	31.12.18	31.12.17
Abrantaqua, S.A.	182	209
Acque di Caltanissetta, S.p.A	1,607	746
Aguas de Alcáidesa, S.L. Unipersonal	33	-
Aguas de Alcázar Empresa Mixta, S.A.	150	125
Aguas de Archidona, S.L.	(10)	(1)
Aguas de Denia, S.A.	25	1
Aguas de las Galeras, S.L.	730	306
Aguas de Narixa, S.A.	(69)	(32)
Aguas de Priego, S.L.	(4)	(17)
Aguas del Puerto Empresa Municipal, S.A.	(462)	(368)
AIE Sorea-Aqualia	0	(6)
AIE Costa Tropical de Granada	878	567
AIE ITAM Delta de la Tordera	0	(1)
Aigües de Blanes, S.A.	22	25
Aigües de Girona Salt i Sarrià del Ter	0	5
Aigües de Vallirana, S.A.U.	63	100
Aigües del Tomoví, S.A.	2	41
Aqua Campiña, S.A.	306	422
Aquaervas - Aguas de Elvas, S.A.	391	55
Aquafundalia – Agua do Fundão, S.A.	212	169
Aquajerez, S.L.	568	702
Aqualia Czech, S.L.	(79)	(60)
Aqualia Desalación Guaymas, S.A. de C.V.	150	-
Aqualia México, S.A. de C.V.	(1,946)	627
Aqualia Infraestructuras Inzenyring, s.r.o.	1,350	676
Aqualia Infraestructuras Montenegro	(768)	(1,366)
Aqualia Infraestructuras Beograd-Vracar	(866)	(1,324)
Aqualia Infraestructuras Mostar	(10)	3
Aqualia Infraestructuras Pristina, LLC	454	301
Aqualia Intech, S.A.	2,139	2,870
Aqualia MACE LLC	2,674	2,771
Aqualia New Europe B.V.	(56)	(207)
Aquamaior – Aguas de Campo Maior, S.A.	57	85



Amounts in thousands of euros	31.12.18	31.12.17
Aquos El Realito, S.A. de C.V.	442	352
Cartagua – Aguas do Cartaxo, S.A.	55	87
Colaboración, Gestión y Asistencia, S.A.	0	(5)
Compañía de Servicios Medioamb. do Atlántico, S.A.	4	18
Concesionaria de Desalación de Ibiza, S.A.	241	211
Conservación y Sistemas, S.A.	407	885
Constructora de Infraestructuras de Aguas de Potosí, S.A. de C.V.	(9)	(1)
Constructora de Infraestructuras de Aguas de Querétaro, S.A. de C.V.	30	65
Depurplan 11, S.A.	260	706
EMANAGUA - Empresa Municipal de Aguas de Nijar, S.A.	202	244
Empresa Gestora de Aguas Linenses, S.L.	236	145
Empresa Mixta Abastament en Alta Costa Brava, S.A.	40	42
Empresa Mixta d'Aigües de la Costa Brava, S.A.	127	103
Empresa Mixta de Aguas de Jódar, S.A.	6	10
Empresa Mixta de Aguas de Langreo, S.L.	0	73
Empresa Mixta de Aguas de Ubrique, S.A.	13	7
Empresa Mixta de Aguas y Servicios, S.A.	54	51
Empresa Municipal Aguas de Algeciras, S.A.	6	7
Empresa Municipal Aguas de Benalmádena, S.A.	485	338
Empresa Municipal Aguas de Toxiria, S.A.	(13)	4
Empresa Municipal de Aguas de Linares, S.A.	234	76
Entemanser, S.A.	2,631	2,755
FCC Aqualia América, S.A.U.	199	199
FCC Aqualia USA CORP.	(743)	(700)
FCC Aqualia, S.A.	86,180	55,758
Gestión de Servicios Hidráulicos de Ciudad Real AIE	44	45
Girona, S.A.	(4)	27
HA Proyectos Especiales Hidraulicos S.R.L. de CV	466	(519)
Hidrotec Tecnología del Agua, S.L.U.	3,532	3,394
Infraestructuras y Distribución General de Agua, S.L.	135	(156)
Nueva Sociedad de Aguas de Ibiza, S.A.	16	19
Omán Sustainable Water Services SAOC	161	
Operadora El Realito S.A. de C.V.	21	133
Orasqualia Construction, S.A.E.	(218)	3
Orasqualia Devel. Waste Treatment Plant S.A.E.	297	447
Orasqualia Operation and Maintenance, S.A.E.	411	455
Proveïments d'Aigua, S.A.	61	101
Severomoravske Vodovody a Kanalizace Ostrava a.s.	9,373	4,770
Shariket Miyeh Ras Djinet	1,120	1,205
Shariket Tahlya Miyah Mostaganem	3,445	4,179
Sociedad Española de Aguas Filtradas, S.A.	897	820
Sociedad Ibérica del Agua, S.A.U.	70	75
Suministro de Aguas de Querétaro, S.A. de C.V.	43	50
Tratamiento Industrial de Aguas, S.A.	8,099	8,083
Vodotec Spol, s.r.o.	254	148
TOTAL	127,033	92,133

e) Non-controlling interests

The balance of this heading in the accompanying consolidated balance sheet reflects the proportional part of the equity and the profit or loss for the year after tax of those subsidiaries in which the Group's minority shareholders have ownership interests.



The breakdown at 31 December 2018 and 2017, by item, of the main companies with non-controlling interests, was as follows:

(thousands of euros)	Equity	Translation differences	Pending contributions	Interest rate hedges	Results	Total
Balance at 31.12.2018						
Abrantaqua, S.A.	557	-	-	-	121	678
Aguas de Alcazar Empresa Mixta S.A.	796	-	-	-	137	933
Aqua Campiña, S.A.	(195)	-	-	-	34	(161)
Aquajerez	(4,996)	-	-	62	546	(4,388)
Aqualia New Europe B.V.	-	177	-	-	181	358
Acque di Caltanissetta, S.P.A.	111	-	-	-	25	136
Entemanser, S.A.	988	-	-	-	81	1,069
SmVak	725	227	-	-	126	1,078
Aguas do Cartaxo, S.A.	845	-	-	-	36	881
Aqualia Mace LLC	367	386	-	-	2,569	3,322
Other	388	-	-	-	143	531
TOTAL	(414)	790	-	62	3,999	4,437

(thousands of euros)	Equity	Translation differences	Pending contributions	Interest rate hedges	Results	Total
Balance at 31.12.2017						
Abrantaqua, S.A.	418	-	-	-	139	557
Aguas de Alcazar Empresa Mixta S.A.	1,044	-	-	-	113	1,157
Aqua Campiña, S.A.	(614)	-	-	-	47	(567)
Aquajerez	(5,671)	-	-	161	675	(4,835)
Aqualia Czech S.L.U.	40,756	880	-	-	(57)	41,579
Aqualia Infraestructuras Inzenyring	(6,312)	(133)	-	-	649	(5,796)
Aqualia New Europe B.V.	7,043	-	-	-	154	7,197
Acque di Caltanissetta, S.P.A.	99	-	-	-	12	111
Entemanser, S.A.	1,183	-	-	-	85	1,268
SmVak	(4,932)	8,702	-	-	4,708	8,478
Aguas do Cartaxo, S.A.	787	-	-	-	58	845
Aqualia Mace LLC	(2,296)	275	-	-	2,663	642
Other	382	-	-	-	131	513
TOTAL	31,887	9,724	-	161	9,377	51,149

The acquisition of 49% of the investee companies Aqualia Czech, S.L. and Aqualia Infraestructuras Inzenyring, s.r.o. from MIT Infrastructures Europe, Ltd. took place on 9 January 2018 for 92,500 thousand euros. This transaction is recorded in the accompanying statement of cash flows under the heading "Proceeds/(payments) for equity instruments". The Group consequently now owns 100% of those companies. Since before the acquisition the Group already controlled both investee companies, the difference between the acquisition price and the



carrying amount of the non-controlling interests acquired gave rise to a negative difference in reserves totalling 59,509 thousand euros.

14. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

In 2017, in line with the details of section b) of this Note, the Parent performed a bond issue, after which FCC Aqualia, S.A. and its subsidiaries became a subgroup excluded from the syndicated funding headed by Fomento de Construcciones y Contratas, S.A. (Note 9.a).

a) Non-current and current bank borrowings

The details at 31 December 2018 and 2017 were as follows (in thousands of euros):

Balance at 31.12.18	NON-CURRENT	CURRENT	TOTAL
Loans and credit lines	38,340	8,448	46,788
	38,340	8,448	46,788
Balance at 31.12.17	NON-CURRENT	CURRENT	TOTAL
Loans and credit lines	41,851	11,228	53,079
	41,851	11,228	53,079

These payables are recognised at amortised cost, and their fair value does not vary significantly.

At 31 December 2018, the limit of the loans and credit facilities granted to the FCC Aqualia Group was 48,640 thousand euros (52,794 thousand euros at 31 December 2017), of which 1,852 thousand euros were available at 31 December 2018 (164 thousand euros available at 31 December 2017).

In 2017 and 2018, bank borrowings bear average interest basically at the rates prevailing in the various interbank markets, tied to Euribor.

All non-current and current bank borrowings in the form of loans and credit lines drawn down at 31 December 2018 and 2017 were denominated in euros.



Bank borrowings are broken down, by company, at 31 December 2018 and 2017, with the conditions indicated:

Company	Limit	2.018	2.017	Start date	Maturity date	Interest rate
Loans and credit lines						
AIE Costa Tropical de Granada	3,483	3,483	4,110	03.01.2014	03.01.2026	EURIBOR 12M + 1.90%
Abrantaqua, S.A. (loan)	-	-	500	10.05.2010	15.12.2018	EURIBOR 6M + 4.75%
Abrantaqua, S.A. (loan)	500	500	500	10.05.2010	15.06.2019	EURIBOR 12M + 4.75%
Abrantaqua, S.A. (credit line)	1,000	850	850	15/05/2013	12/02/2019	EURIBOR 6M + 4.00%
Aquafundalia – Agua do Fundão, S.A.	406	406	781	17.01.2014	17.01.2020	EURIBOR 3M + 4.80%
Aquajerez, S.L. (Note 14.c.2)	35,808	35,808	37,520	21.07.2016	15.07.2031	EURIBOR 12M+ 2%
Aquamaior – Aguas de Campo Maior, S.A.	1,650	1,650	1,813	28.08.2014	28.05.2021	EURIBOR 6M + 4.000%
Entemanser, S.A. (credit line)	5,268	3,499	6,247	20.05.2014	28.02.2019	EURIBOR 12M+ 2%
Empresa Mixta d’Aigües de la Costa Brava	75	75	309	20.05.2014	30.11.2019	EURIBOR 12M+ 0.85%
Empresa Mixta de Aguas y Servicios, S.A.	450	93	-	17.03.2018	17.03.2019	EURIBOR 12M+ 1.5%
Interests accrued		424	449			
Total	48,640	46,788	53,079			

b) Bonds and other marketable debt securities

The detail of this heading was as follows:

	Balance at 31.12.18	Balance at 31.12.17
Issue of bonds listed in Ireland	1,344,204	1,343,121
Issue of bonds listed in the Czech Republic	208,241	208,433
Total	1,552,445	1,551,554

The changes at 31 December 2017 and 31 December 2018 were as follows:

	Balance at 31.12.17	Issues	Adjustments for exchange rates and others	Balance at 31.12.18
Debt securities issued in the EU requiring a prospectus to be registered	1,551,554	-	891	1,552,445
	1,551,554	-	891	1,552,445

Changes between 31 December 2016 and 31 December 2017 were as follows:

	Balance at 31.12.16	Issues	Adjustments for exchange rates and others	Balance at 31.12.17
Debt securities issued in the EU requiring a prospectus to be registered	197,432	1,343,560	10,562	1,551,554
	197,432	1,343,560	10,562	1,551,554



b.1 Issue of bonds listed in Ireland.

In the context of the aforementioned Refinancing Agreement regarding the financial debt of Fomento de Construcciones y Contratas, S.A. and of certain Group companies, the Board of Directors of FCC Aqualia at its meeting held on 24 February 2017 agreed, among others, to perform one or various non-convertible bond issues of the Parent, for a joint maximum nominal amount of 1,350,000,000 euros.

Subsequently, on 1 June 2017, the Irish Stock Exchange approved the prospectus in relation to two bond issues guaranteed by the Parent, with the following characteristics:

- One of them, amounting to 700,000,000 euros, pays annual interest of 1.413%, with a single repayment in 2022.
- The other, amounting to 650,000,000 euros, pays annual interest of 2.629%, with a single repayment in 2027.

Lastly, on 8 June 2017, the Parent executed in a public deed the terms and conditions of the two previous issues which, aside from that already mentioned, have the following characteristics:

- The nominal value of the bonds is 100,000 euros and, above that figure, in whole multiples of 1,000 euros, until reaching 199,000 euros.
- Interest will be paid annually on 8 June of each year.
- The repayment dates envisaged for the first and second issues are 8 June 2022 and 8 June 2027, respectively.
- The bonds are admitted for trading on the Irish Stock Exchange on an unregulated market.
- Both issues have the following guarantees:
 - o Pledge on 100% of the shares of Tratamiento Industrial de Aguas, S.A., Conservación y Sistemas, S.A., Sociedad Española de Aguas Filtradas, S.A., Depurplán y Aigues de Vallirana, S.A. and 97% of the shares of Entemanser, S.A.
 - o Pledge on 100% of the shares of Infraestructura y Distribución General del Agua, S.L., Empresa Gestora de Aguas Linenses. S.L., Aguas de las Galeras, S.L., Hidrotec Tecnología del Agua, S.L. and on 51% of Aqualia Czech.
 - o Pledge on 98% of the shares of Acque di Caltanisseta and on 100% of the shares of Aqualia Mexico, S.A.C.V.
 - o Pledge on the collection rights over certain accounts (see Note 12).



The Parent recognised 15,227 thousand euros under “Current debentures and bonds with third parties” at 31 December 2018 (15,513 thousand euros at 31 December 2017), as a result of the interest accrued since the issue date.

The listing for these debentures at 31 December 2018 is as follows:

- Bonds maturing in 2022: 99.986% (102.35% at 31 December 2017).
- Bonds maturing in 2027: 99.047% (103.45% at 31 December 2017).

Aside from the guarantees set forth in the previous paragraphs, the bond issues by FCC Aqualia have the following limits for the consolidated Group:

- Limitation to the new financial indebtedness that did not exist at the issue date of the bonds or which has nothing to do with the purchase and sale of goods and services, possible employee claims and contractual obligations and guarantees provided by the FCC Aqualia Group in the normal performance of its activities. Aside from the aforementioned transactions, it is permitted to grant credits and loans within the consolidation scope. This financial debt restriction does not include two subsidiaries with their own funding - Severomoravske Vodovody a Kanalizace Ostrava (Note 14.b.2) and Aquajerez (Note 14.c.2), nor the Group's financing without recourse.
- Restrictions on the distribution of dividends. An additional dividend distribution to that made in 2017 (see Note 13) is not permitted until the correct EBITDA - net financial debt ratio is determined to ensure that net financial debt is not five times higher than the EBITDA figure.
- Limitation to the changes in the Parent's capital structure and in that of its investees, whose shares are pledged, except for the capital increases permitted in accordance with the terms and conditions of the issue.

b.2 Issue of bonds listed in the Czech Republic.

Relates to the issue in July 2015 by Severomoravske Vodovody to Kanalizace Ostrava a.s. of non-convertible bonds, amounting to 5,300 million Czech crowns, maturing in 2022, which accrue fixed interest of 2.625% per year. These debentures are traded on the Prague stock exchange (Czech Republic).

The Czech company recognised 2,509 thousand euros under “Current debentures and bonds with third parties - current liabilities” at 31 December 2018 (2,518 thousand euros at 31 December 2017), as a result of the accrued interest payable.

The listing of these bonds at 31 December 2018 was 99.323% (101.49% at 31 December 2017).



No guarantees were provided with respect to this issue.

c) Other non-current financial liabilities

This heading in the consolidated balance sheet was as follows:

Amounts in thousands of euros	2018	2017
Deposits and guarantees received	37,617	34,630
Non-current asset suppliers	-	81
Non-current finance lease payables	-	5
Other	30,522	32,492
TOTAL	68,139	67,208

“Guarantees and deposits received” includes the amounts received from subscribers of the water services when the service is arranged. In the territories in which the obligation is established to deposit these guarantees received at a public body, the Group takes out deposits with such bodies (see Note 9.a.2).

“Others” includes 24,580 thousand euros at 31 December 2018 (25,868 thousand euros at 31 December 2017) for the participating loan granted by the minority shareholder of Aquajerez, S.L. This company was created in 2013 to execute the Jerez de la Frontera contract (Cádiz). The initial amount of the participating loan was 29,069 thousand euros, and it earns interest at a fixed rate of 3%, plus a variable interest rate based on free cash flows, with the sum of both items having an annual ceiling of 10%. The loan that this company has signed with Caixabank establishes pledges on the Parent's ownership interest in that company, as well as pledges on collection rights with third parties and bank accounts (Note 12).

d) Other current financial liabilities

Its details are as follows:

Amounts in thousands of euros	2018	2017
Payables to FCC Group companies for companies	-	3,701
Remaining current financial payables to FCC Group companies	1,973	541
Short-term notes payable	727	349
Short-term payables to suppliers of fixed assets	4,979	4,639
Deposits and guarantees received	2,471	2,151
Current financial payables, third parties	16,945	6,853
Current finance lease payables	5	32
TOTAL	27,100	18,266

Current financial payables to FCC Group companies accrue interest at market rates, with the exception of financial payables that arose at 31 December 2017, due to the inclusion of certain FCC Aqualia Group companies in FCC's Tax Group.



“Remaining current financial payables to FCC Group companies” basically includes the balances generated by the Group companies with FCC, S.A. as a result of collections and payments for the account of this company with FCC Aqualia Group companies.

e) Maturity of "Bank borrowings and other non-current financial liabilities."

The envisaged repayment schedule at 31 December 2018 and 2017 was as follows:

2018

(thousands of euros)	2020	2021	2022	2023	2024 AND THEREAFTER	TOTAL
Debt instruments and other marketable securities	-	-	905,544	-	646,901	1,552,445
Non-current bank borrowings	2,961	4,227	3,171	3,288	24,693	38,340
Other non-current financial liabilities	8,582	2,145	2,181	2,149	53,082	68,139
TOTAL	11,543	6,372	910,896	5,437	724,676	1,658,924

2017

(thousands of euros)	2019	2020	2021	2022	2023 AND THEREAFTER	TOTAL
Debt instruments and other marketable securities	-	-	-	904,850	646,704	1,551,554
Non-current bank borrowings	3,086	3,463	4,230	3,225	27,847	41,851
Other non-current financial liabilities	3,113	7,644	2,247	2,246	51,958	67,208
TOTAL	6,199	11,107	6,477	910,321	726,509	1,660,613

f) Other information

In relation to the financial liabilities arranged by the Group, obligatory ratios exist, and no breaches had been committed at 31 December 2018 that could affect the Group's main lending agreements. No breaches are expected to be committed in 2019 either.

g) Changes in financial liabilities that affect cash flows from financing activities

Below are details of the changes in non-current and current financial liabilities, differentiating those that affected cash flows from financing activities in the Statement of Cash Flows from the remaining changes:

	Balance at 1 January 2018	Cash flows from financing activities	Without an impact on cash flows			Balance at 31 December 2018
			Exchange differences	Change in fair value	Other changes	
Non-current	1,660,613	3,012	(744)	-	(3,957)	1,660,613
Debt instruments and other marketable securities	1,551,554	1,532	(641)	-	-	1,552,445
Bank borrowings	41,851	(167)	-	-	(3,344)	38,339
Other financial liabilities	67,208	1,647	(103)	-	(613)	68,139
Current	47,525	(4,881)	(11)	-	10,652	47,525
Debt instruments and other marketable securities	18,031	(286)	(8)	-	-	17,737
Bank borrowings	11,228	(6,124)	-	-	3,344	8,448
Other financial liabilities	18,266	1,529	(3)	-	7,308	27,094

	Balance at 1 January 2017	Cash flows from financing activities	Without an impact on cash flows			Balance at 31 December 2017
			Exchange differences	Change in fair value	Other changes	
Non-current	696,662	1,346,321	6,336	-	(388,706)	1,660,613
Debt instruments and other marketable securities	197,432	1,343,560	10,562	-	-	1,551,554
Bank borrowings	46,974	87	-	-	(5,210)	41,851
Other financial liabilities	452,256	2,674	(4,226)	-	(383,496)	67,208
Current	50,324	(391,669)	(24)	-	388,893	47,525
Debt instruments and other marketable securities	2,390	15,513	128	-	-	18,031
Bank borrowings	5,679	350	-	-	5,198	11,228
Other financial liabilities	42,255	(407,532)	(152)	-	383,695	18,266

15. NON-CURRENT AND CURRENT PROVISIONS

The detail of the provisions at 31 December 2018 and 2017 is as follows (in thousands of euros):

	2018	2017
Non-current		
Non-current employee benefit obligations	2,661	1,764
Litigation	7,470	3,952
Contractual and legal guarantees and obligations	6,091	5,060
Actions to improve or expand the capacity of concessions	62,780	59,725
Other risks and expenses	46,376	46,429
TOTAL NON-CURRENT PROVISIONS	125,378	116,930
Current		
Construction contract close-outs and losses	10,171	9,994
Construction personnel lay-off pay	971	951
Other provisions	1,897	1,765
TOTAL CURRENT PROVISIONS	13,039	12,710

The changes in the different provisions in each year in the periods analysed were as follows:

(Amounts in thousands of euros)	Long-term provisions	Current provisions
Balance at 31.12.16	115,518	16,308
Charges	17,398	4,985
Reversals	(1,787)	(6,570)
Disposals	(13,768)	(1,768)
Translation differences	(431)	(245)
Balance at 31.12.17	116,930	12,710
Charges	27,394	2,956
Reversals	(2,317)	(1,368)
Disposals	(16,805)	(1,305)
Translation differences	176	46
Balance at 31.12.18	125,378	13,039

In 2018, provisions amounted to 30,350 thousand euros, the most important of which were those that occurred in:

- Provision for investment commitments totalling 16,464 thousand euros. The main contracts affected are San Pedro del Pinatar (Murcia), amounting to 5,000 thousand euros, Guia de Isora (Santa Cruz de Tenerife), amounting to 2,412 thousand euros, and Cartaxo and Elvas (Portugal), amounting to 1,500 thousand euros and 1,950 thousand euros,



respectively. Furthermore, the provision includes an amount of 1,460 thousand euros relating to the financial discounting of such provision.

- Provision for tax returns, amounting to 3,938 thousand euros, for inspections under way at companies in Spain and Italy.

In 2018, the Group reclassified an amount of 4,387 thousand euros from “Investments accounted for using the equity method”, relating to the negative equity of the two companies accounted for using the equity method, with registered offices in Mexico (Constructora de Infraestructura de Aguas de Querétaro (2,413 thousand euros) and Constructora de Infraestructura de Aguas de Potosí (1,973 thousand euros)).

In 2017, provisions amounted to 22,383 thousand euros, the most important of which were those that occurred in:

- Provision for investment commitments totalling 9,909 thousand euros. The main contracts affected are Cartaxo (Portugal), amounting to 3,696 thousand euros, Municipios de la Costa Tropical de Granada (Spain), amounting to 2,040 thousand euros, and Abrantes (Portugal), amounting to 555 thousand euros. Furthermore, the provision includes an amount of 1,566 thousand euros relating to the financial updating of such provision.
- Other non-current and current provisions for contingencies and charges, amounting to 7,486 thousand euros and 4,258 thousand euros, respectively. These provisions include the costs of non-environmental contractual and legal obligations, such as indemnity payments not covered by insurance companies in the event of a claim caused by a breakage in the water network and other provisions to withdraw facilities at the end of certain contracts.

In relation with the dispute with Arteixo City Council, a legal claim exists filed by it against the FCC Aqualia Group, in the amount of 29,390 thousand euros. Until 30 June 2013, the date on which the Annual General Meeting was held, resolving to wind up “Augas municipais de Arteixo, S.A.”, FCC Aqualia and the City Council were shareholders thereof for the provision of the end-to-end water cycle in that municipality, with a stake of 51% owned by FCC Aqualia and the remainder owned by the City Council. In order to file an appeal against the legal claim mentioned at 31 December 2017, the Group granted a bank guarantee for 14,000 thousand euros.

In January 2018, a guilty verdict was handed down against FCC Aqualia, against which it has filed an appeal. In October 2018, an appeal ruling repealed the previous decision issued in January, forcing a new decision, which has not yet been taken, thereby leading the provision to be maintained.



Also in 2018, the most significant disposals of non-current provisions relate to provisions for improvement proceedings, totalling 13,433 thousand euros for investment commitments made in Spain in the municipalities of Vigo (Pontevedra) for 1,217 thousand euros, Almansa (Albacete) for 1,879 thousand euros, Lleida (Lleida) for 1,282 thousand euros, Jerez de la Frontera (Cádiz) for 2,455 thousand euros and Portugal for 1,869 thousand euros in Cartaxo and 675 thousand euros in Fundao.

In 2017, the most significant disposals of non-current provisions related to provisions for improvement proceedings, totalling 7,235 thousand euros for investment commitments made in Spain in the municipalities of Vigo (Pontevedra) for 996 thousand euros, Almansa (Albacete) for 570 thousand euros, Jerez de la Frontera (Cádiz) for 855 thousand euros and Portugal in Cartaxo for 1,726 thousand euros, among others.

The schedule of expected payments at 31 December 2018 and 2017, as a result of the obligations covered by non-current provisions, is as follows:

2018 (Thousands of euros)	UP TO 5 YEARS	MORE THAN 5 YEARS	BALANCE AT 31/12/2018
Non-current employee benefit obligations	798	1,863	2,661
Litigation	7,470	-	7,470
Contractual or legal guarantees and obligations	6,046	45	6,091
Actions to improve or expand the capacity of concessions	33,963	28,817	62,780
Other provisions for risks and expenses	45,771	605	46,376
TOTAL	94,048	31,330	125,378
2017 (Thousands of euros)	UP TO 5 YEARS	MORE THAN 5 YEARS	BALANCE AT 31/12/2017
Non-current employee benefit obligations	33	1,731	1,764
Litigation	3,952	-	3,952
Contractual or legal guarantees and obligations	5,060	-	5,060
Actions to improve or expand the capacity of concessions	28,635	31,090	59,725
Other provisions for risks and expenses	45,894	535	46,429
TOTAL	83,574	33,356	116,930

Non-current employee benefit obligations

This "Non-current provisions" heading includes those that cover Group company commitments regarding pensions and similar obligations, such as medical and life insurance.



Litigation

Provisions for litigation cover the contingencies of the FCC Aqualia Group companies acting as defendants in certain proceedings in relation to the liability inherent to the business activities carried on by them.

The major disputes affecting the FCC Aqualia Group were described above in “Contractual and legal guarantees and obligations” in this same Note, without these lawsuits generating additional liabilities to those already recognised at 31 December 2018, according to the directors.

Contractual and legal guarantees and obligations

Includes the provisions for the costs of non-environmental contractual and legal commitments, such as the removal of installations on completing certain contracts and the costs of assuring service quality.

In relation to contractual or legal guarantees, the Group's directors disclosed the following lawsuits pending settlement to date:

- The Italian Prosecutor's Office commenced legal procedures against Acque di Caltanissetta, in which FCC Aqualia has a 98% ownership interest, for breaching environmental regulations with respect to the spillage of wastewater, once this company had won the end-to-end water cycle tender in Caltanissetta (Sicilia).

The Group expects that the conclusion of the investigation will not have significant consequences beyond the amounts provisioned in these consolidated financial statements.

Actions to improve or expand the capacity of concessions

Such provisions are recognised when the Group is bound to perform procedures to improve infrastructure and such procedures are not offset with the obtainment of higher concession income. Its balancing entry is the “Intangible assets under concession arrangements” heading.

Other risks and expenses

This heading includes those probable risks not included in the previous headings, including any contractual liability that may be generated for it as a result of a probable payment obligation in the future, including most notably, a provision with Arteixo City Council, amounting to 14,000 thousand euros, described above.



16. OTHER PAYABLES

The details of "Other payables" at 31 December 2018 and 2017 corresponds to the following details (in thousands of euros):

	2018	2017
VAT payable (Note 18)	10,146	-
Accrued Social Security taxes payable (Note 18)	6,598	6,204
Tax withholdings payable (Note 18)	3,459	3,386
Other taxes payable (Note 18)	75,962	68,587
Remuneration payable	5,093	4,550
Customer advances	63,053	64,424
Payables and other non-trade payables	136,241	128,335
TOTAL OTHER PAYABLES BALANCE	300,552	275,486

"Other taxes payable" includes the amounts collected by the FCC Aqualia Group companies from its customers for the account of the tax authorities for taxes and which were pending payment (Note 18).

"Payables and other non-trade payables" include the balances payable by the Group for services.

17. GRANTS

The changes in this heading in each year were as follows (in thousands of euros):

	2018	2017
Balance at 1 January	44,989	43,125
Additions in the period	1,318	6,473
Derecognitions	(166)	(61)
Allocation to profit or loss of grants for intangible assets and property, plant and equipment	(4,233)	(4,548)
Changes in the scope of consolidation	11	-
Balance at 31 December	41,919	44,989

The FCC Aqualia Group recognised additions in 2018 for 1,318 thousand euros (6,473 thousand euros in 2017), the most important of which were those obtained in Spain for 705 thousand euros and in Italy for 601 thousand euros. In 2017, the most significant additions were those obtained in Portugal for 3,696 thousand euros.

At 31 December 2018, the Group recognised an amount of 11,546 thousand euros (9,059 thousand euros at 31 December 2017) in its consolidated income statement for grants related to income (Note 20), for grants awarded by the city councils of the municipalities in which the Group



provides the end-to-end water cycle service, acknowledging the operating shortfall to the concessionaire in such concessions, pursuant to that envisaged in the tender specifications and respective contract.

The amounts pending collection at 31 December 2018 and 31 December 2017 in this regard are shown in Notes 11 and 18.

18. TAX MATTERS

This Note describes the headings in the accompanying consolidated balance sheet and consolidated income statement 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.

Until 28 September 2018, FCC Aqualia, S.A and its subsidiaries, which comply with the Spanish tax regulations, are included in file 18/89, whereby the FCC Group filed consolidated income tax returns, with Fomento de Construcciones y Contratas, S.A. acting as the Group's parent. At 31 December 2018, as described in Note 2.d.15, the Company calculated its income tax following its exclusion from filing individual tax returns.

a) Public authorities

The detail at 31 December 2018 and 2017 of the current assets and liabilities included under “Tax Receivables” and “Tax Payables”, respectively, is as follows:

Current assets

	2018	2017
Tax receivables on grants awarded (Note 11)	32,839	32,377
	32,839	32,377

Current liabilities

	2018	2017
Personal income tax withholdings and income tax (employment and movable capital earnings (Note 16).	3,459	3,386
Value added tax (Note 16)	10,146	-
Accrued Social Security taxes payable (Note 16)	6,598	6,204
Other tax receivables and tax payables (Note 16)	75,962	68,587
	96,165	78,177



“Other tax receivables and tax payables” includes the amounts payable for taxes and levies in which the Group manages their collection for the account of the tax authorities with respect to the services provided to the customers.

b) Deferred tax assets and liabilities

Deferred tax assets relate mainly to provisions that are non-deductible for tax purposes in the year, to the temporary limit in the deduction of the amortisation of non-current assets recognised in prior years and to the tax losses of the JVs that allocate their profit/(loss) in the following year, while the deferred tax liabilities basically relate to those arising from company acquisitions, taxable profit of the JVs that is going to be allocated to profit/(loss) in the following year and to accelerated amortisation.

DEFERRED TAX ASSETS		
<i>(Amounts in thousands of euros)</i>		
	31.12.18	31.12.17
Provisions	26,829	14,843
Pension plans	102	505
Depreciation	5,417	5,917
For the profit/(loss) of JVs allocated to the following year and adjustments thereto	2,014	1,957
For intragroup transactions for the purchase and sale of non-current assets	4,934	4,770
Tax loss carryforwards used	3,640	-
For non-deductible finance costs	3,468	3,674
For the cancellation of financial capitalisation of the concession arrangement under IFRS	3,893	3,925
Other differences	981	2,419
TOTAL	51,278	38,010

DEFERRED TAX LIABILITIES		
<i>(Amounts in thousands of euros)</i>		
	31.12.18	31.12.17
For the profit/(loss) of JVs allocated to the following year and adjustments thereto	4,564	6,786
For finance leases	-	7
Accelerated amortisation	21,570	21,558
For translation differences	3,347	3,347
For the assignment of goodwill	11,449	12,932
For the application of RD Ley 3/2016 deferral of portfolio impairment deducted	1,691	6,134
Other adjustments	2,793	1,173
TOTAL	45,414	51,937

The main variation in 2018 was due to the restatement of deferred tax assets and liabilities by the FCC Aqualia Group, following the exclusion from Tax Group 18/89 of all Spanish companies.



These companies calculated their income tax on an individual basis at 31 December 2018, awaiting the formation of a new Tax Group from 1 January 2019.

Following is a detail of the expected maturity dates of the deferred taxes:

	(thousands of euros)						
	2019	2020	2021	2022	2023	2024 AND THEREAFTER	TOTAL
Deferred tax assets	8,806	7,087	7,862	4,991	932	21,600	51,278
Deferred tax liabilities	9,494	1,593	1,568	1,568	1,568	29,623	45,414

c) Reconciliation of the accounting profit to the taxable profit

The reconciliation of the accounting profit to the taxable profit was as follows (amounts in thousands of euros):

2018

Consolidated accounting profit for the year before tax			150,455
	Increase	Decrease	
Consolidation eliminations and adjustments	790	(7,990)	(7,200)
Permanent differences	9,627	(6,586)	3,041
Offset of prior years' tax profit/(losses)			(463)
Adjusted consolidated accounting profit			145,833
Temporary differences:			
- For other adjustments (mainly provisions)	23,036	(5,920)	17,116
- For depreciation and amortisation	236	(2,408)	(2,172)
- For transfers of profit/(loss) of JVs to the following year	17,201	(21,114)	(3,913)
- Adjustment prepaid taxes for intragroup profit/(loss)	2,200	(1,065)	1,135
Tax credit capitalisation and offset			(14,225)
Consolidated tax base (taxable profit/(loss))			143,774

2017

Consolidated accounting profit for the year before tax			138,798
	Increase	Decrease	
Consolidation eliminations and adjustments	938	(8,445)	(7,507)
Permanent differences	1,513	(851)	662
Offset of prior years' tax profit/(losses)			(408)
Adjusted consolidated accounting profit			131,545
Temporary differences:			
- For other adjustments (mainly provisions)	16,609	(7,726)	8,883
- For depreciation and amortisation	257	(2,428)	(2,171)
- For transfers of profit/(loss) of JVs to the following year	18,858	(31,030)	(12,172)
- Adjustment prepaid taxes for intragroup profit/(loss)	2,099	(1,067)	1,032
Consolidated tax base (taxable profit/(loss))			127,117



At 31 December 2018 and 2017, the "Consolidation eliminations and adjustments" relate mainly to the profit/(loss) of companies accounted for using the equity method.

The income tax expense incurred in the year amounted to 19,422 thousand euros (37,288 thousand euros in 2017), as detailed in the accompanying consolidated income statement.

d) Tax recognised in equity.

No tax was recognised in equity for a significant amount in 2018 and 2017.

e) Reconciliation of accounting profit to the income tax expense.

2018	
Adjusted consolidated accounting profit	145,833
Income tax charge	35,237
Tax credits and tax relief	(7,174)
Other adjustments	(8,641)
Accrued income tax	19,422
2017	
Adjusted consolidated accounting profit	131,545
Income tax charge	32,981
Tax credits and tax relief	(255)
Other adjustments	4,562
Accrued income tax	37,288

"Other adjustments" includes 12,325 thousand euros of reduced expense for the reassessment of deferred tax assets and liabilities, and another amount of 3,562 thousand of increased expense for the use of tax credits taken to reduce prior years' expenses but pending application in the FCC tax group.

The companies with registered office in Spain that belonged to the tax group of Fomento Construcciones y Contratas (Tax Group 18/89) had a tax payable to the Group's Parent, amounting to 3,701 thousand euros at 31 December 2017. At 31 December 2018, and following their elimination from the Tax Group, no balances were held with Group companies in this regard.

f) Tax loss and tax credit carryforwards.

The FCC Aqualia Group had capitalised tax losses amounting to 3,640 thousand euros at 31 December 2018, relating to losses obtained by the branch in Algeria, expected to be recovered in less than five years when such permanent establishment is eliminated. At 31 December 2017,



the Group capitalised the same amount for tax losses with a balancing entry for the FCC Group due to its membership of the Tax Group.

g) Years open for review and tax audits

In 2018, the procedures commenced on 8 June 2015 by the Tax and Customs Control Department, answerable to the tax authorities with respect to the income tax of the Tax Group 18/89 headed by FCC, S.A., were concluded without significant effects on the FCC Aqualia Group. (periods from 01/2010 to 12/2013), and for value added tax (periods from 01/2012 to 12/2013) as the main taxes affecting the Group.

On 11 October 2017, the FCC Group had already signed the income tax return for 2010-2012 on an uncontested basis, which did not generate significant liabilities for the FCC Aqualia Group other than those recognised in the 2017 financial statements.

The VAT returns for 2012 and 2013 were also signed on an uncontested basis on 11 December 2017, generating a liability of 131 thousand euros, to be paid by Parent, and which was paid in 2018.

In relation to other years that have been inspected at Group companies, in certain cases, the different criteria applied by the tax authorities gave rise to claim assessments, which are currently being appealed against by the related Group companies.

The criteria that the tax authorities might adopt in relation to the years open for review could give rise to contingent tax liabilities that cannot be objectively quantified. The Parent's directors consider that the resulting liabilities, relating both to the years open for review and to the assessments filed, will not significantly affect the Group's equity.

19. GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

At 31 December 2018, the Group had provided guarantees to third parties, mostly vis-à-vis public bodies and private clients, to secure the performance of the works and contracts, for 268,608 thousand euros (322,330 thousand euros at 31 December 2017).

FCC Aqualia, S.A. and the Group's subsidiaries have appeared 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 (see Note 15), considering that the liabilities that may arise therefrom, in view of the existing provisions, would not significantly affect the Group's equity.



As indicated in Note 7, the stakes of Group companies in jointly controlled operations managed through joint ventures, joint ownership, participation accounts, economic interest groupings and other entities of similar legal characteristics means that participants must share joint and several liability with respect to the activity carried on.

The Parent's directors do not expect any significant liabilities to arise from these joint and several guarantees.

20. REVENUE AND EXPENSES

Operating income

The Group companies classify operating income under "Revenue", except for the grants related to income, which are recognised as "Other operating income" in the consolidated income statement.

Revenue mainly comprises the following two items:

- Water supply. Includes the amount corresponding to the cubic meters supplied to subscribers valued at the sales price. This sales price is established for each contract, based on the rates approved by each corresponding public entity.
- Sale of works and services. It includes the amount corresponding to the construction works and activities performed by the Group in relation to the provision of the end-to-end water cycle in those municipalities in which it was a successful bidder.

The amount of the sale of works is calculated by applying the percentage of completion method, which consists of valuing, at the sales price, set in the contract, the units of works completed in the period, at the same time as the expenses incurred therein are accounted for.

The difference between the amount of output from each of the contracts and the amount billed for each of them up to the consolidated balance sheet date, for both the water and works divisions, is recognised as "Completed output pending invoicing" under "Trade receivables for sales and services" (Note 11).



The distribution of revenue by activity type is as follows:

REVENUE BY TYPE OF ACTIVITY		
<i>(Thousands of euros)</i>		
	31.12.2018	31.12.2017
Supply	565,383	566,877
Sanitation	160,666	153,299
Purification	125,223	124,067
Hydraulic works	217,405	156,700
Desalination	11,138	10,296
Other income	26,297	23,971
TOTAL	1,106,112	1,035,210

The Group does not present analytical information on the income statement or balance sheet for business segments, since its main activity is the end-to-end water cycle and it is treated as a single segment in all items of both financial statements. except for revenue, which shows this segment, by activity, in accordance with the information included in the table above.

The distribution of Group revenue by geographical market is as follows:

GEOGRAPHICAL AREA		
<i>(Amounts in thousands of euros)</i>	31.12.2018	31.12.2017
Spain		
Andalusia	244,856	244,793
Aragon	10,113	8,963
Asturias	31,852	30,920
Balearic Islands	35,929	37,022
Canary Islands	63,150	63,050
Cantabria	21,590	21,500
Castilla La Mancha	60,633	61,450
Castilla y León	46,273	47,007
Catalonia	65,837	65,479
Valencia	37,354	36,199
Extremadura	40,943	39,017
Galicia	58,853	57,737
La Rioja	5,568	4,403
Madrid	27,778	21,830
Murcia	32,315	30,507
Navarra	2,167	1,970

GEOGRAPHICAL AREA			
(Amounts in thousands of euros)			
	31.12.2018	31.12.2017	
Basque Country	3,416	3,592	
International			
Saudi Arabia	13,018	20,850	
Algeria	9,007	8,039	
Bosnia	20	35	
Chile	813	732	
Colombia	33,897	5,866	
Ecuador	3,418	3,910	
Egypt	69,477	21,646	
United Arab Emirates	11,114	12,921	
India	-	132	
Italy	39,602	37,987	
Mexico	6,986	10,977	
Montenegro	4,347	7,235	
Oman	484	-	
Panama	1,659	-	
Portugal	16,484	17,780	
Czech Republic	97,482	92,051	
Rumania	1,405	729	
Serbia	4,917	3,038	
Tunisia	3,278	13,906	
Uruguay	77	1,937	
TOTAL	1,106,112	1,035,210	



The detail of “Other operating income” is as follows:

(thousands of euros)	2018	2017
Income from grants related to income (Note 17)	11,546	9,059
Income from sundry services	15,526	10,601
Surplus provisions for liabilities and charges	6,060	1,564
	33,132	21,224

Procurements

The breakdown of “Procurements” is as follows:

(thousands of euros)	2018	2017
Subcontracting and work performed by other companies	148,199	115,790
Purchases and procurements	291,759	271,644
	439,958	387,434

Staff costs

The breakdown of “Staff costs” is provided below:

(thousands of euros)	2018	2017
Wages and salaries	201,712	193,643
Social security contributions	59,993	58,107
Other staff costs	3,611	3,293
	265,316	255,043

The average number of Group employees, by professional category, is as follows:

CATEGORY	AVERAGE NUMBER OF EMPLOYEES	
	2018	2017
Executives and university graduates	274	276
Line personnel and employees holding further education qualifications	1,260	1,177
Clerical and similar staff	1,016	981
Rest of employees	5,390	5,289
TOTAL	7,940	7,723



At 2018 year-end, the Group had 8,062 employees (7,713 employees at 2017 year-end), distributed by category and gender:

CATEGORIES	Employees		Men		Women	
	2018	2017	2018	2017	2018	2017
Executives and university graduates	281	277	239	231	42	46
Line personnel and employees holding further education qualifications	1,258	1,228	905	877	353	351
Clerical and similar staff	1,036	988	367	327	669	661
Rest of employees	5,487	5,220	4,877	4,628	610	592
TOTAL	8,062	7,713	6,388	6,063	1,674	1,650

At 31 December 2018, the Group had 113 employees with a degree of disability equal to or exceeding 33% (101 employees at 31 December 2017).

Other operating expenses

The breakdown of “Other operating expenses” is provided below:

(thousands of euros)	2018	2017
Outside services	162,238	157,943
Taxes other than income tax	28,473	26,437
Losses on, impairment of and changes in allowances for trade receivables	5,236	1,790
Other current operating expenses	9,744	8,670
TOTAL	205,691	194,840

Finance income and finance cost

The breakdown of finance income is as follows:

(thousands of euros)	2018	2017
Interest on loans to FCC Group companies	24,812	13,990
Interest on loans to third parties	6,146	6,287
TOTAL	30,958	20,277

The increase in this heading arises from new loans to Group companies, as mentioned in Note 9.a.

Finance cost

The breakdown of finance costs is as follows:



(thousands of euros)	2018	2017
Interest on debentures, bonds and other marketable securities	33,753	21,925
Interest on payables to FCC Group companies	-	4,148
Interest on payables to third parties	8,073	7,569
Financial discounting of provisions	1,464	1,570
TOTAL	43,290	35,212

The changes in the different finance costs headings arise from the restructuring of financial liabilities performed in the year, detailed in Note 14.

21. FINANCIAL RISK MANAGEMENT POLICIES

The concept of financial risk refers to the changes in the financial instruments arranged by the Group as a result of political, market and other factors and the repercussion thereof on the consolidated financial statements.

The FCC Aqualia Group's risk management philosophy, in line with that of 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's organisation in the appropriate manner.

Capital risk management

In line with the guidelines set by its majority shareholder, the FCC Aqualia Group manages its capital to ensure that the Group companies will be able to continue to operate as profitable businesses while maximising the return for shareholders through an optimum debt-to-equity balance.

The strategy of the Group as a whole continues to focus on geographical diversification, with the opening of markets in Western Europe, Eastern Europe, Algeria and Mexico, mainly.

The Group's capital structure includes debt (formed by loans and credit facilities detailed in Note 14), Cash and cash equivalents (Note 12) and Shareholders' equity, which includes capital, reserves and retained earnings, as disclosed in Note 13.

The Group's Financial Area, which is responsible for the management of financial risks, periodically reviews the capital structure and the solvency and liquidity ratios of the FCC Group's financing policy.



The cost of capital and the associated risks of each investment project are analysed by the Operational Areas and the Finance Division and are subsequently approved or rejected by the corresponding committee or by the Parent's Board of Directors. Other functional areas of the Group may also provide reports if so required.

One of the objectives of this investment analysis is to maintain the net debt/EBITDA ratio at a reasonable level, within the commitments negotiated with banks.

Foreign currency risk

The FCC Aqualia Group's current positioning on international markets means that the concept of exchange rate risk, in the Group's global context, has a moderate effect.

However, regardless of its significance, the Aqualia Group's policy is to mitigate, as far as possible, the adverse effect of such risk on its consolidated financial statements, due both to transactional and purely equity-related changes.

The Group actively manages its foreign currency risk by arranging financial transactions in the same currency as that in which the related asset is denominated, i.e. efforts are made, at all times, to obtain the financing required for the local activity of the company in local currency in the country of origin of the investment, with a view to creating a natural hedge or a matching of the cash flows generated to the financing.

Interest rate risk

In view of the nature of the activities in which the management of working capital plays an essential role, it is widespread practice for the Group to choose indexes that mostly accurately reflect the changes in inflation as a reference for financial debt. Therefore, the Group's policy is to endeavour to ensure that both its current financial assets which, to a large extent, provide natural hedging for its current financial liabilities, and the Group's debt, are tied to floating interest rates. In the event of long-term transactions and if required by the Group's financial structure, debt is tied to the fixed-interest rate and to a term that coincides with the maturity cycle of the transaction in question, all within the possibilities offered by the market.

Solvency risk

At 31 December 2018, the net financial debt of the FCC Aqualia Group amounted to 389,080 thousand euros (475,950 thousand euros at 31 December 2017), as shown in the table below, which represents 77% (99% in 2017) of equity at that date:



	31.12.18	31.12.17
Bank borrowings (Note 14)	46,788	53,079
Bonds and other marketable debt securities (Note 14)	1,570,181	1,569,585
Non-current borrowings with Group companies (Note 14)		-
Other interest-bearing financial debt	49,073	39,743
Other current financial assets (Note 9)	(32,061)	(42,969)
Other non-current financial assets	(808,944)	(884,342)
Cash and cash equivalents (Note 12)	(435,957)	(259,145)
Net financial debt	389,080	475,951

Liquidity risk

This risk derives from temporary shortages between the funds generated by the Company's activities and the fund requirements to meet debt payments, working capital requirements, etc.

At 31 December 2018, the Group had working capital of 135,662 thousand euros (29,848 thousand euros at 31 December 2017).

Risk hedging financial derivatives

The main financial risk hedged by the FCC Aqualia Group through derivative instruments relates to the fluctuations in floating interest rates to which Group company financing is tied.

At 31 December 2018 and 2017, the FCC Aqualia Group had arranged the following interest rate hedging transactions, which comply with cash flow hedging terms and conditions:

(thousands of euros)	Fair value at 2018	Notional 2018	Fair value at 2017	Notional 2017	Due date
Fully consolidated companies					
Aquajerez	168	28,000	438	28,000	2031
Companies consolidated using the equity method					
Aquos el Realito, S.A. de C.V.	16	19,685	11	19,940	2025

To a lesser extent, as indicated in previous sections, the Group actively manages its foreign currency risk by arranging financial transactions in the same currency as that in which the related asset is denominated, i.e. efforts are made, at all times, to obtain the financing required for the local activity of the company in local currency in the country of origin of the investment, with a view to creating a natural hedge or a matching of the cash flows generated to the financing.



As indicated in Note 13.c), the most significant net assets denominated in a currency other than the euro, owned by the FCC Aqualia Group at 31 December 2018 and 2017, are found in the Czech Republic. To cover the exchange rate risk of these assets, the FCC Aqualia Group arranged financial debt in the same currency (Czech crowns), in accordance with the breakdown included in Note 14.b).

The changes in the fair value of cash flow hedges are taken, net of the tax effect, to “Equity - Valuation adjustments” and are recognised in profit or loss for the year to the extent that the hedged item has an impact on the consolidated income statement.

The financial derivatives were measured by experts on the subject using generally accepted methods and techniques. These experts were independent from the Group and the entities financing it.

22. TRANSACTIONS WITH COMPANY DIRECTORS AND SENIOR EXECUTIVES

Board of Directors.

The members of the Board of Directors did not receive any remuneration from the Company. At 31 December 2017, the former Board of Directors comprising three people (two men and a woman) received 581 thousand euros in the form of salaries.

Also, no advances or loans or any other type of guarantee had been granted to the members of the Board of Directors, nor did the Company have any pension or life insurance commitments with respect to such members.

With respect to Board members that occupy posts at companies in which FCC Aqualia, S.A. has ownership interests, the former do not have any direct or indirect interests in other FCC Aqualia Group companies, but they can hold positions, exercise functions and/or own investments of less than 0.01% in other FCC Group and IFM Group companies.

In 2018, no significant transactions were performed entailing a transfer of assets or liabilities between Group companies and their executives and directors.

Senior management:

The remuneration earned in 2018 by senior management in the form of wages amounted to 3,878 thousand euros.



Senior management in 2018

Mr Félix Parra Mediavilla	CEO
Mr Santiago Lafuente Pérez-Lucas	Director Spain
Mr Isidoro Marbán Fernández	Financial Director
Ms. Carmen Rodríguez Gómez	Human Resources Director
Ms. Elena Barroso Beltrán	Legal Advisory Director
Mr Pedro Rodríguez Medina	Studies and Operations Director
Mr Antonio Vasal'lo Reina	Development Director
Mr Javier Santiago Pacheco	Water Technology and Engineering Director
Mr Manuel del Castañedo Rodríguez	IT and Customers Director
Mr Alberto Anderez Ibañez	Purchasing Director
Mr Juan Carlos Rey Fraile	Director Zone I Spain
Mr Juan Luis Castillo Castilla	Director Zone II Spain
Mr Lucas Díaz Gázquez	Director Zone III Spain
Mr Luis de Lope Alonso	International Area Director
Mr Guillermo Moya García-Renedo	Director Europe Zone
Mr José Miguel Janices Carpintero	Director America Zone
Mr José Enrique Bofill Maestre	Director MENA Zone

Senior management in 2017

The remuneration earned in 2017 by senior management in the form of wages amounted to 1,695 thousand euros.

Mr Santiago Lafuente Pérez-Lucas	Director Spain
Ms. Carmen Rodríguez Gómez	Human Resources Director
Ms. Elena Barroso Beltrán	Legal Advisory Director
Mr Pedro Rodríguez Medina	Studies and Operations Director
Mr Antonio Vasal'lo Reina	Development Director
Mr Javier Santiago Pacheco	Water Technology and Engineering Director
Mr Manuel del Castañedo Rodríguez	IT and Customers Director
Mr Luis de Lope Alonso	International Area Director
Mr Juan Carlos Rey Fraile	Director Zone I Spain
Mr Juan Luis Castillo Castilla	Director Zone II Spain
Mr Lucas Díaz Gázquez	Director Zone III Spain

The balances and transactions with FCC Group companies, joint ventures and associates are as follows (in thousands of euros):

- a) Customer and trade receivables from Group companies, joint ventures and associates



Customer and trade receivables from Group companies, joint ventures and associates	2018	2017
ABAST.ALTA COSTA BRAVA EMP.MIXTA	1	1
AGUAS DE ARCHIDONA, S.L.	151	120
AGUAS DE LANGREO, S.L.	240	251
AGUAS DE NARIXA, S.A.	52	85
AGUAS DE PRIEGO, S.L.	462	474
AGUAS DEL PUERTO EMPRESA MUNICIPAL, S.A.	777	715
AIE COSTA BRAVA AB. AQUALIA-SOREA	34	34
AIE COSTA TROPICAL DE GRANADA	1,263	1,581
AIE ITAM DELTA DE LA TORDERA	204	665
AIE SOREA-AQUALIA	10	29
AIGÜES DE TOMOVI, S.A.	184	201
AIGÜES DEL SEGARRA GARRIGUES, S.A.	138	27
AQUOS EL REALITO, S.A. DE CV	16	
CIA. DE SERV. MEDIOAMBIEN. DO ATLANTICO	54	55
CONCESIO. DESALACION DE IBIZA, S.A.	31	17
CONST.DE INFRAEST.DE AGUAS POTOSI, SACV	1,802	2,113
CONSTRUCTORA INFRAEST. DE AGUA QUERETARO	353	275
CONTRATAS Y VENTAS	8	-
EMP. MIXTA MUNICIPAL DE AGUAS DE NIJAR	2,179	4,859
EMP.MIXTA DE AGUAS DE JODAR, S.A.	400	676
EMP.MUNICIPAL AGUAS DE LINARES	444	115
EMPR.MUNICIPAL DE AGUAS DE ALGECIRAS, SA	6,535	6,079
EMPRESA MIXTA DE AGUAS DE UBRIQUE, S.A.	261	256
EMPRESA MIXTA DE AGUAS Y SERVICIOS, S.A.	21	11
EMPRESA MPAL. AGUAS DE BENALMADENA, S.A.	630	689
EMPRESA MUNICIPAL AGUAS DE TOXIRIA, S.A.	446	674
FAST CONSORTIUM LIMITED LLC	6,162	6,892
FCC AMBITO	0	22
FCC CONSTRUCCION	1,956	699
FCC INDUSTRIAL E INFRAESTRUCTURAS ENERGÉTICAS + UTES	38	47
FCC, S.A.	77	130
GESTION Y VALOR INT.CENTRO, S.L.	3	18
GIRONA, S.A.	9	5
MATINSA	8	15
NUEVA SOCIEDAD DE AGUAS DE IBIZA, S.A.	1	1
ORASQUALIA DEVEL.WASTE T.P. S.A.E.	183	73
ORASQUALIA O&M	69	40
SHARIKET MIYEH RAS DJINET	631	869
SHARIKET TAHLYA MIYAH MOSTAGANEM	1,805	4,588
TOTAL	27,638	33,401



b) Suppliers and payables FCC Group companies, joint ventures and associates

Suppliers and payables Group companies, joint ventures and associates	2018	2017
AGUAS DE DENIA, S.A.	284	207
AGUAS DE LANGREO, S.L.	14	
AGUAS DEL PUERTO EMPRESA MUNICIPAL, S.A.	4	5
AIE COSTA TROPICAL DE GRANADA	3	
AIE ITAM DELTA DE LA TORDERA	107	92
AIGÜES DE TOMOVI, S.A.	1	2
CONSERVACION DE INFRAESTR. URBANAS, S.A.		26
COMPAÑÍA DE CONTROL DE RESIDUOS		4
ECOACTIVA DE MEDIO AMBIENTE, S.A.	3	3
EMP. MIXTA MUNICIPAL DE AGUAS DE NIJAR	735	1,784
EMP.MUNICIPAL AGUAS DE LINARES	10	4
EMPR.MUNICIPAL DE AGUAS DE ALGECIRAS, SA	983	1,130
EMPRESA MIXTA DE AGUAS DE UBRIQUE, S.A.	5	6
EMPRESA MIXTA DE AGUAS Y SERVICIOS, S.A.	11	11
FAST CONSORTIUM LIMITED LLC	1,373	1,388
FC y C, S.L. UNIPERSONAL		2
FCC AMBITO	25	46
FCC COLOMBIA S.A.S.		2
FCC CONSTRUCCION, S.A.	6,099	774
FCC EQUAL CEE, S.L.	5	2
FCC INDUSTRIAL E INFRAESTRUCTURAS ENERGÉTICAS	91	830
FCC, S.A.	5,001	2,450
FCCMA	103	108
FEDEMES, S.L.	598	347
GAMASUR CAMPO DE GIBRALTAR, S.L.	33	28
HORMIGONES REINARES, S.A.		1
HORMIGONES Y MORTEROS PREP., S.A. UNIPERSONAL	1	1
NUEVA SOCIEDAD DE AGUAS DE IBIZA, S.A.	40	47
ORASQUALIA CONSTRUCTION SAE	320	305
ORASQUALIA DEVEL. WASTE T.P. S.A.E.	24	14
PREFABRICADOS DELTA + UTE´s	2	82
PROVEIMENTS D´AIGUA, S.A.	18	12
SERVICIOS ESPECIALES DE LIMPIEZA, S.A.	60	69
SISTEMAS Y VEHICULOS DE ALTA TECNOLOGIA, S.A.	180	-
TOTAL	16,133	9,782



c) Non-current loans to FCC Group companies

Amounts in thousands of euros	2018	2017
FCC, S.A.	808,944	522,579
ASESORIA FINANCIERA Y DE GESTION, S.A.	-	361,763
Other	1	7
TOTAL	808,945	884,349

d) Current loans to FCC Group companies

Current loans to companies accounted for using the equity method	2018	2017
AGUAS DE ARCHIDONA, S.L.	29	28
AGUAS DE LANGREO, S.L.	732	732
AGUAS DE NARIXA, S.A.	524	468
AGUAS DE PRIEGO, S.L.	184	179
AGUAS DEL PUERTO EMPRESA MUNICIPAL, S.A.	1,200	1,069
CIA. DE SERV. MEDIOAMBIEN. DO ATLANTICO	2	2
CONST.DE INFRAEST.DE AGUAS POTOSI, SACV	256	186
EMP. MIXTA MUNICIPAL DE AGUAS DE NIJAR	406	727
EMP.MIXTA DE AGUAS DE JODAR, S.A.	31	29
EMP.MUNICIPAL AGUAS DE LINARES	43	43
EMPR.MUNICIPAL DE AGUAS DE ALGECIRAS, SA	341	359
EMPRESA MIXTA DE AGUAS DE UBRIQUE, S.A.	-	-
EMPRESA MPAL. AGUAS DE BENALMADENA, S.A.	790	788
EMPRESA MUNICIPAL AGUAS DE TOXIRIA, S.A.	47	46
SHARIKET MIYEH RAS DJINET	3	3
SHARIKET TAHLYA MIYAH MOSTAGANEM	34	33
TOTAL	4,622	4,692



Current loans to FCC Group companies	2018	2017
ABAST.ALTA COSTA BRAVA EMP.MIXTA	1	1
AGUAS DEL PUERTO EMPRESA MUNICIPAL, S.A.	8	-
AIE COSTA TROPICAL DE GRANADA	11	6
AIE ITAM DELTA DE LA TORDERA	117	117
CIA. DE SERV. MEDIOAMBIEN. DO ATLANTICO	3	-
AIE CIUDAD REAL	-	13
EMPRESA MIXTA DE AGUAS Y SERVICIOS, S.A.	2	1
FCC CONSTRUCCION, S.A.	147	164
FCC, S.A.	288	6,438
OMÁN SUSTAINABLE WATER SERVICES SAOC	16	-
TOTAL	593	6,740

Dividends receivable from joint ventures and associates	2018	2017
AIE CIUDAD REAL	-	13
AIE AQUAGEST-AQUALIA	-	54
TOTAL	-	67

Dividends receivable from companies accounted for using the equity method	2018	2017
ORASQUALIA DEVEL.WASTE T.P. S.A.E.	1,202	1,400
ORASQUALIA CONSTRUCTION SAE	341	341
ORASQUALIA O&M	-	408
TOTAL	1,543	2,149

e) Current borrowings with FCC Group companies

	2018	2017
Income tax payables with FCC Group companies		
FCC, S.A.	-	3.701
Remaining current financial payables to FCC Group companies		
AGUAS DE ARCHIDONA, S.L.	-	2
AGUAS DE NARIXA, S.A.	-	1
AGUAS DE PRIEGO, S.L.	3	2
AIE ITAM DELTA DE LA TORDERA	375	375
AIGÜES DE TOMOVI, S.A.	5	18
AUGAS MUNICIPAIS DE ARTEIXO, S.A.	1	1
CONSTRUCTORA INFRAEST. DE AGUA QUERETARO	12	12
EMPR.MUNICIPAL DE AGUAS DE LINARES	471	-
EMPRESA MIXTA DE AGUAS DE UBRIQUE, S.A.	470	427
FCC CONSTRUCCION, S.A.	120	464



FCC INDUSTRIAL E INFRAESTRUCTURAS ENERGÉTICAS	68	68
FCC, S.A.	415	-844
PROACTIVA GROUP	13	13
PRESTADORA SERV.ACUEDUCTO EL REALITO,SA DE CV	1	1
SHARIKET TAHLYA MIYAH MOSTAGANEM	1	1
SISTEMAS Y VEHICULOS DE ALTA TECNOLOGIA, S.A.	1	-
Total	1,972	541

f) Revenue

(Thousands of euros)	2018	2017
ABASTECIMIENTO ALTA COSTA BRAVA EMPRESA MIXTA	4	8
AGUAS DE ARCHIDONA, S.L.	461	436
AGUAS DE LANGREO, S.L.	103	105
AGUAS DE NARIXA, S.A.	710	664
AGUAS DE PRIEGO, S.L.	163	167
AGUAS DEL PUERTO EMPRESA MUNICIPAL, S.A.	4,381	3,967
AIE AQUAGEST-AQUALIA	33	28
AIE COSTA BRAVA ABASTAMENT AQUALIA-SOREA	60	47
AIE COSTA TROPICAL DE GRANADA	498	454
AIGÜES DE TOMOVI, S.A.	591	552
AIGÜES DEL SEGARRA GARRIGUES, S.A.	221	124
CIA. DE SERVICIOS MEDIOAMBIENTALES DO ATLANTICO, S.A.	175	180
CONCESIONARIA DESALACION DE IBIZA, S.A.	312	333
CONTRATAS Y VENTAS	7	-
EMP. MIXTA MUNICIPAL DE AGUAS DE NIJAR, S.A.	3,615	3,550
EMP.MUNICIPAL AGUAS DE LINARES, S.A.	4,040	4,227
EMPR.MUNICIPAL DE AGUAS DE ALGECIRAS, SA	9,278	9,166
EMPRESA MIXTA DE AGUAS DE JODAR, S.A.	549	717
EMPRESA MIXTA DE AGUAS UBRIQUE, S.A.	939	921
EMPRESA MIXTA DE AGUAS Y SERVICIOS, S.A.	31	36
EMPRESA MPAL. AGUAS DE BENALMADENA, S.A.	3,014	2,868
EMPRESA MUNICIPAL AGUAS DE TOXIRIA, S.A.	923	988
FAST CONSTRUCTION, LLC	8,793	16,140
FCC ÁMBITO, S.A.	21	161
FCC CONSTRUCCION, S.A.	1,285	865
FCC MEDIO AMBIENTE, S.A.	-	1
FCC SERVICIOS INDUSTRIALES Y ENERGÉTICOS	76	94
FCC, S.A.	2,178	365
GESTION Y VALOR INT.CENTRO, S.L.	8	31
GIRONA, S.A.	30	48
HA PROJ. OUTLETS HIDR.	214	2,407
MATINSA, S.A.	23	12
NUEVA SOCIEDAD DE AGUAS DE IBIZA, S.A.	2	2
OMÁN SUSTAINABLE WATER SERVICES SAOC	484	-
ORASQUALIA DEVEL.WASTE T.P. S.A.E.	110	125
ORASQUALIA O&M	69	69
SHARIKET MIYEH RAS DJINET, S.P.A.	3,912	2,719
SHARIKET TAHLYA MIYAH MOSTAGANEM, S.P.A.	5,050	4,347
TOTAL FCC GROUP COMPANIES AND ASSOCIATES	52,363	56,924



Revenue with Fast Construction LLC relates to works performed for the Riad underground (Saudi Arabia).

g) Purchases and other procurements

(Thousands of euros)	2018	2017
AGUAS DEL PUERTO EMPRESA MUNICIPAL, S.A.	26	33
AIE COSTA TROPICAL DE GRANADA	5	-
AIGÜES DE TOMOVI, S.A.	8	14
ARIDOS Y CANTERAS DEL NORTE, S.A.	-	2
EMPR.MUNICIPAL DE AGUAS DE ALGECIRAS, SA	1,589	1,642
ECOACTIVA DE MEDIO AMBIENTE, S.A.	1	1
EMPRESA MIXTA MUNICIPAL DE AGUAS DE NJAR	1,191	1,086
EMPRESA MIXTA DE AGUAS DE JODAR, S.A.	(4)	19
EMPRESA MUNICIPAL DE AGUAS DE TOXIRIA, S.A.	(8)	9
FCC AMBITO, S.A.	-	2
FCC CONSTRUCCIÓN, S.A.	2	12
FCC INDUSTRIAL E INF. ENERGETICAS, S.A.	45	22
FCC MEDIO AMBIENTE, S.A.	-	3
FCC, S.A.	14	63
HORMIGONES REINARES, S.A.	1	1
NUEVA SOCIEDAD DE AGUAS DE IBIZA, S.A.	144	97
PREFABRICADOS DELTA	10	79
PROVEIMENTS D'AIGUA, S.A.	29	2
TOTAL FCC GROUP COMPANIES AND ASSOCIATES	3,053	3,087

h) Work performed by other companies

(Thousands of euros)	2018	2017
AIE COSTA TROPICAL DE GRANADA	6	1
ARIDOS DE MELO, S.L.	20	-
COMPAÑÍA DE CONTROL DE RESIDUOS	-	5
ECOACTIVA DE MEDIO AMBIENTE, S.A.	9	11
EMP.MUNICIPAL AGUAS DE LINARES, S.A.	15	(15)
EMPRESA MIXTA DE AGUAS Y SERVICIOS, S.A.	57	50
EMPRESA MUNICIPAL AGUAS DE TOXIRIA, S.A.	(5)	4
FCC AMBITO, S.A.	81	149
FCC CONSTRUCCION, S.A.	1,886	429
FCC MEDIO AMBIENTE, S.A.	4	100
FCC SERVICIOS INDUSTRIALES Y ENERGÉTICOS, S.A.	201	738
FCC, S.A.	128	570
GAMASUR GIBRALTAR, S.L.	50	51
GESTION Y VALOR INT.CENTRO, S.L.	3	-
PROVEIMENTS D'AIGUA, S.A.	17	88
SERVICIOS ESPECIALES DE LIMPIEZA, S.A.	48	-
TOTAL FCC GROUP COMPANIES AND ASSOCIATES	2,520	2,181



i) Other operating expenses

(Thousands of euros)	2018	2017
AGUAS DE ARCHIDONA, S.L.	1	-
AGUAS DE DENIA, S.A.	257	256
AGUAS DE LANGREO, S.L.	23	-
AIE COSTA TROPICAL DE GRANADA	7	3
AIE ITAM DELTA DE LA TORDERA	-8	4
AIGÜES DE TOMOVI, S.A.	7	8
COMPañÍA DE CONTROL DE RESIDUOS	-	6
EMPRESA MIXTA DE AGUAS DE UBRIQUE, S.A.	5	6
FC y C, S.L. UNIPERSONAL	-	9
ECOACTIVA DE MEDIO AMBIENTE, S.A.	1	-
EMP.MUNICIPAL AGUAS DE LINARES	28	18
EMPR.MUNICIPAL DE AGUAS DE ALGECIRAS, SA	119	154
FCC AMBITO, S.A.	7	26
FCC CONSTRUCCION, S.A.	755	722
FCC EQUAL CEE, S.L.	12	12
FCC MEDIO AMBIENTE, S.A.	0	-2
FCC INDUSTRIAL E INFRAESTRUCTURAS ENERGÉTICAS, S.A.	36	14
FCC, S.A.	20,062	19,462
FEDEMES, S.L.	3,757	3,599
OMÁN SUSTAINABLE WATER SERVICES SAOC	-90	-
ORASQUALIA DEVEL.WASTE T.P. S.A.E.	10	9
PROVEIMENTS D'AIGUA, S.A.	1	-
SERVICIOS ESPECIALES DE LIMPIEZA, S.A.	102	155
TOTAL FCC GROUP COMPANIES AND ASSOCIATES	25,092	24,461

j) Finance income

(Thousands of euros)	2018	2017
AGUAS DE ARCHIDONA, S.L.	31	32
AGUAS DE NARIXA, S.A.	345	318
AGUAS DE PRIEGO, S.L.	174	179
AGUAS DEL PUERTO EMPRESA MUNICIPAL, S.A.	909	856
AIE COSTA TROPICAL DE GRANADA	444	331
AIGÜES DEL SEGARRA GARRIGUES, S.A.	-	46
ASESORIA FINANCIERA Y DE GESTION, S.A.	6,154	5,100
EMPRESA MIXTA AGUAS DE LANGREO, S.A.	212	228
EMPRESA MIXTA DE AGUAS DE JODAR, S.A.	70	69
EMPRESA MIXTA DE AGUAS DE UBRIQUE, S.A.	-	4
EMPRESA MUNICIPAL DE AGUAS DE ALGECIRAS	22	25
EMPRESA MUNICIPAL DE AGUAS DE BENALMADENA,S.A.	43	55
EMPRESA MUNICIPAL DE AGUAS DE LINARES, S.A.	-1	-
EMPRESA MUNICIPAL DE AGUAS DE NIJAR, S.A.	43	52



EMPRESA MUNICIPAL DE AGUAS DE TOXIRIA, S.A.	1	5
FCC, S.A.	16,365	6,737
TOTAL FCC GROUP COMPANIES AND ASSOCIATES	24,812	14,037

The increase in "Other finance income" arises from new loans to Group companies, as mentioned in Note 9.a.

k) Finance costs

In 2018, there were no finance costs with Group companies.

At 31 December 2017, the finance costs with FCC Group companies amounted to 4,148 thousand euros, relating in full to Fomento de Construcciones y Contratas, S.A.

The decrease in "Finance costs" relates to the restructuring of financial liabilities performed in the year, detailed in Note 14.

23. FEES PAID TO AUDITORS

The fees for audit and other professional services provided in the year to the different companies forming the Aqualia Group by the main auditor and by other auditors participating in the audit of the different Group companies, together with the entities related thereto, are shown in the following table:

<i>(thousands of euros)</i>	2018			2017		
	Principle auditor	Other auditors	Total	Principle auditor	Other auditors	Total
Audit services	338	206	544	424	142	566
Other assurance services	27	10	37	196	57	253
Total	365	216	581	620	199	819
Other services	10	-	10	30	220	250
Total professional services	10	-	10	30	220	250
TOTAL	375	216	591	650	419	1,069

24. OTHER DISCLOSURES

a) Disclosures on deferred payments to suppliers. Third additional provision "Disclosure requirement" set out in Law 15/2010 of 5 July.

In relation to the Spanish Accounting and Audit Institute (ICAC) Resolution dated 29 January 2016, enacted in compliance with the Second final provision of Law 31/2014, of 3 December, which amends the Third additional provision of Law 15/2010, of 5 July, stipulating measures to combat late payment in commercial transactions, it must be indicated with respect to



2017 and 2016, that the Parent operates in Spanish territory, mainly with public clients, such as the State, Autonomous Communities, local corporations and other public bodies, which settle their payment obligations in periods that exceed that laid down in Public Sector Contract legislation, and in Law 3/2004, of 29 December 2004, setting forth measures to combat late payment in commercial transactions.

It must be indicated that, in the contracts with and supplies to third parties arising from the agreements entered into by the Company with the different public authorities, that stipulated in section 5 of article 228 of the current Consolidated Public Sector Contracts Law (TRLCSP) applies, which enables the contractor to agree with suppliers periods exceeding those set forth in this law under certain conditions.

Due to such circumstances and in order to adapt the Company's financial policy to reasonable efficiency levels, the usual payment periods to suppliers were maintained in 2017 in the sectors in which the Company operates.

The Group's payment policy to suppliers, indicated in the foregoing two paragraphs, hence finds support in: a) Payments to suppliers under agreements entered into by the Company with the public authorities, pursuant to article 228.5 of the TRLCSP, and b) Payments to remaining suppliers under the Second transitional provision of Law 15/2010, and, where appropriate, that provided for in article 9 of Law 3/2004, which excludes from the abusive nature the "deferral of the payment for objective reasons" taking into consideration, in both cases a) and b) the usual payment period in the sectors in which the Company operates.

Moreover, the Parent acknowledges and pays suppliers, always by mutual agreement therewith, any late-payment interest arranged in the contracts, providing negotiable payment methods accompanied by exchange procedures. Such pacts, aside from being expressly envisaged, as we have indicated, in the TRLCSP, are admissible under Directive 2011/7/EU, of 16 February, of the European Parliament and the Council.

In accordance with the aforementioned ICAC resolution, below is a table containing information on the average payment period to suppliers for those commercial transactions accrued since the entry into force of Law 31/2014, that is, 24 December 2014, albeit exclusively with respect to the fully or proportionately consolidated companies located in Spain.

For the exclusive purposes of the information required by this Resolution, suppliers are defined as trade creditors for the supply of goods or services included under "Suppliers" and "Other payables" under current liabilities in the balance sheet, relating solely to Spanish companies included in the consolidated group.



Average payment period to suppliers (thousands of euros)		
	2018	2017
	Days	Days
Average payment period to suppliers	95	91
Ratio of transactions paid	72	75
Ratio of transactions pending payment	174	145
	Amount	Amount
Total payments made	433,855	441,133
Total payments outstanding	117,966	123,614

b) Earnings per share

Diluted earnings per share coincide with basic earnings per share, as follows:

(thousands of euros)	2018.12	2017.12
Profit for the year attributable to the Parent (thousands of euros)	127,033	92,133
Weighted average number of shares outstanding	145,000	145,000
Basic earnings per share (euros)	0.9	0.6

25. ENVIRONMENTAL INFORMATION

The activities performed by FCC Aqualia are directly tied to environmental protection, since the nexus of its operations is, in collaboration with different public authorities, the efficient management of the end-to-end water cycle and the search for guarantees to provide water resources that enable the sustainable growth of the towns in which it provides its services.

Within the performance of its activities, a series of procedures are identified which, seeking an efficiency objective within its responsibility as public services manager, make improved environmental protection possible. Noteworthy among these procedures are the following:

- In 2015, the Carbon Footprint was calculated of the activity related with the design and construction of water treatment, purification and desalination plants and their attached facilities, carried on by the subsidiary Aqualia Intech, registering such footprint in the Carbon Footprint Register of the Ministry of Agriculture, Food and Environment on 21 April 2015, with the code 2015_00_a062.
- In 2016, the plan continued to reduce the Carbon Footprint and the bases were set to implement the PIMA EMPRESA project. Moreover, the calculation of the Carbon Footprint was updated for the entire activity of FCC Aqualia, registering it in the Carbon



Footprint Register of the Ministry of Agriculture, Food and Environment on 9 August 2016, with the code 2016_00_a200, verified by AENOR. In 2017, the Plan to reduce the Carbon Footprint for the Activities of FCC Aqualia (2017 – 2019) was implemented.

- In 2018, Aqualia's Carbon Footprint was registered at the OECC (Spanish Office for Climate Change) of the MITECO (Ministry for Ecological Transition) for its entire activities in Spain and the calculation was made for Portugal.
- One of FCC Aqualia's priority objectives is to support the Company's strategy with regard to compliance with the United Nation's Sustainable Development Goals (SDG), emphasising those that affect our sector and our stakeholders:
 - No. 3. Promoting overall well-being.
 - No. 6. Sustainable water and sanitation.
 - No. 8. Promoting sustained economic growth.
 - No. 9. Building resilient infrastructures.
 - No. 11. Achieving sustainable cities.
 - No. 12. Guaranteeing sustainable production and consumption.
 - No. 13. Adopting urgent measures to tackle climate change.
 - No. 14. Conserving marine resources in a sustainable manner.
 - No. 15. Tackle desertification and protect biodiversity.
- Accordingly, in response to the entry into force, in February 2016, of R.D. 56/2016 on Energy Efficiency, in 2016 and 2017, we continued to implement the plan agreed with AENOR, which enabled us to certify the entire organisation in ISO Standard 50001. Accordingly, in 2017, energy audits were planned in contracts with a joint consumption, representing 85% of the Company's total consumption, as demanded by the legislation in force for its notification to the competent bodies of the different autonomous communities. In 2018, the Company continued with the line of improvements proposed within the Company Certificate scheme.
- In this regard, the start-up in 2017 and the subsequent implementation in 2018 of a new IT application designed in conjunction with a technological partner, to control electronic billing which, among other uses, enables the different levels of the organisation to adjust the contracting of power, to control reactive energy consumption, to analyse offers and to automatically verify the adjustment of electronic invoices, issued by the marketer, in relation to that contracted.
- Energy management. In line with the strategy already considered in previous years, in 2018, Aqualia continued to implement energy management improvement measures.



The lines of action have been aimed towards:

- ✓ Respect for and protection of the environment.
 - ✓ Efficiency in the management of energy resources.
 - ✓ Economic efficiency in the use of energy.
-
- Control of water quality, both in terms of capture and distribution. In 2016, a reorganisation project was implemented of FCC Aqualia's network of drinking water laboratories. Hence, in Spain, the network of 27 laboratories was reduced to a more concentrated network of 7 accredited and 2 certified laboratories, with an appreciably higher output capacity than that existing at that time and a greater accreditation scope. In 2018, the Badajoz and Vigo laboratories were adapted, making the required investments, and the accreditation work commenced (employee training, validation of methods, etc), in order to definitively obtain such accreditation in the second quarter of 2019.
 - Elimination of the environmental impacts caused by the dumping of wastewater, through the implementation and correct use of more modern technology applicable to the wastewater purification plants operated by FCC Aqualia. These techniques not only seek to minimise the impact of the dumping of wastewater treated at the natural source, but they also minimise the impact caused by sludge extraction as a result of their subsequent recycling, and by the smells and noises generated in the treatment process.
 - Implementation of R&D&i projects mainly aimed at improving water treatment possibilities. This line continued with the implementation of projects under way to enrich methane at the purification plants, new hypochlorite manufacturing methods to disinfect water plants or the use of the ozone in the treatment process.

26. EVENTS SUBSEQUENT TO YEAR-END

At the date of authorisation for issue of these financial statements, no significant events had occurred additional to those referred to, leading to significant changes in the data reflected in the Group's notes to the financial statements.

27. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company (see Note 2). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.



APPENDIX I

FCC AQUALIA AND SUBSIDIARIES (CONSOLIDATED GROUP) FULLY CONSOLIDATED SUBSIDIARIES

SOCIETY	GROUP HOLDING (%)	AUDITOR
Acque di Caltanissetta, S.p.A Viale Sicilia 176 93100 Caltanissetta - ITALY	98.46%	DELOITTE
Aguas de Alcáidesa, S.L.U. C/ de la Villa Real 1. La Alcáidesa. - Línea de la Concepción (CÁDIZ)	100.00%	--
Aguas de Alcázar Empresa Mixta, S.A. C/ Rondilla Cruz Verde, 1 - Alcázar de San Juan (CIUDAD REAL)	52.38%	CENTIUM AUDITORES
Aguas de las Galeras, S.L. Avda. Camino de Santiago, 40 - MADRID	100.00%	-
Aigües de Vallirana, S.A.U. C/ Conca de Tremp, 14 - Vallirana (BARCELONA)	100.00%	-
Aqualia Desalación Guaymas, S.A. de C.V. Avenida 5 de febrero N° 1351, ROBLE 304 - QUERÉTARO - MEXICO	100.00%	-
Aqualia Infraestructuras D.O.O. Beograd-Vracar Resavska 23 Belgrado Vracar - Belgrado-SERBIA	100.00%	-
Aqualia Infraestructuras Montenegro Bulevar Svetog Petra Centinjskog I A - 81000 Podgorica - MONTENEGRO	100.00%	-
Aqualia Infraestructuras Pristina LLC Bulevardi Nëna Terezë No 47/5B -Prishtina- KOSOVO REPUBLIC	100.00%	-
Aqualia MACE LLC P.O. Box 105547 - Abu Dhabi, U.A.E.	51.00%	DELOITTE
Aquaelvas - Aguas de Elvas, S.A. Rua Paco Bandeira, 14 - Assunção - Elvas - PORTUGAL	100.00%	DELOITTE
Aquamator - Aguas de Campo Maior, S.A. Rua Mayor Talaya, 28 - Nossa Senhora de Expectação - Campo Maior - PORTUGAL	100.00%	DELOITTE
Abrantaqua, S.A. Parque Lena - Alferrarede Abrantes - PORTUGAL	60.00%	OLIVEIRA, REIS & ASOCIADOS
Aqua Campiña, S.A. C/Blas Infante, 6 - Écija (SEVILLE)	90.00%	AUDINFOR
Aquafundalia - Agua do Fundão, S.A. Rua Fernando Pessoa, 195 6230 479 Fundao - PORTUGAL	100.00%	DELOITTE
Aquajerez, S.L. C/ Cristalera, 24 - CÁDIZ	51.00%	EY
Aqualia Intech, S.A. Avda. Camino de Santiago, 40 - MADRID	100.00%	DELOITTE
Aqualia Infraestructuras Inzenyring, s.r.o. Mariennské Hory, Slavnikovcu 571/21 Ostrava - CZECH REPUBLIC	100.00%	ABC AUDIT SRO
Aqualia México, S.A. de C.V. Carrizal, 33 - Santiago de Queretaro - Queretaro - MEXICO	100.00%	DELOITTE
Aqualia Infraestructuras Mostar Dr. Ante Estarcevic BB - MOSTAR (SERBIA)	100.00%	-
Aqualia Czech, S.L. Avda. Camino de Santiago, 40 - MADRID	100.00%	DELOITTE
Aqualia New Europe B.V. C/Calude Debussylann, 24 - Amsterdam -NETHERLANDS	51.00%	DELOITTE
Cartagua - Aguas do Cartaxo, S.A. Zona Industrial do Cartaxo, Lote 20 - Cartaxo - PORTUGAL	60.00%	OLIVEIRA, REIS & ASOCIADOS
Compañía Onubense de Aguas, S.A. C/Martín Alonso Pinzón, 8 - HUELVA	60.00%	-



**FCC AQUALIA AND SUBSIDIARIES (CONSOLIDATED GROUP)
FULLY CONSOLIDATED SUBSIDIARIES**

SOCIETY	GROUP HOLDING (%)	AUDITOR
Conservación y Sistemas, S.A. C/Federico Salmón, 13 – MADRID	100.00%	DELOITTE
Depurplan 11, S.A. C/ Madre Rafols, 2 – ZARAGOZA	100.00%	AUDINFOR
Empresa Gestora de Aguas Linenses, S.L. C/Federico Salmón, 13 – MADRID	100.00%	-
Empresa Mixta de Butarque, S.A. C/Princesa, 3 - (MADRID)	70.00%	-
Entemanser, S.A. C/Castillo, 13 – ADEJE (SANTA CRUZ DE TENERIFE)	97.00%	DELOITTE
FCC Aqualia América, S.A.U. C/ Uruguay, 11 – Vigo (PONTEVEDRA)	100.00%	-
FCC Aqualia USA Corp. 2711 Centerville Road, Suite 400. Wilmington (New Castle -Delaware-USA)	100.00%	BEKOWITZ POLLACK BRANT
Hidrotec Tecnología del Agua, S.L.U. C/Pinacel, 25 – SEVILLE	100.00%	DELOITTE
Infraestructuras y Distribución General de Agua, S.L. C/La Presa, 14 – Tijoco Bajo-ADEJE (SANTA CRUZ DE TENERIFE)	100.00%	-
Inversora Riutort, S.L. C/ Alfonso XIII – Sabadell (BARCELONA)	100.00%	-
Severomoravske Vodovody a Kanalizace Ostrava a.s. Varenská 2723/51 70200 Ostrava – CZECH REPUBLIC	98.68%	DELOITTE
Sociedad Ibérica del Agua, S.A.U. C/Federico Salmón, 13 – MADRID	100.00%	-
Sociedad Española de Aguas Filtradas, S.A. C/ Jacometrezo, 4 – MADRID	100.00%	DELOITTE
Tratamiento Industrial de Aguas, S.A. C/Federico Salmón, 13 – MADRID	100.00%	DELOITTE
Vodotech Spol, S.R.O. Jaselská 47 - Opava - CZECH REPUBLIC	100.00%	ABC AUDIT SRO

Note: This Appendix forms an integral part of the notes to the accompanying consolidated financial statements.



APPENDIX II

FCC AQUALIA AND SUBSIDIARIES (CONSOLIDATED GROUP) PROPORTIONATELY CONSOLIDATED JOINTLY CONTROLLED OPERATIONS

SOCIETY	GROUP HOLDING (%)	AUDITOR
AIE Costa Tropical de Granada Plaza Aurora, s/n - Motril (GRANADA)	51.00%	DELOITTE
AIE ITAM Delta de la Tordera Travesera de Gracia, 58 – BARCELONA	50.00%	-
AIE Aquagest Medioambiente, S.A. - Aqualia C/Condado de Jaruco, s.n. – Lloret de Mar (GIRONA)	37.50%	-
Empresa Mixta Abastament en Alta Costa Brava, S.A. Plaza Josep Pla, 4 - GIRONA	26.00 %	AUDINFOR
Gestión de Servicios Hidráulicos de Ciudad Real AIE C/ Ramírez de Arellano, 15 – MADRID	75.00%	-
Empresa Mixta de Aguas y Servicios, S.A. Alarcos, 13 - CIUDAD REAL	41.25%	CENTUM AUDITORES
Empresa Mixta d'Aigües de la Costa Brava, S.A. Plaza Josep Pla, 4 - GIRONA	25.00%	EY
AIE Costa Brava Abastecimientos Aqualia-Sorea C/ Sector Carlit, s/n. Castelló d'Empuries - GIRONA	50.00%	-

Note: This Appendix forms an integral part of the notes to the accompanying consolidated financial statements.



APPENDIX III

FCC AQUALIA AND SUBSIDIARIES (CONSOLIDATED GROUP) ASSOCIATES AND JOINTLY CONTROLLED ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

SOCIETY	HOLDING (%)	Carrying amount 31.12.2018 (Note 6)	Carrying amount 31.12.2017 (Note 6)	AUDITOR
Aguas de Priego, S.L. Plaza Constitución, 3. Priego de Córdoba (CORDOBA)	49.00%	-4	-17	AUDINFOR S.L.
Aguas de Archidona, S.L. Plaza Ochavada, 1 – 29300 Archidona - MÁLAGA	48.00%	62	71	CENTIUM AUDITORES S.L.
Aguas del Puerto Empresa Municipal, S.A. C/ Aurora 1 - 11500 - EL PUERTO DE SANTA MARÍA (CÁDIZ)	48.98%	3,832	3,927	-
Compañía de Servicios Medioamb. do Atlántico, S.A. Carretera de Cedeira, km1 - Narón (LA CORUÑA)	49.00%	298	313	AUDINFOR S.L.
Girona, S.A. Travesía del Carril, 2 – GERONA	33.61%	1,681	1,771	CATAUDIT AUDITORS ASSOCIATS S.L.
Aguas de Denia, S.A. Pedro Esteve, 17 - Denia (ALICANTE)	33.00%	424	400	AUDINFOR S.L.
Aguas de Ubrique, S.A. Avenida España, 9 - Ubrique (CÁDIZ)	49.00%	0	-59	-
Aguas de Narixa, S.A. C/Málaga, 11 – Nerja (MALAGA)	50.00%	231	268	AUDINFOR S.L.
Aigües de Blanes, S.A. Canigó, 5. Blanes - GIRONA	16.47%	62	64	CD AUDITORS
Aigües de Girona Salt i Sarrià del Ter Ciutadans, 11 - GIRONA	26.88%	167	166	CATAUDIT AUDITORS ASSOCIATS S.L.
Aigües del Tomoví, S.A. c/ Vella, 1 – El Vendrell (TARRAGONA)	49.00%	492	531	GM AUDITORS S.L.
Constructora de Infr. de Aguas de Querétaro, S.A. de C.V. C/ Minería Edificio B Ciudad de Méjico, Distrito Federal (MEXICO)	24.50%	-2,994	-2,720	DELOITTE S.L.
Constructora de Infr. de Aguas de Potosí, S.A. de C.V. Bulevar Manuel Avila Camacho, 36 Méjico, Distrito Federal (MEXICO)	24.50%	-5,395	-5,005	-
Concesionaria de Desalación de Ibiza, S.A. Rotonda de Sta. Eulalia, s/n – Ibiza (BALEARIC ISLANDS)	50.00%	1,300	1,260	BDO AUDITORES S.L.
EMANAGUA - Empresa Municipal de Aguas de Nijar, S.A. Plaza de la Glorieta, 1 – Nijar (ALMERIA)	49.00%	423	464	CENTIUM AUDITORES S.L.
Empresa Municipal Aguas de Algeciras, S.A. C/Virgen del Carmen, s/n - Algeciras (CADIZ)	49.00%	214	208	NEXT AUDITORES Y CONSULTORES S.L.
Empresa Municipal Aguas de Benalmádena, S.A. Exp. Ap.Tívoli, s/n - Arroyo de la Miel (MÁLAGA)	50.00%	1,795	1,648	AUDINFOR S.L.
Empresa Mixta de Aguas de Jódar, S.A. Plaza de España, 1- Jódar (JAEN)	49.00%	6	10	CENTIUM AUDITORES S.L.
Aguas de Langreo, S.L. C/Alonso del Riesgo, 3 – Langreo (ASTURIAS)	49.00%	882	946	CAPITAL AUDITORS AND CONSULTANTS, S.L.
Empresa Municipal Aguas de Toxiria, S.A. Plaza de la Constitución – Torredonjimeno (JAEN)	49.00%	66	80	CENTIUM AUDITORES S.L.
Empresa Municipal de Aguas de Linares, S.A. C/ Cid Campeador, 7 - Linares (JAEN)	49.00%	381	223	CENTIUM AUDITORES S.L.
Empresa Mixta de Aguas de Ubrique, S.A. C/JUZGADO S/N - 11600 - UBRIQUE (CADIZ)	49.00%	86	81	DELOITTE S.L.
Aguos El Realito, S.A. de C.V. San Luis Potosi (MEXICO)	49.00%	6,608	5,778	DELOITTE MEXICO
Orasqualia Devel. Waste Treatment Plant S.A.E.	27.95%	9,601	8,669	DELOITTE S.L.



2112 South Tower – El Cairo (EGYPT) Orasqualia Construction, S.A.E.	50.00%	-97	122	KPMG
2112 South Tower – El Cairo (EGYPT) Orasqualia Operation and Maintenance, S.A.E.	50.00%	997	471	DELOITTE S.L.
Nile City Towers – El Cairo - EGYPT Operadora El Realito S.A. de C.V.	15.00%	193	164	EY
Tomas Alva Edison 176- San Rafael-Distrito Federal (MEXICO) HA Proyectos Especiales Hidraulicos S.R.L. de CV	49.50%	1,055	560	GRANT THORNTON SC
Neucalpan – MEXICO D.F. Nueva Sociedad de Aguas de Ibiza, S.A.	40.00%	77	101	-
C/Bartolomé Rosselló, 18 - (IBIZA) Omán Sustainable Water Services SAOC	49.00%	911	0	-
Proveïments d'Aigua, S.A.	15.12%	535	504	ANTONI RIERA ECONOMISTES AUDITORS
Asturias, 13 - GIRONA Sera.Q.A. Duitama, S.A.	30.60%	40	42	-
(COLOMBIA) Shariket Tahlya Miyah Mostaganem	25.50%	35,222	31,248	MUSTAPHA HEDDAD
Cité Abdoni Ilot. 36 – Dar el Beida (ALGERIA) Shariket Miyeh Ras Djinet	25.50%	12,704	11,393	MUSTAPHA HEDDAD
Cité Abdoni Ilot. 36 – Dar el Beida (ALGERIA) Suministro de Aguas de Querétaro, S.A. de C.V.	1.00%	384	326	DELOITTE MEXICO
Santiago de Querétaro – Querétaro Arteaga (MEXICO) Prestadora de Servicios Acueducto El Realito SACV	24.50%	1	1	-
Bvd. Manuel Avila Camacho, 36. MIGUEL HIDALGO (MEXICO)				
Total		72,240	64,009	

Note: This Appendix forms an integral part of the notes to the accompanying consolidated financial statements.



APPENDIX IV

COMPANY	PARTICIPANTS	GROUP HOLDING (%)
UTE Abu Rawash Construccion	Aqualia Intech, S.A. - Orascom Cons.Industries	50%
UTE Agua Santo Domingo	FCC Aqualia, S.A. - Agua y energía	70%
UTE Aguas de Alcalá	FCC Aqualia, S.A. - Canal de Isabel II - SUFI, S.A.	50%
UTE Aguas del Doramás	FCC Aqualia, S.A. - Eichon Explot. S.L. - Eléct. Maspalomas, S.A.	50%
UTE Aigües els Poblets	FCC Aqualia, S.A. - Hidrosal, S.A.	95%
UTE Alcantarillado Alcoy	FCC Aqualia, S.A. - FCC, S.A.	50%
UTE Alcantarillado Burgos	FCC Aqualia, S.A. - FCC, S.A.	40%
UTE Alcantarillado Madrid Lote D	FCC Aqualia, S.A.	100%
UTE Alkhorayef-FCC Aqualia	FCC Aqualia, S.A. - Alkhorayef Water & Power	51%
UTE Ampliación ITAM Delta de la Tordera	Aqualia Intech, S.A. - FCC Construcción, S.A.	33.34%
UTE Aqualia Infilco	FCC Aqualia, S.A. - Infilco, S.A.	50%
UTE Aqualia Inima (Depuración poniente almeriense)	FCC Aqualia, S.A. - Inima, S.A.	75%
UTE Aqualia Riofobar Piloña	FCC Aqualia, S.A.	100%
UTE Bombeos Zona Sur	FCC Aqualia, S.A. - FCC, S.A.	99%
UTE C.H. Talave	FCC Aqualia, S.A. - SEAFSA	100%
UTE Calle Cruz	FCC Aqualia, S.A. - Const. Y O.P. Luis Vazquez e Hijos S.L.	80%
UTE Cangas	FCC Aqualia, S.A. - FCC, S.A.	99.99%
UTE Cap Djinet	Aqualia Intech, S.A. - Inima	50%
UTE Centro Deportivo Granadilla de Abona	FCC Aqualia, S.A. - FCC, S.A.	99%
UTE Cons. Gestor Ptar Salitre	Aqualia Intech, S.A. - Cass Construct.s y Cía S.A.- Aktor Technical S.A. Col. Branch	30%
UTE Conservación Getafe	Conservación y Sistemas, S.A. - FCC, S.A.	99%
UTE Consorcio Louro	FCC Aqualia, S.A.	99%
UTE Consorcio PTAR Arraiján	FCC Aqualia, S.A. - Aqualia Intech, S.A.	100%
UTE Costa Tropical	FCC Aqualia, S.A. - Acciona Agua, S.A.	51%
UTE Costa Tropical II	FCC Aqualia, S.A. - Acciona Agua, S.A.	51%
UTE Costa Tropical III	FCC Aqualia, S.A. - Acciona Agua, S.A.	51%
UTE Denia	FCC Aqualia, S.A.	100%
UTE Desaladora Bajo Almanzora	FCC Aqualia, S.A. - FCC, S.A. -FCC Construcción, S.A. - Aqualia Intech, s.a.	30%
UTE EDAM Oeste	Aqualia Intech, S.A. - FCC Construcción, S.A. - Transformaciones y Servicios	50%
UTE EDAM Santa Eulalia	FCC Aqualia, S.A. - Aqualia Intech, S.A.	100%
UTE EDAR A Guarda 2013	FCC Aqualia, S.A. - DEMAIN, S.L.	50%
Ute Edar Albuñol	FCC Aqualia, S.A. - FCC Construcción, S.A.	50%
UTE EDAR Baeza	Aqualia Intech, S.A. - Explotaciones las Misiones, S.L.- Martín Casillas, S.L.	50%
UTE EDAR Cuerva	FCC Aqualia, S.A. - FCC, S.A.	95%
UTE EDAR Gijón	Aqualia Intech, S.A. - FCC Construcción, S.A. - Degremont, S.A.	30%
UTE EDAR La Ranilla	FCC Aqualia, S.A. - Aqualia Intech, S.A.	100%
UTE EDAR Reinosa	FCC Aqualia, S.A. - FCC, S.A.	99%
UTE EDAR San Claudio	Aqualia Intech, S.A.	100%
UTE EDAR San Vicente de la Barquera	FCC Aqualia, S.A. - FCC, S.A.	99%
UTE EDAR Valdepeñas	FCC Aqualia, S.A. - Aqualia Intech, S.A. - FCC Construcción, S.A.	50%
UTE ETAPS Este	FCC Aqualia, S.A. - Iragaz Watin S.A.	65%
UTE Explotación ITAM Tordera	FCC Aqualia, S.A. - Acciona Agua, S.A.	50%
UTE Galindo-Beurko	FCC Construcción, S.A. - Bycam Serv.Edif e Ingfraestr. S.A. - FCC Aqualia, S.A.	10%
UTE Gestión Cangas	FCC Aqualia, S.A. - Cavis Global, S.L.	70%
UTE Groupement Solidaire Jerba	FCC Aqualia, S.A. - Aqualia Intech, S.A. - Inima, S.A.	50%
UTE Guadiana	FCC Aqualia, S.A. - FCC, S.A.	100%
UTE HIDC-HIDR-INV. Do centr ACE	FCC Aqualia, S.A. - Lena Ambiente	50%
UTE Ibiza	FCC Aqualia, S.A. - Acciona Agua, S.A.	50%
UTE IDAM Janubio	FCC Aqualia, S.A. - Aqualia Intech, S.A.	100%
UTE IDAM Sant Antoni	FCC Aqualia, S.A. - Infilco Española, S.A.	50%
UTE IDAM Sant Antoni II	FCC Aqualia, S.A. - Infilco Española, S.A.	50%
UTE IDAM Santa Eulalia	FCC Aqualia, S.A. - Acciona Agua, S.A.	50%
UTE Idga Saneca	Infr. y distr. gral del agua S.L.-Saneca Siglo XXI S.L.	70%
UTE Louro	FCC Aqualia, S.A. - Movexvial	65%
UTE Mancomunidad de Órbigo	FCC Aqualia, S.A. - FCC, S.A.	99%
UTE Mérida	FCC Aqualia, S.A. - FCC, S.A.	100%
UTE Mostaganem	Aqualia Intech, S.A. - Inima	50%
UTE Nigrán	FCC Aqualia, S.A. - FCC, S.A.	99%



UTE O&M EDAM Oeste	Aqualia Intech, S.A.	100%
UTE Oviedo	FCC Aqualia, S.A. - Seafsa, S.A.	100%
UTE OYM Cap Djinet	FCC Aqualia, S.A. - Inima	50%
UTE OYM Mostaganem	FCC Aqualia, S.A. - Inima	50%
UTE Periférico Lote 3	FCC Aqualia, S.A. - FCC, S.A.	50%
UTE PTAR Ambato	Aqualia Intech, S.A. - Alvarado Ortiz Constructores	60%
UTE PTAR San Silvestre	Aqualia Intech, S.A. - Construías de Colombia S.A.	50%
UTE Recirculación la Gavia	FCC Aqualia, S.A. - Aqualia Intech, S.A.	100%
UTE Redes CABB	FCC Aqualia, S.A. - Iragaz Watin S.A.	65%
UTE Redondela	FCC Aqualia, S.A. - FCC, S.A.	99,99%
UTE Reparaciones Lote 9	FCC Aqualia, S.A.	100%
UTE Saneamiento Canet y L'Almardá	FCC Aqualia, S.A. - Aqualia Intech, S.A. - FCC Construcción, S.A.	50%
UTE Santomera	FCC Aqualia, S.A. - FCC, S.A.	40%
UTE SCC Sice	Conservación y Sistemas, S.A. - SICE	50%
UTE Seafsa Lanzarote	Sociedad Española de Aguas Filtradas, S.A. - Jaime e Isaac Rodríguez	60%
UTE Sentinas	Sociedad Española de Aguas Filtradas, S.A. - Sampol	50%
UTE Sistema Integral Alacanti Sur	Aqualia Intech, S.A. - FCC Construcción, S.A. - Terceros	33,33%
UTE Sollanoko Ura	FCC Aqualia, S.A. - Iragaz Watin, S.A.	50%
UTE TSE Riad	FCC Aqualia, S.A. - Alkhorayef Water & Power	51%
UTE Tunel Puerto Algeciras	Conservación y Sistemas, S.A. - FCC, S.A.	70%
UTE Ussa A	FCC Aqualia, S.A. - Iragaz Watin S.A.	65%
UTE Ussa A 17	FCC Aqualia, S.A. - Iragaz Watin S.A.	65%
UTE Vigo	FCC Aqualia, S.A. - FCC, S.A.	99,99%
UTE Vigo Piscinas	FCC Aqualia, S.A. - Idonea CYS, S.L.	50%

Note: This Appendix forms an integral part of the notes to the accompanying consolidated financial statements.

APPENDIX V

FCC AQUALIA AND SUBSIDIARIES (CONSOLIDATED GROUP) CHANGES IN THE SCOPE OF CONSOLIDATION 31-12-2018

COMPANY	ADDRESS	GROUP HOLDING (%)
A) Additions at fully consolidated companies		
Aguas de Alcaidesa, S.L.U.	SPAIN	100%
Aqualia Desalación Guaymas, S.A. de C.V.	MEXICO	100%
B) Derecognitions at fully consolidated companies		
C) Additions at companies accounted for using the equity method		
Omán Sustainable Water Services S.A.O.C	OMÁN	49%
D) Derecognitions at companies accounted for using the equity method		



**FCC AQUALIA AND SUBSIDIARIES (CONSOLIDATED GROUP)
CHANGES IN THE SCOPE OF CONSOLIDATION 31-12-2017**

COMPANY	ADDRESS	GROUP HOLDING (%)
A) Additions at fully consolidated companies		
B) Derecognitions at fully consolidated companies		
FS Colaboración Gestión y Asistencia, S.A.	SPAIN	100%
Colaboración, Gestión y Asistencia, S.A.	SPAIN	100%
Aquacartaya, S.A.	SPAIN	100%
C) Derecognitions at companies accounted for using the equity method		
Aguas de Ubrique, S.A.	SPAIN	49%

Note: This Appendix forms an integral part of the notes to the accompanying consolidated financial statements.



WATER MANAGEMENT REPORT 2018

1. BUSINESS MODEL AND STRATEGY.

Aqualia provides technical solutions and quality services in all phases of the integrated water cycle with the aim of improving the well-being of people and the communities in which it operates, preserving water resources and protecting the environment and improving management efficiency, in line with the Sustainable Development Objectives of the United Nations.

The rapid pace of urbanisation in emerging countries and the need to improve living conditions and optimise a scarce resource in the current context of climate change, have led governments, communities and industrial corporations to seek out specialised operators to help them provide effective solutions to the problems of water supply, treatment and purification.

Aqualia is a global leader in water management that focuses its operations on specific business models and geographic areas and aims to grow in a sustainable manner while integrating all the capabilities of the value chain in the water cycle, from facilities design to managing large investment projects in water systems.

This strategic line was further strengthened in 2018 with IFM Global Infrastructure Fund acquiring a 49% minority stake in FCC Aqualia.

Its most important activity is the management of integrated water services in municipalities through long-term concession models or holding assets in countries with established regulatory systems.

Aqualia operates municipal water concessions in Spain, which represents more than 70% of its activity, and is working on expanding its network in the traditional markets of Czech Republic, Portugal and Italy. It also hopes to extend its activity to other European countries with similar models and to those Latin American countries with regulatory systems similar to those in Europe, such as Colombia, Chile etc.

Aqualia also works with alternative and/or complementary business models, such as Infrastructure Concessions. In these cases, Aqualia designs, builds, finances and provides long-term operation of infrastructures, often treatment plants (drinking water treatment,



purification, desalination) through BOT type contracts and "take or pay" mechanisms. These formulas, which combine technical know-how with the capacity to arrange complex financing, are increasingly used by Operators or Public Agencies and Industrial Corporations from emerging countries. Aqualia concentrates its activity in this business model in LATAM (Mexico, Peru, Chile) and MENA (Saudi Arabia, Algeria, Egypt),

The fundamental line of development on which Aqualia bases its growth are these two business models, with their characteristic high added value and long duration. Other business models such as O&M or EPC contracts are considered occasionally as the specific opportunity arises with a more strategic vision.

In general terms, in these activities, Aqualia competes in projects where either the fundamental competition factor is the technical capacity or the quality of the services and not exclusively the price, or they are projects of an important dimension, or they have a strategic interest or potential synergies for the region, the technology or the client where the contract is being carried out.

In EPC's contracts, Aqualia leverages the synergies offered by the existence of FCC Construcción, or other leading construction companies, to create alliances in the construction of large infrastructures, which allows the construction risk to be reduced and/or transferred.

Aqualia consolidates and develops its activity in certain regions, avoiding excessive sprawl and maximising commercial and scale synergies in the following manners: In Europe, especially in the municipal concessions business, by maintaining the high renewal rates of its contracts and taking up any opportunities that may arise in terms of both organic growth and value-adding acquisitions; in Europe, especially in the municipal concessions business, by maintaining the high renewal rates of its contracts and taking up any opportunities that may arise in both organic growth and value-adding acquisitions; In LATAM, seeking to recover the position that FCC Group had before the sale of Proactiva by consolidating long-term contracts for municipal concessions, infrastructure concessions or emblematic Design and Construction projects and; In MENA by developing a consolidated position in high value-added infrastructure or O&M concession contracts.



2. MARKET SITUATION

2.1. National Market

The sales revenue recovery that commenced in 2015 came to a halt in 2018, with a general fall in consumption, especially in the inland regions. The first half of the year was particularly rainy compared to the previous year. In Madrid, Castilla y León, Castilla-La Mancha, Extremadura and the inland provinces of Andalusia, sales volumes fell by more than 3%. In Galicia, Cantabria and the Canary Islands the decrease was less than 1%. In global values, for consumption at a low level and on a constant basis, year-on-year invoiced volumes at the end of the year fell by 1.84% and revenues by 0.73%, despite an average increase in tariffs of 1.12%. This decrease in consumption and its impact on turnover was offset by an improvement in the Operation and Maintenance activity, improvements in operating efficiency, and more small projects linked to concession contracts.

The political initiatives advocating the remunicipalisation of water management services have mainly focused on those municipalities in which concessions expired. The return to public management of the services of Tarrasa (Barcelona) and Valladolid, and the supply of water to the Barcelona Zone have been confirmed. All these services were operated by competing companies. In Aqualia, even in a very isolated manner - in the case of Alcázar de San Juan (Ciudad Real) - there is some similar initiative, although the legal framework in which the company's contracts are carried out does not allow us to perceive relevant risks for the activity in the short term.

During the year, the structure of the Association of Water Management Companies of Spain (A.G.A.), which groups together the public and private companies operating in the sector, was reformed. The objective is, among other things, to inform society about the high social commitment of the management companies, the existence of a very relevant technology transfer at a global level, and the affordability of tariffs in Spain for household economies, which are still low compared to those of the other OECD countries.

As regards commercial activity in the concessions segment of the integrated water cycle, Aqualia has been awarded some generally small tenders and has extended contracts when they expire, in this case with a very high loyalty rate of over 90%. With regard to O&M activities, Aqualia maintains its policy of focusing its activity on relevant public customers who recognise the added technological value and management improvements provided by the company and enable it to maintain adequate profitability.



In the area of Infrastructure Concessions, the Spanish state is paying a six-monthly fine to the EU of 15 million euros for insufficient wastewater treatment in cities with more than 15,000 inhabitants, and an inspection process is underway in towns with more than 2,000 inhabitants, where non-compliance is 25% among the more than 2,000 existing municipalities. This fact, which reflects the lack of investment in infrastructure together with the fiscal consolidation process, could lead to an increase in the opportunities for infrastructure concessions in the near future, both from the central government and from the Autonomous Regions, and thus take advantage of the financing capacity provided by private operators.

Finally, in the Technology and Networks sector, the Company has been further strengthened with the award of Design and Construction projects, both in the urban area (El Endrinal WWTP for Canal de Isabel II, Tenerife Island Council) and in the industrial area AITASA (Aguas Industriales de Tarragona, the company that manages the discharges from the Tarragona Chemical Pole).

In 2018, the Public Sector Contracts Law and the Regulations on the Law on De-indexing came into force. Both regulations are generating slow effects in the sector, fundamentally in the solvency required of bidders, in the adaptation of concession terms, in the review of the causes of claims for economic imbalances in concessions, and in the regulation of the tariff review regime in contracts. All of this is causing the preparation and tendering periods for tenders to be extended.

In the continuous policy of seeking efficiency in the company's operational management, the effort made in 2018 to reduce costs is worthy of note. As a result, and despite the fall in consumption in the sale of retail water, operating results have increased. Synergies have been reinforced, which translate into cost control. Progress has been made in the establishment of regional teams for sewer cleaning tasks, reducing subcontracting in this field to a minimum. New bank fees were also applied during the year for direct debit management services for billing remittances. Particularly noteworthy was the streamlining of procedures in the regularisation files for detected client fraud.

2.2. International Market

In the international arena, Aqualia concentrated its activity in 2018 in Europe, North Africa and the Middle East (MENA), the United States and Latin America (LATAM).



2.2.1. Europe

During 2018, Aqualia continued Integrated Cycle Concession contracts optimisation process in both Italy and Portugal, although in both countries the common denominator has been the scarce or non-existent announcement of new tenders.

In **Portugal** it is foreseeable that business will resume in 2019, while in Italy the new coalition government has publicly shown its support for public water management models, slowing down the concession tenders expected in the north of the country.

In the **Czech Republic**, for 2019, the regulatory framework has recovered the tariff incentives that had been applied to investments by companies that own assets until 2016. In 2018 there were no corporate movements or tenders, a more than probable consequence of the maturity of the market and the holding of elections.

In **Romania**, the engineering phase of the Glina project was completed this year, with client approval and all the necessary permits for work to begin.

In the **United Kingdom**, this year Aqualia successfully carried out for Thames Water the pilot phase for advanced sludge treatment at the utility's plant in Oxford, which receives sludge from all over the County. After the pilot phase, Thames Water is expected to include the installation of this treatment in similar plants that it manages in the next Asset Management Plan. This product may be of interest to other utilities that have already been introduced to it, such as Anglian Water.

In the **Balkans**, the Vrsac plant in Serbia was delivered this year. Together with the plants already installed in that country, this is a good endorsement of Aqualia as an important company in the sector vis-à-vis the government.

2.2.2. MENA

In **North Africa**, seawater desalination and wastewater treatment continue to present business opportunities in the countries in which Aqualia already operates.

In **Algeria**, work on the new seawater collection system at EDAM Mostaganem began in September and is progressing well. These works are expected to take two years to complete, after which time the plant, currently in operation, will increase its capacity and will be less affected by sea conditions.



As for the operation of the desalination plants, in May a successful operation was carried out in Mostaganem to clean the intakes using PIG (Pipeline Inspection Gauge) technology. At EDAM Cap Djinet desalination plant, it is expected that the necessary adaptation works will be carried out during 2019 so that the intake cleaning operations can be carried out using the PIG technology that has been so successful in Mostaganem.

In **Egypt**, Aqualia has successfully completed the execution phase of the design and construction contract for the El Alamein desalination plant, with a capacity of 150,000 m³/day, and the start-up phase began in December. It is expected that this phase will be completed in March and that the one-year operation period will then commence.

As for the work on the Abu Rawash PTAR project, which has been concluded as a pure EPC (Engineering, Procurement, Construction) project, the contract was signed in May and since then the basic engineering phase has advanced to the point of being almost complete at the date of preparation of this report.

In **Tunisia**, the execution phase of the Djerba EDAM project was completed during the month of May. With a capacity of 50,000 m³/day, it can supply the population and tourism on the island. The start-up was completed without incident and the development phase will run until May 2019.

In **Saudi Arabia**, progress has been made in the completion of the affected services contract for the Riyadh Metro, where Aqualia continues to implement service diversion activities and provisional and definitive connections on Lines 5 and 6. These activities will continue throughout 2019.

As for new projects, during 2018 the company has tendered for WEC (Water & Electricity Company) four BOT projects for important desalination and wastewater treatment plants. These were Rabigh 3 (desalination plant with a capacity of 600,000 m³/day), Shuqaiq 3 (desalination plant with a capacity of 450,000 m³/d), and Dammam and Jeddah (treatment plants with a capacity of 200,000 and 300,000 m³/d, respectively). At the time of writing this report, the successful bidders were still to be announced.

Oman will also continue to develop its desalination plan through public-private initiatives. In 2018, Aqualia completed the transition and start-up phase of the Sohar port area service. In June, to the full satisfaction of the client, Aqualia commenced the operation of the 20-year contract for the management of the integrated water cycle in this port area, in association with the Omani public company Majis, the concession holder.



In the **United Arab Emirates**, where Aqualia has been serving the eastern part of the Emirates for 7 years (based in the city of Al Ain), this year the renewal was tendered together with the operation and maintenance contracts for the networks of collectors, pumping stations and wastewater treatment plants throughout the Emirate of Abu Dhabi, which is, to this effect, divided into four geographical zones. As a result of the tenders, Aqualia was awarded the renewal in the Eastern zone and the area of the island of Abu Dhabi, with which the Company has expanded its business for 7 years in the Emirates and has become a leading company in the country's capital.

In **Qatar**, although the political and commercial blockade by Saudi Arabia and the Emirates has caused a slowdown in investment projects, it is expected that the Al Dhakhira wastewater treatment plant will begin operations in the summer of 2019. The plant, with a capacity of 55,000 m³/d, will be operated by Aqualia over the next 10 years.

2.2.3. USA

In 2018 Aqualia stepped up its commercial analysis activity in the United States. Water shortages, the obsolescence of hydraulic infrastructures and the low penetration of private operators in the sector are the main growth opportunities for the company in certain states.

2.2.4. LATAM

The lack of water infrastructures and need to make the existing ones more efficient are two factors that strengthen Aqualia's growth potential. In **Mexico**, the experience obtained in the BOT (Build, Operate, Transfer) contracts for Aqueduct II and Realito is being used to propose similar projects, where the most demanding technical and financial capacities give Aqualia a benchmark position. As a result of this strategy, Aqualia was awarded the BOT contract for the Guaymas desalination plant.

In **Colombia**, construction continued on the El Salitre Wastewater Treatment Plant in Bogotá. The company pursues business opportunities for the management of end-to-end services in important municipalities of the country under municipal concession models. Also, for the design, construction and financing of hydraulic infrastructures for the purification of its wastewater, or new sources of drinking water supply in areas with this need.

In **Peru**, the State is immersed in a process of evaluating the efficiency of its public supply services in order to give way to private initiative in those with the worst management



indicators. During 2017, five private initiatives for wastewater treatment were presented, which were declared relevant in 2018.

In **Chile**, the mining sector continues to present interesting business opportunities in the production of desalinated water for its operations. Aqualia works with historical clients in this sector to expand and rehabilitate installations. There are also business opportunities linked to the rotation of assets of some of its urban water cycle management services companies.

In **Panama**, work has begun on the 10-year engineering, construction and operation project for the Arraiján WWTP, which will treat the water used by 130,000 inhabitants. In addition, the Company has been awarded the assistance and advisory contract for the operational and commercial management of IDAAN, the body in charge of managing the country's water supply service.

3. CONTRACTING

3.1. National Market

2018 saw a moderate level of activity in terms of new contracting processes in the domestic market, mainly in the second half of the year, influenced in part by the forthcoming new electoral process in local governments. Despite this, the following contracts are worth noting:

- La Alcaidesa (Cádiz): supply, sewerage and purification service for the La Alcaidesa - San Roque / La Línea de la Concepción development, awarded by the Campo de Gibraltar Association of Municipalities for a period of 39 years with a contract value of 52.3 million euros.
- Calamonte (Badajoz): public service for the supply of drinking water and wastewater treatment in the municipality, awarded by the City Council for a period of 15 years with a contract worth 10 million euros.
- Moral de Calatrava and Pozuelo de Calatrava (Ciudad Real): municipal drinking water and sewerage services of both City Councils for a period of 19.5 years and 14 years respectively, with a contract value of 9.4 million euros.
- Bajo Andarax (Almería): concession for the purification service, awarded by the Bajo Andarax Municipalities Association for a 17-year period with a 5.7 million euro contract.



- Quismondo (Toledo): concession to manage the drinking water supply, sanitation and purification service, awarded by the City Council for a 25-year period and a 4.1 million euro contract.
- La Rioja: operation and maintenance service of sewerage and treatment and supply facilities in the Autonomous Community of La Rioja, Lot 4: Rioja Alta - Najerilla, awarded by the La Rioja Water and Waste Consortium, for a period of 4 years and a 4.6 million euro contract.
- Lanzarote (Las Palmas): supply and installation of mechanical and electronic meters for Canal Gestión Lanzarote, S.A.U. for a period of 4 years and a contract for 1.4 million euros.
- Barbastro (Huesca): operation, maintenance and conservation service for the WWTP, awarded by the Aragonese Water Institute for a period of 3 years.
- San Fernando (Cádiz): services for the control, maintenance and integrated treatment and operation of Navantia's water facilities in San Fernando, Puerto Real and Cádiz, for a period of 3 years.
- Tudela (Navarre): operation, maintenance and upkeep of the waste water transport and treatment facilities in the Tudela area, southwest Navarre and the Ribera Alta for a period of 2 years, awarded by Navarre de Infraestructuras Locales, S.A. (Nilsa).
- Ribeira (La Coruña): sanitation and treatment operation and maintenance services, awarded by Aguas de las Cuencas de España, S.A. (Acuaes) for a period of 1 year.
- Guía de Isora (Sta. Cruz de Tenerife): operation, maintenance and conservation service of the West seawater desalination system, Fonsalía Desalination Plant, awarded by the Tenerife Island Water Council (CIATF) for a period of 1 year.

With regard to renewals and extensions of contracts already managed by Aqualia at a national level, the most noteworthy are:

- Guía de Isora (Sta. Cruz de Tenerife): management of the public water supply service, for a period of 10 years and a contract of 73.8 million euros, awarded by the City Council.
- Santa Eulària des Riu (Balearic Islands): management of the water supply and sewerage service for a period of 7.4 years and a 45.7 million euro contract.
- Tarifa (Cádiz): management of the water supply and sewerage service for a period of 10 years and a contract for 33.7 million euro.
- Madrid: Operation and maintenance services of the sewerage network and complementary installations in the municipality of Madrid; Lot D Valdebebas Sub-basins and Rejas, South and South-East (Jarama and Colmenar Areas), for a period of 4 years and with a 33.1 million euro contract awarded by Canal de Isabel II.



- Mazarrón (Murcia): management of the water supply and sewerage service for a period of 5 years and a 31 million euro contract.
- Costa Brava (Gerona): management of the treatment service awarded to Empresa Mixta d'Aigües de la Costa Brava, S.A. by Consorci Costa Brava for a period of 2 years and a contract of 26.3 million euro.
- Herencia (Ciudad Real): management of the integrated water cycle for a period of 20 years and with a contract of 15 million euros, awarded by the City Council.
- Villacañas (Toledo): management of the water supply service for a 20-year period with a 14.2 million euro contract.
- Ibiza (Balearic Islands): management of the water supply and sewerage service for a period of 1 year with a 9 million euro contract.
- Miajadas (Cáceres): management of the public water supply service for a period of 10 years and a 6.9 million euro contract awarded by the City Council.
- Añover de Tajo (Toledo): management of the water supply and sewerage service for a period of 13 years with a 5.2 million euro contract.
- Castell-Platja d'Aro (Gerona): management of the water supply service for a period of 1 year and with a contract of 4.8 million euros.
- La Albuera (Badajoz): management of the water supply service for a period of 11 years and a 4.4 million euro contract.
- Valdecarábanos (Toledo): management of the water supply and sewerage service for a period of 19 years with a 3.8 million euro contract.
- Illescas (Toledo): management of the water supply and sewerage service for a period of 1.5 years with a 3 million euro contract.
- Güímar (Santa Cruz de Tenerife): management of the water supply and sewerage service, for a period of 1 year and a 2.3 million euro contract.
- Turleque (Toledo): management of the water supply and sewerage service for a period of 20 years with a contract value of 1.6 million euro.
- Navalcán (Toledo): management of the wastewater treatment plant of this town and that of Parrillas for a period of 10 years, for an amount of 1.5 million euros, awarded by the City Council.
- Hellín (Albacete): sewerage and treatment service for a period of 5 years with a contract value of 1.4 million euros.

3.2. International Market

In the international market, Aqualia has been active in a number of international tenders in different areas:



- Guaymas (Mexico): executive project, construction, equipment, commissioning, operation and maintenance, for a period of 20 years through a Public-Private Partnership scheme, of a Seawater Desalination Plant in Guaymas y Empalme (Sonora, Mexico), for 76.6 million euros.
- Abu Dhabi (United Arab Emirates): renewal of the contract for the operation and maintenance of the East Area (Al Ain) sewerage system, including water treatment, awarded by Abu Dhabi Sewerage Services Company (ADSSC), for a 7-year period and a 60.2 million euro contract.
- Abu Dhabi (United Arab Emirates): award of the contract for the operation and maintenance of the Abu Dhabi Island Area sewerage system by Abu Dhabi Sewerage Services Company (ADSSC), for a period of 7 years and a contract value of 39.5 million euro.
- Panama: Contract for the provision of technical assistance and advice to the National Institute of Aqueducts and Sewers (IDAAN) for operational and commercial management in the Metropolitan Area of Panama and the Management and Execution of high-impact activities, for a period of 5 years and a contract value of 51.6 million euro.
- Opava and Petřvald (Czech Republic): operation and maintenance of the sewerage networks of both municipalities, for a period of 10 years and a contract of 3.5 million euros.

4. PERSPECTIVES.

Expectations for 2019 are an increase in sales figures and results, if we take into account the new contracts already awarded, the maintenance of the high renewal rates of the contracts that Aqualia has historically recorded when they expire, and the expectations that water consumption will normalise after a year of such anomalous behaviour, mainly due to weather conditions, as well as the continuation of cost optimisation actions, with the exception of energy costs, which at the close of 2018 maintained an upward trend for 2019.

In none of the countries in which Aqualia operates with long-term concessions are significant changes expected in the current business models or regulatory systems, except in **Portugal**, where in 2018 several drafts and regulations were made public by the regulatory body ERSAR, which may alter certain non-substantial aspects to the extent that they are finally incorporated into current legislation.

In **Spain**, in the area of **Integrated Water Cycle Service Concessions**, it is worth highlighting that in 2019 the expectation is to maintain concessions rates similar to those



of 2018, exceeding 90%, although many new contracting opportunities are not expected due to the slowdown that usually occurs during electoral processes in city councils.

Regarding Infrastructure Concessions, it is expected that the Infrastructure Concession contracts in Castilla la Mancha, initially planned for 2018, will end up being tendered in 2019.

Within Europe, in **Portugal**, a reactivation of the concession business is expected after the legislative elections, which will be held in 2019 marked by the high budget deficit of the municipalities and the need for investment in infrastructure. Similarly in Italy it is expected that the tenders that were expected in the north of the country will come to fruition. However, the fragility and instability of the government coalition makes it difficult to foresee a greater impact than the current generalised uncertainty in the sector until new elections are called.

In MENA, especially **Saudi Arabia and the United Arab Emirates**, the Infrastructure Concessions contracts tendered in 2018 have yet to be awarded definitively and it is expected that new BOT projects will be tendered in the field of desalination and purification. In 2019, Aqualia will also start operating the new sanitation contract for **Abu Dhabi** and the Al Dhakira WWTP in Qatar.

In LATAM, the construction phase will commence on the contracts awarded in 2018 for Arraijan WWTP (Panama) and Guaymas IDAM (Sonora, Mexico) and these will be operated by Aqualia for periods of 10 and 25 years respectively. Finally, in **Peru** and the **USA**, some of the projects currently under study may be presented to the corresponding clients under the category of "unsolicited proposals" for evaluation and, if accepted, for subsequent execution.

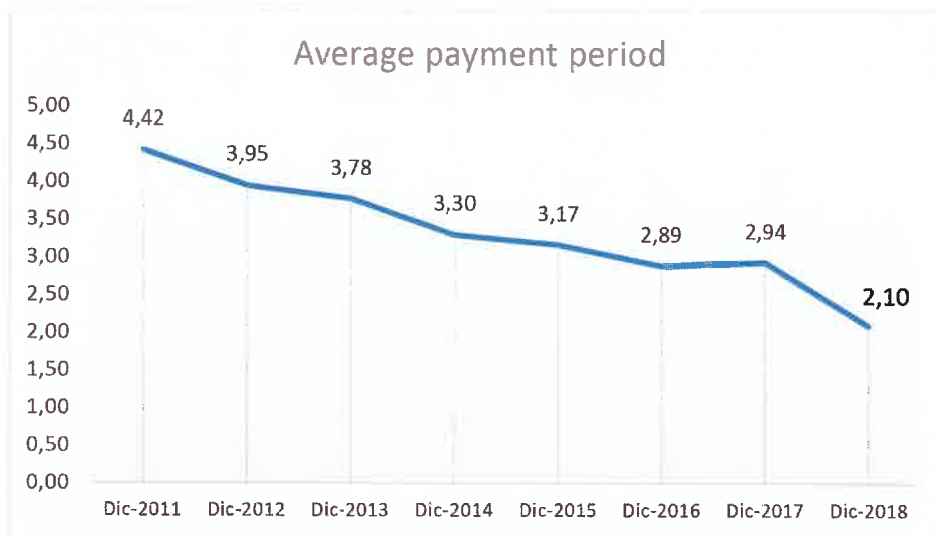
5. CLIENT MANAGEMENT

For Aqualia, extending the Company's commitment to society is key, seeking the objective of excellence in customer service. The Company seeks to differentiate itself in the market by developing services adapted to the needs of its users. In 2018 it continued to advance in its strategic orientation towards the end customer, with special attention to the quality of its interaction with its users.

In this regard, the Customer Management department has introduced the *Balanced Scorecard* management tool, which allows strategies and key objectives to be linked to



performance and results. This means a continuous improvement of the processes until reaching an average payment period of 2.10 months, with the following evolution:



Aqualia has continued the campaign launched in 2016 to promote the use of electronic invoicing and progressively replace as many paper invoices as possible. This action has enabled the number of electronic invoices issued to be increased by 18.6% in 2018, contributing to the campaign to protect the environment, with 357,105 customers opting to receive this type of invoice.

The task of minimising the difference between the water supplied to the network and the actual quantity consumed is a basic objective for any company like Aqualia. To achieve this, in addition to continually renewing the networks to avoid leaks as much as possible, plans are drawn up to detect fraudulent actions or uses of drinking water. During 2018, 8,485 frauds were detected for a consumption amount equivalent to 3.5 million euros. Alongside these actions, 260,855 meters have been updated in different contracts.

It is a reality that customers have high expectations regarding the service offered by the Company. In order to meet these expectations, Aqualia continues to make progress on the path it began in 2016 to offer all its customers an omni-channel experience in their interactions with the Company.



The face-to-face office, online office, telephone service and mobile device channels have been integrated in such a way that they all interrelate in real time. Thus, any customer who has initiated communication through any of these channels can, if they so wish, continue through another channel, without any change to their experience as a company customer.

The telephone service, through the Customer Service Centre (Aqualia Contact), enables users to carry out all the necessary procedures without having to go to the offices in person, as well as helping to reduce to a minimum the time required to resolve breakdowns in the distribution networks. The reduced waiting time for the customer to report a fault (24 x 7 x 365 service) allows an agile and effective action protocol to be implemented for the resolution of any type of incident in the network, which results in better water distribution efficiency. This customer service, available in six languages (Spanish, Galician, Catalan, English, German and French), received 747,404 calls during 2018. In order to measure their level of satisfaction, 224,953 customers were surveyed, users of Aqualia Contact, of whom 169,100 rated the service as excellent; 31,914 as very good, and 15,421 as good, which indicates that a positive satisfaction index of 96.21% has been achieved.

A third channel of communication is the corporate website (www.aqualia.com), available in six languages, which offers global information on the Company. In addition, the website has links to local sites, to different municipal water services provided by Aqualia, and offers more local and personalised information on the Company's presence in the municipality in question. Through Aqualia's web pages, both corporate and local, access is facilitated to the aqualiaOnline virtual office, where the customer can conduct any service-related activity in the same way as they would in person or by telephone, and the current rates approved by the competent authorities are reported with complete transparency.

A fourth communication channel is the application for mobile devices. This app allows all activities related to the services provided by Aqualia to be carried out when and where customers so wish, in the simplest and most convenient way, providing them with an overall view of their interrelations with the Company. This new channel, like the previous ones, interacts in real time with the computer systems, offering customers an omni-channel experience in their interactions with Aqualia. In 2018, this application was awarded the best app in the sector by the publication iAgua.



The aqualiaContact and aqualiaOnline channels have been operating since 2011, certified under the UNE-ISO 27001 Standard, "Information Security Management Systems", complying with the security objectives established by law and ensuring the commitment to the security of customer data, as well as integrity, availability and confidentiality.

In 2018, as part of its omni-channel project, Aqualia added Twitter to its list of channels. Through the @aqualiacontact account, messages sent by users are attended to and managed. There are also SMS messages for notifications of invoices with incidents and warnings of network breakdowns.

The efficiency of all customer relationship channels allows for a very low rate of complaints, 0.34% by December 2018, with an average response time to complaints of 16 days. Also noteworthy is the average installation time of the meter (from the registration request), set at five days.

Although the capacity to set tariffs and regulate the provision of services in the integrated water cycle in Spain is the exclusive competence of the Spanish government, Aqualia actively promotes social action mechanisms in tariffs and solidarity funds for the most disadvantaged users. In addition, the Company has worked to improve coordination with the social services of local councils in order to protect customers at risk of social exclusion. As an example, within its CSR policy, Aqualia has been collaborating with Caritas Española on an ongoing basis since 2015 to support this humanitarian organisation's initiatives in Spain.

6. SUSTAINABLE MANAGEMENT

Aqualia continues to support, as one of its priority objectives, the fulfilment of the United Nations' Sustainable Development Goals, focusing on those that affect the water sector and its stakeholders:

- o No 3. Promote general welfare.
- o No 6. Sustainable Water and Sanitation.
- o No 8. Promote sustained economic growth.
- o No 9. Building resilient infrastructures.



- o No 11. Achieve sustainable cities.
- o No 12. Guarantee sustainable production and consumption.
- o No 13. Adopt urgent measures to combat climate change.
- o No 14. Conserve marine resources in a sustainable manner.
- o No 15. Combat desertification and protect biodiversity.

Likewise, the Company continues with the strategy of creating shared value, responding to the expectations of its stakeholders and further developing the tools that make it possible to know and measure social and environmental impacts, as support for creating economic value and increasing the Company's competitiveness (calculation of social and environmental footprints). To this end, in 2018 work has been carried out on the following aspects:

1. **Implementation of the Management System** with work-life balance procedures that allow the integration into it of the family-friendly company initiative "Empresa Familiarmente Responsable", promoted by the Más Familia Foundation.

2. **Increased efficiency in the process of internal and external audits**, through the integration of audits of Quality, Environmental and Energy management systems and Carbon Footprint calculations.

3. **Adaptation of the international certificates to the new requirements** of the ISO 9001 (Quality Management) and ISO 14001 (Environmental Management) Standards.

4. **Increase in the scope of the Energy Management and Climate Change strategy.**

- Monitoring of contracts with energy review.
- Calculation and verification of the Carbon Footprint of all Aqualia's activities in Spain and Portugal.



- Registration in the Carbon Footprint Register of the OECC (Spanish Office for Climate Change) of the MITECO (Ministry of Ecological Transition) for all Aqualia's activity in Spain.
- Carbon Footprint Reduction Plan for Aqualia's Activity (2017 - 2019).
- Approval of an OECC CLIMATE Project under MITECO, for the use of alternative fuels, typical of the company's activity, in automobiles.
- Monitoring of the project to implement the Energy Management System in all activity in Spain, in compliance with RD 56/2016.

Adaptation of the general procedures of the Management System to the FCC Group's **Compliance** model, in response to the designation of process owners and the corresponding controls.

2. Participation in the **Service Excellence Model Standardisation Committees**, CEN/PC 420, and AEN/CTN 309 of the Horizontal Service Standards (AENOR) and in the AEC Customer Experience Committee.

3. Integration into the **Circular Economy Committee** of the Spanish Chamber of Commerce (delegated by FCC), from which legislative initiatives are analysed and meetings are held with political leaders.

In addition to the above, the strategy with the Company's stakeholders has been maintained, consisting of incorporating the processing of Aqualia's stakeholders into the Management System and analysis of the Company's context, as a requirement of the new Regulations and as support for other Aqualia departments in their day-to-day work (Customers, Communication, CSR, Human Resources, etc.). Along these lines, the specific procedures required for certification as a family-friendly company (efr) have been supplemented, placing employees at the core of stakeholder processing.

7. ENERGY MANAGEMENT

In line with the strategy put forward in previous years, Aqualia continued to develop measures to improve energy management throughout 2018, assuming as its main objective, on the one hand, social responsibility, adopted by the company as its main line of action, and, on the other, continuous improvement from the technical and economic point of view of its management.

In this sense, the lines of action have been directed towards:

- Respect for and protection of the environment.



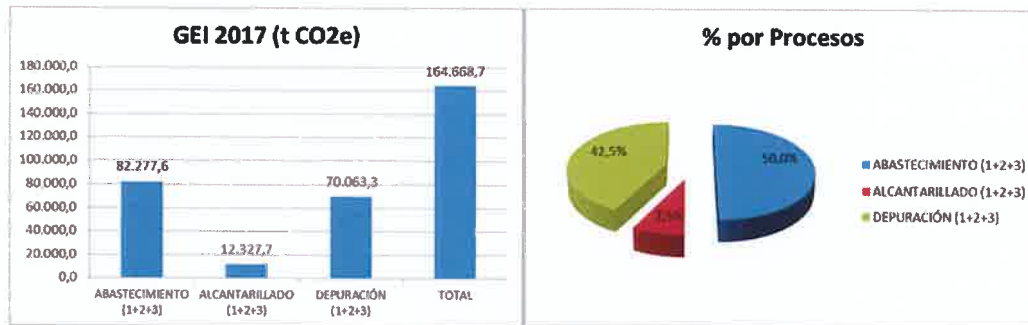
- Efficiency in the management of energy resources.
- Economic efficiency in the application of energy.

In relation to environmental protection, during 2018 Aqualia continued with the Carbon Footprint reduction measures set out in the report for registration in the MAPAMA Carbon Footprint Register in 2017.

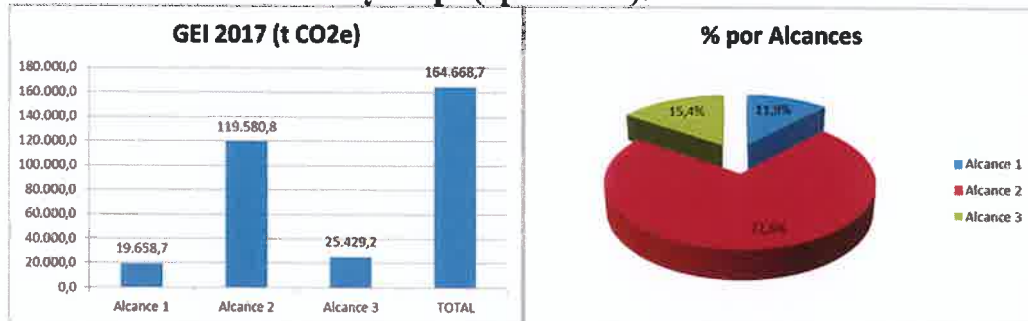
In 2018 the corresponding calculation was made, based on the 2017 data, for the preparation of the Greenhouse Gas Emissions Report, Audited and Verified by AENOR, and registered in the MITECO Register in December.

The summary of the calculation carried out is shown in the following tables:

Calculation of GHG Emissions by Process (Spain 2017):



Calculation of Emissions by Scope (Spain 2017):





As can be seen in the previous tables, the process that has the greatest impact on emissions is Supply and, in terms of scope, Scope 2, which corresponds only to electricity consumption, which was 56% in the previous year, compared to 76.6% in 2017. This is due to the fact that the emission factors, published by MITECO, considered for the calculation have gone from 0.15 kg CO₂/kwh in 2016 to 0.28 kg CO₂/kwh by 2017. In other words, there has been an increase of 87%.

These results show that *efficiency in the management of energy resources*, which is the Company's main line of action, is closely related to respect for and protection of the environment.

In this sense, during 2018 the line of improvements proposed within the Company Certificate (under the ISO 50001 standard as a response to the entry into force in February of RD 56/2016 on Energy Efficiency) have been continued, and two new projects have been launched with the aim, on the one hand, of reducing the impact of the emission factor for electrical energy and, on the other, of reducing the economic burden of investing in efficient equipment. The projects initiated are:

Search for a partner to enter into a PPA (Power Purchase Agreement)

The idea is to contract the acquisition of 72Gwh/year of energy, over the next 10 years, directly with a producer of "green" energy, at a fixed price, agreed (logically lower than MIBEL prices), which would provide a significant amount of electrical energy with "0" emissions, while setting a price to avoid the high volatility of the electrical energy market.

Consultancy for the processing of subsidies for energy efficiency projects.

Currently there are multiple government programmes, both nationally and regionally, to subsidise energy efficiency improvement projects.

The aim of this consultancy is to keep abreast of current programmes and facilitate access to these programmes for those responsible for production, whose processing is disparate (depending on the organising authority) and generally complex.

These measures are also linked to the third line of action set out at the beginning, *Economic efficiency in the use of energy*.



In 2018, Aqualia managed more than 3,150 supply points in Spain alone, with an annual consumption of more than 467 GWh.

The start-up in 2017 and subsequent development in 2018 of an IT tool for invoicing control made it possible to manage cost savings, close to 1 million euros in terms of excess contracted power, operating periods, etc. This saving would have been very difficult to achieve without an invoice management tool such as the current one.

8. TECHNICAL MANAGEMENT IMPROVEMENT PROJECTS

Work continued in 2018 on developing ongoing projects to improve technical management, and new projects were launched that will enable management to be optimised in the short and medium term.

The most relevant due to their impact on the organisation are as follows:

- ✓ Restructuring of the Laboratory network
- ✓ Centralised Scada Platform
- ✓ “Mobile” maintenance for small wastewater treatment plants.

8.1 Restructuring of Laboratory Network

Project initiated in June 2016 to respond to COMMISSION DIRECTIVE (EU) 2015/1787 of 6 October 2015, finally transposed into Spanish law, through Royal Decree 902/2018 of 20 July, which modifies Royal Decree 140/2003 of 7 February, establishing health criteria for the quality of water for human consumption.

Among other aspects, this new regulation establishes the need to adapt equipment, human resources and analytical methods to the new ISO 17025/2017 standard. This ISO standard establishes much more restrictive operating criteria and levels of precision and, on the other hand, article 4.1 of the EN ISO/IEC-17025 standard devotes special attention to safeguarding the independence of the laboratory's decision in order to avoid possible conflicts of interest that could derive from a direct dependence on the client for whom the tests are performed.

With the proposed restructuring, 22 laboratories that did not work under this standard have been closed for regulatory analysis, the accreditation according to ISO 17025/2017



was extended to the Badajoz and Vigo laboratories and the laboratories previously accredited under this ISO standard in Oviedo, Lleida, Ávila, Jerez (Cádiz) and Adeje have been upgraded in terms of human and material resources. All these laboratories have been transferred to Hidrotec S.L.U, a subsidiary of Aqualia.

This new structure responds both to the independent decision-making needs of the laboratory, as required by the standard, and to all the analytical needs of the contracts managed by the Aqualia group in accordance with the new regulations.

During 2018, the Badajoz and Vigo laboratories have been renovated, the necessary investments have been made and accreditation work has begun (training of personnel, validation of methods, etc.), with the aim of obtaining definitive accreditation in the second quarter of 2019. With this new structure, the number of analytical analyses carried out during 2018 exceeded 700,000 units.

Along the same lines, the laboratory for drinking water in the Sicilian province of Caltanissetta was accredited under standard 17025/2017. At the time of writing, the company is in the process of acquiring resources, training personnel and adapting methods, with the aim of obtaining accreditation from ACREDIA (the Italian accrediting body) in the second half of 2019.

8.2 Centralised Scada Platform

Aqualia currently has telecontrol and remote-control systems for the management of installations in more than 345 contracts in Spain alone, which control around 5000 remote registration units.

The systems installed are, for the most part, local in scope and with very diverse technologies, both at the level of the Scada platform and remote data loggers.

With this situation it is very difficult to maintain technological and management uniformity, as well as to maintain a uniform level of "data intelligence".

Based on an H2020 project, awarded to the Innovation Department, work began on the development of a centralised Scada management system, the main characteristics of which are as follows:

- The system is capable of storing all the information coming from the remote recorders in the same central server, with backup systems.
- The recorders can use multiple technologies.



- The system is safeguarded by corporate IT security systems.
- Scada is centralised, with restricted access to different levels of the organisational structure of the company.
- Scada must be replicated in the contract itself, avoiding possible communication problems with the central server.
- The system is connected to the computer tools of the technical area (Aqualia GIS, Aqualia GESRED, etc.).
- The system allows reports to be generated by analysing data (intelligence) loaded into the Central Scada.

During 2018, the functional design and installation was carried out in two "pilot" services (Talavera de la Reina and La Puebla de Montalbán, in Toledo), managing the integrated water cycle.

Once the results of the pilot are obtained, the next phase is to install it for the control of an entire delegation (Castilla-La Mancha) and begin to provide it with intelligence reports, the aim of which will be to support the technical management of the services and to optimise the operation.

8.3 Mobile maintenance for small desalination plants

Aqualia currently has contracts that manage a large number of small wastewater treatment plants (that are widely dispersed geographically) from a single control centre. Predictive and preventive maintenance for these systems requires management tools that help to plan and verify the maintenance operated in these facilities.

The current maintenance tools are too heavy, as they were designed for more complex industrial installations. For this reason, the IT Department, in collaboration with the Operations and Production Department, has developed a tool for planning and controlling the maintenance of small installations as a preview of the tool in the Asset Management and Corporate Maintenance project, which downloads the corresponding job order, previously planned in the system, to mobile devices, allowing it to be completed from said devices, and guaranteeing the proper execution "in situ" of the orders issued, verifying that they have actually been completed.

9. INNOVATION AND TECHNOLOGY

Aqualia's innovation activities are in line with the Company's strategic approach, focused on achieving the United Nations' Sustainable Development Goals, supporting the rest of



the departments and their operations in the development of new intelligent management tools, improving its energy balance (SDG 7) and reducing its carbon footprint (SDG 13).

The attached table* shows the projects developed in the Innovation and Technology Department during 2018 to strengthen Aqualia's technological proposal, organised into four lines of work: Sustainability, Eco-efficiency, Quality and Intelligent Management, each of which is related to a relevant SDG.

Of the eighteen projects currently underway, thirteen belong to European Union programmes (one to the FP7 framework programme and the Joint Project Initiative (JPI), six to the H2020 programme and five to the Life programme). The remaining five are co-financed by national (CIEN: Consorcios de Investigación Empresarial Nacional from the Centro para el Desarrollo Tecnológico Industrial, CDTI) or regional (Asturias, Catalonia and Galicia) programmes.



During 2018, five projects have been completed in which the following results have been obtained:

1. LIFE Memory: has demonstrated, in a 50 m3 industrial reactor in Alcázar de San Juan (Ciudad Real), the technical and economic viability of innovative



technology, an Anaerobic Membrane Bioreactor (AnMBR), which allows direct conversion of the organic matter contained in the wastewater into biogas. The elimination of the conventional stages of primary decanting and aerobic secondary treatment allows a reduction in energy consumption and CO₂ emissions of up to 80%, requiring 25% less space and producing around 50% less sludge.

2. CDTI BestF Biowamet (European programme ERANET): Supported by the Universities of Southampton (United Kingdom) and Delft (Netherlands), and in synergy with the Life Memory project on the AnMBR reactors, a small real WWTP of the Baix Ebre (Bitem in Tortosa, 20 m³/d) has been converted to obtain bioenergy and reuse water.
3. Conecta PEME Medrar: co-financed by the European Regional Development Fund (ERDF), it brings Aqualia together with two Galician SMEs under the leadership of the University of Santiago de Compostela (USC). Compact and automated modules have been developed for the treatment of waste water, integrated in the rural environment. The conversion of a small WWTP in Mos (Pontevedra) into a granular sludge reactor demonstrates the low cost of installation and maintenance, with minimal environmental impact.
4. CIEN Smart Green Gas: supported by the CDTI, Aqualia leads a consortium formed by four other companies (Gas Natural Fenosa (now Naturgy), Naturgas/EDP, Diagnostiqa, Dimasa Grupo) to implement new methodologies that increase the quantity and quality of biomethane. In the WWTPs managed by Aqualia (Seville, Jerez (Cadiz), Aranda de Duero (Burgos), Lleida, and Huesca), the operation of the digesters has been improved. In two of these plants, biomethane vehicles have also been acquired, supported by the Ministry of the Environment's CLIMA programme, which rewards emissions reduction.
1. JPI Pioneer (in the European programme ERA-NET Cofund Water Works within the WATER JPI Initiative): led by the USC, in a network of prestigious Universities (Verona/Italy, DTU/Denmark and KTH/Sweden) the project develops processes that improve the elimination of microcontaminants. Aqualia's activity demonstrates the ELAN technology (Autotrophic Nitrogen Elimination) in a water line in a treatment plant of the Isabel II Canal (Valdebebas, in Madrid). This in-line sludge technology has also been perfected, combining it with struvite



precipitation in the WWTP of Guillarei (Pontevedra), to achieve a lower environmental impact in the treatment process.

In 2018, four projects have entered their final phase of development, with completion planned for next year:

1. LIFE Biosol: French SME Heliopur as leader has obtained an extension of one year, until the end of 2019, to demonstrate solar disinfection of wastewater combined with biological processes (algae cultures). In addition to the first demonstration stage at the CENTA Foundation facilities (Seville), a larger scale facility (3000 m² of crop) has been built at the El Toyo wastewater treatment plant in Almería, where biomass use is also demonstrated.
2. All-gas FP7: after the construction of two hectares of algae crops and a 2,700 m³ digester, the world's first algae biofuel plant is operated with a tertiary treatment capacity for municipal effluent of up to 2,000 m³/day. It produces recycled water and algae biomass, generating biomethane to move up to 20 vehicles/ha with a positive energy balance. The biofuel supplies three test vehicles, which have already travelled 20,000 km each, and also drives three other municipal service vehicles.
1. Life Answer: at the brewery where the consortium leader Mahou produces beer in Guadalajara, a new configuration of the microbial purification cell technology developed by Aqualia in collaboration with the University of Alcalá de Henares is demonstrated. The main objective of the project is to save energy in the process and to recycle the residual aluminium from the cans by combining the process with a pre-treatment based on electrocoagulation.
1. H2020 Incover: In a project led by the Aimen technology centre, which brings together eighteen bodies from seven countries, the use of algae biomass in higher-value products such as biofertilisers and bioplastics is expanded, and recycled water production is improved. Aqualia's activities are divided between the Chiclana and Almeria WWTPs, including, in addition to washing biogas with algae to adsorb CO₂, various options for treatment with vegetable filters, solar disinfection and intelligent irrigation.



Five other European projects, two under the Life programme and three under the H2020 programme, are in the development phase:

1. **Life Methamorphosis:** the project, led by Aqualia and involving five other bodies (Área Metropolitana de Barcelona, FCC SA, Naturgy, Icaen and SEAT), has built two demonstration plants. The first, at the Ecoparque del Besós (Barcelona), managed by the FCC Group, integrates three technologies recently developed by Aqualia (AnMBR, ELAN and biogas washing) to convert leachate from urban waste into biomethane. In the second, Naturgy is working on the conversion of slurry into biofuel. In both cases the biomethane is tested for injection into the natural gas network and for use in automobiles.
2. **Life Icirbus:** led by the Intromac technology centre, it brings together eight companies to demonstrate the reuse of wastewater from treatment plants in construction materials and the generation of biofertilisers. The prototype is under construction in a plant managed by Aqualia in Extremadura.
2. **H2020 Mides:** through a new technology, the microbial desalination cell (MDC), developed between Aqualia and IMDEA Water, reduces the energy cost of desalination tenfold compared to traditional reverse osmosis. Residual organic matter from effluents is used to activate bacteria that displace salts through membranes without external energy input. The project has mobilised eleven partners from seven countries to implement the technology and set up three demonstration units. The Denia Water Service plant managed by Aqualia is already up and running, and there is another project planned for the Canary Islands.
3. **H2020 Sabana:** led by the University of Almeria, Aqualia is one of three industrial partners, together with Westfalia (Germany) and the Italian food group Veronesi, in a consortium of eleven entities from five countries (including the Czech Republic and Hungary). The project has already built facilities for cultivating microalgae, optimising the production of new biofertilisers and biopesticides. Subsequently, a five-hectare biorefinery will be built in an Aqualia WWTP, which will enable alternative products to be obtained from microalgae, as a model of aquaculture that is respectful of the environment and safer for the consumer.



4. H2020 Run4Life: led by Aqualia, it arose from a consortium with fourteen partners from seven different countries. The project implements, in four locations (Sneek/Netherlands, Ghent/Belgium, Helsingborg/Sweden and Vigo/Spain), new concepts of nutrient recovery from the separation of grey and black water. The Sneek and Vigo facilities are already in service, the first with new vacuum toilets with minimum water consumption, and the second with an AnMBR to produce bioenergy and water for irrigation. The project includes dialogue with the users of the new services and by-products, and optimisation of water and energy consumption through decentralised management of these systems.

Two new projects started in 2018:

- RIS3 Valorastur: this is part of the RIS-3 programme of the Regional Ministry of Employment, Industry and Tourism of the Principality of Asturias, and brings together Aqualia with two large public companies, Cogersa and Hunosa, and the SME Ramso, with the aim of achieving eco-efficient treatment in which energy consumption and waste production are reduced while new resources are generated.
- H2020 Scalibur: composed of twenty-one partners from ten countries under the leadership of Itene Technology Centre. The project will cover pilot waste reduction and recovery plants in the regions of Madrid, Lund (Sweden) and Rome (Italy). The FCC Group participates through FCC Medio Ambiente and Aqualia, both of which are taking corresponding actions in Spain and the Czech Republic to convert organic matter into by-products and bioenergy.

In addition, there are two projects that do not involve pilot implementations and the development of new processes, but are oriented towards the training of personnel, with an industrial doctorate supported by the Generalitat of Catalonia, Virtual CSIC, and the H2020 Marie Skłodowska Curie programme of doctorates in European networks, Rewatergy.

During 2018, two new European patents have been applied for and discussions continue with the European Patent Office (EPO) on five applications filed in previous years.

In terms of publications and participation in congresses, the R&D team participated in more than fifty scientific and professional events, and their work is reflected in more than 200 press articles, as summarised in the attached table.

	2015	2016	2017	2018
Scientific articles (*)	4	4	11	11



Sector press	63	163	117	131
General press	37	161	113	94
International events	20	40	33	24
National events	5	20	18	30
Others	1			2
TOTAL	130	388	292	292

10. HUMAN RESOURCES

10.1. HR LINES OF ACTION

The Human Resources area, without the need to restructure its departments or modify its organisational structure, has rethought its business approaches based on a new vision and mission statement. Aqualia aspires to be a company committed to and recognised for the health, well-being, happiness, commitment and productivity of its employees. A company in which advancement of work and personal and family life is optimised.

In short, Aqualia's vision in the human resources area is to become a Healthy Organisation.

To this end, Aqualia's mission will be to attract talent from diverse people on an equal opportunities basis, offering quality employment under fair and even favourable conditions, guided by leaders who generate trust and commitment by establishing values and ethical principles for optimum professional and personal performance, in which communication, relationships and participation are promoted in a healthy and safe environment, in which the physical, mental and social well-being of people is paramount, with options for maintaining a balance between professional and personal life.

All of the above has a name (Be Aqualia) that brings together the new global strategic vision of HR activity.

From this point of view, multiple lines of action are being pursued, all of which are identified under the concept of "health assets" and which revolve around the Healthy Organisation concept.



10.2 Work-life balance

Aqualia still holds its efr (family friendly business) certification obtained in 2017. This year Aqualia has taken steps to achieve its objectives in terms of training and awareness-raising in work-life balance, informing about the certificate and incorporating it into its value chain. In December, a new version of the Efr Catalogue was approved in which nine new work-life balance measures were introduced.

Training in work-life balance has been critical in 2018, with 441 managers now trained in the work-life balance management online course. Likewise, the course on specific risks in the workplace and equality included a work-life balance module and 75 courses were held in 2018, which were attended by 1000 people. In addition, 6 focus groups on work-life balance and 2 workshops for managers were held.

In addition, the Charter for Work-Life Balance was signed. The document, signed by Aqualia's Equality Committee, includes the company's responsibility to guarantee employees sufficient and appropriate awareness and training in the area of work-life balance, to convey the company's commitment to the whole team and the promotion of a culture that encourages work-life balance through communication and awareness-raising actions by the company.

10.3 Diversity and Equality



10.3.1 Diversity and Social Inclusion

In 2018 Aqualia signed the Diversity Charter with which it states that it respects current regulations regarding equal opportunities and anti-discrimination. It has also continued its Family Plan, with the Adecco Foundation, aimed at the children of employees with a certified disability greater than or equal to 33%. And also, the Collaboration Agreement with the Down Syndrome Foundation, through which it has incorporated personnel in 2018.

10.3.2 Equality

1 · Mentoring

In 2018, the Third Mentoring Programme was completed to promote and facilitate the development of professional talent. This time, Aqualia extended the programme which, in addition to promoting female talent, seeks to facilitate the active integration of new Service Managers. This programme aims to contribute to the rapid integration of the new Heads of Service by facilitating relations with people from whom they can learn and who help them to expand their network of contacts in the Company. The idea is to take advantage of generational synergies by providing them with the appropriate resources and tools to enable them to be productive in an effective and simple manner.

2 · Equality Distinction

Aqualia continues to hold its "Equality in the Company" distinction, with the second extension granted in 2017 for a period of 3 years. This distinction represents recognition by the Ministry of Health, Social Services and Equality of the company's commitment to diversity and equal opportunities for men and women.

3 · Equality Plan

In 2018, Aqualia continued to implement its second Equality Plan (for the period 2015-2018), in which both the company and the main trade unions in Spain reiterated their commitment to equal opportunities for men and women.

4. Pay Gap



In November 2018, Aqualia signed an agreement with KPMG for the purpose of analysing and defining the wage gap calculation model. The objective is to have a tool that allows a detailed analysis on which to develop specific plans in the area of equality.

5 · Campaigns: Women's Day, Gender-based Violence etc.

The Company continues to show its commitment to tackling gender violence through the launch and participation in different awareness and sensitisation campaigns carried out in different municipalities and with the collaboration of Aqualia's staff.

5 · Management Development Programme for Women

In 2018, a new round of the Women's Executive Leadership Programme at the School of Industrial Organisation (EOI) was held, with the participation of 5 members of Aqualia's staff. Participation in this programme is part of the policy of Equal Opportunities for men and women promoted by the Company.

In the 2018 edition of the Promociona Programme, taught by ESADE and supported by the Spanish Confederation of Business Organisations (CEOE) and the Ministry of Health, Social Affairs and Equality, an Aqualia board of directors participated. The aim of this programme is to improve women's access to management positions, Management Committees and Boards of Directors of companies, and thus continue to move forward in order to create shared leadership.

6. Collaborations with the Women's Institute

In 2018 Aqualia signed an agreement to participate in the "WOMEN STEM 2018/2019" scholarship programme organised by the Sepi Foundation with the collaboration of the Institute for Women and Equal Opportunities. This programme consists of facilitating young women who have studied STEM subjects to complete practical training periods in the workplaces of the companies participating in the programmes and under the supervision of suitable mentors and tutors. The selection process began in 2018 and the incorporation of trainees will take place in 2019.

10.4 Leadership

In 2018, the fifth Otto Walter Cycle was held, a programme aimed at middle managers, with the aim of continuing the transformation of Aqualia's leadership style and directing it towards a more participatory people management model, a catalyst for talent, which reinforces team unity and is supported by a common language shared by all.



Likewise, a 180° managerial style gauge was carried out this year at twelve management levels of the organisation, which will continue in 2019.

10.5 Professional and Personal Development

A · Professional Development

Training at Aqualia is linked to the Company's strategic objectives to improve the performance of employee duties and to ensure occupational health and safety. To this end, work is being done to develop training adapted to the requirements of each of the Company's employment posts.

For this reason, the Company continues to invest in the training and professional development of its employees. In 2018, 673 courses were organised, and 4,136 employees received 81,104 hours of training. In total, 62% of employees and 58% of female employees received different levels of training. Attendance at the training courses was 88% (7,911 participants in 2018), highlighting the commitment and involvement of employees in this endeavour.

Aqualia also continues to support the Alliance for Dual Vocational Training.

B · Talent Selection and Attraction

In order to guarantee objectivity in the selection processes, Aqualia continues to use the competency-based selection model, whereby, after an analysis of the position, interview questions are prepared, which are the same for all candidates. This method makes it possible to compare, guarantee equality and avoid discrimination.

In line with the FCC group's selection policy, Aqualia is committed to internal mobility as a source of recruitment.

In addition, as part of its commitment to the integration of young and specialised talent in the water sector, the Company continues to recruit trainees who have taken the master's degree in Engineering and Water at the EOI (Escuela de Organización Industrial), with which Aqualia signed a collaboration agreement at the end of 2016.

A General Protocol for the Design, Implementation and Evaluation of an Anonymous Curriculum Vitae Project for the selection of personnel, signed with the FCC Group, has



been in place since 2017. The purpose of this protocol is to establish a general framework for collaboration with the Secretary of State for Social Services and Equality in order to promote the implementation of depersonalised selection processes in relation to the group of executives in order to avoid possible gender biases in personnel selection processes and, where appropriate, professional promotion.

10.6 Safety, Health and Well-Being

The number of claims in 2018 has remained at figures similar to 2017, so that the frequency index (relating the number of accidents with sick leave as a function of the number of hours worked) is around a value of 12 (higher in national activity and lower than the figure for international activity).

In 2018, a traffic accident with fatal consequences for a subcontracted worker occurred. Three other accidents of various kinds were considered serious (1.- heart attack in the workplace, 2.- traffic accident with a motorcycle and 3.-fall of a subcontracted worker from a stepladder).

The most relevant activities are listed below in order of chapters.

A · Health and Safety

1 · OHSAS 18001 Certification

Once again, this year, Aqualia has renewed the OHSAS 18001 certification for the Occupational Health and Safety Management System.

2018 was the first year in which certifications of national and international activity were unified under the prism of the ENAC certification process. In this way, the entire Aqualia Group has a global certificate that includes all our activities and the locations in which we operate. This management has facilitated the auditing process, simplifying the different steps that it comprises such as meetings, dossiers, control, etc.

The result has been satisfactory, with only three minor "Nonconformities" and six general observations to the system.

2 · Actions of the Joint Prevention Service (JPS)

As happens every year for its national activity, the Joint Prevention Service has completed specialised technical measures. After its reorganisation in mid-2017, it is each Zone Director, assisted by his or her LRP coordinator, who establishes the annual programme of preventive actions. This document quantifies the number and scope of the activities that will be carried out by the Prevention Service technicians. The following is a national statistical summary of the activities carried out in 2018.

1 · Documentation

Activity	Completed	Hours
Preventive Activity Planning	428	2162
Initial Risk Evaluation	31	1510
Complementary Risk Assessment and Reviews	101	2866
Periodic Asbestos Measurement	30	90

2 · Documentation, Monitoring, Training and Information

Activity or Course	Completed	Hours
Periodic Noise Measurement	286	818
Specific Reports	274	912
Emergency Plan and Drill	226	735
Health and Safety Plan	213	1731
Specific Risks Info Session	357	859
Complementary training (excl. RE)	266	153
Incident Investigation	824	1923
Specialised Verification	695	2578
Works Coordination Meeting	53	117
Specialised Inspection and Follow-up of Works	147	503

3 · Preventive Culture Project



In 2018 work continued on the measures already defined in previous years and the actions envisaged in the 2016-2018 Action Plan were completed. Specifically

- On Safety Walks for executives: the executives have organised planned walks based on the objectives set.
- On refresher training: four new videos have been produced on activities not contemplated in the previous phase and training talks have continued to be given.
- On safety conversations: the action has been reinforced by convening meetings in all the delegations for middle managers and explaining again and insisting on the nature of this action and the need to carry it out.
- On safety observations: training of prevention technicians for the implementation of this action has been reviewed and reinforced.
- System of recognition of the preventive effort

A reconnaissance system has been designed and will be operational from 2019. The objective set when it comes to recognising the effort made by management regarding preventive management is the degree and quality of the execution of the measures aimed at implementing the programme to increase the preventive climate in the company.

The aim is for the different hierarchical levels to assess and recognise how the managers are making exemplary progress in health and safety management and to encourage it.

The new report on positive prevention indicators has been drawn up and meets the following operational objectives:

- 1st. Focus on **integrated preventive management**, ensuring regulatory compliance.
- 2nd. Evaluate not only the activity carried out in relation to the objectives, but also its quality and impact, that is to say, the set of positive aspects.
- 3rd. Compare and **acknowledge the effort** made.

There is a total of eleven indicators that make up the dashboard that is now called: FOLLOW-UP AND EVALUATION OF PREVENTIVE EFFORT.

A new methodology for investigating accidents and collective learning has been developed. On the basis of the methodology already established in Aqualia for incident



investigation, the new guide aims to be a tool that facilitates the organisational learning process, with the aim of generating changes in equipment, facilities, people's behaviour, procedures and/or management systems to improve safety related aspects.

To achieve this, three basic conditions are required:

- Knowledge: to generate information about the causes.
- Communication: to disseminate the information obtained.
- Improvement: to promote the will for change.

We intend to promote two types of learning:

- Individual learning: people learn better through participation and "doing" more than by receiving instructions.
- Organisational learning: generating changes to reduce the likelihood of new incidents, repetitive or otherwise.

4 · Road Safety Campaign

In line with the road safety campaign, the awareness-raising and information programme has been continued. Among the activities of this area is the preparation of a model mobility plan to be implemented in workplaces with more than fifty workers. A pilot programme has also been launched in relation to the project to install geolocators in vehicles of Aqualia's fleet.

5 · Visits to High Claims Contracts

On the basis of the study of claims on farms, a list of claims included in the "High Claims Contracts" campaign is selected on an annual basis. A specific programme of technical visits is carried out on these farms in order to help in the search for or definition of specific actions that may reinforce the effectiveness of preventive actions. On the basis of these visits, a plan is established whereby each regional directorate carries out a follow-up to check the evolution of the accident rate in subsequent years. During 2018, seven visits were made as part of this initiative.

6 · Psychosocial Risk Assessment



In 2018, based on the data collected in 2017, it was possible to make progress in the project to improve emotional well-being after the completion of the general assessment of psychosocial risks for the entire workforce.

In general, exposure levels are controlled for all psychosocial dimensions, although there are relevant improvement actions in aspects such as: workload and Participation/supervision. The following areas are also worth studying and improving: interest of the worker/compensation and role performance.

A proposal has been drawn up with more than twenty improvement actions that include actions at central level and another series of actions that will be implemented in a staggered manner from the regional directorates.

7 · Security (regulations for stays abroad)

When an employee travels abroad and the requested destination is a high or extreme risk country, a particular protocol is applied that may involve specific advice or security measures by the Corporate Security Department. The FCC Group has a crisis management structure to deal with all unexpected events that may affect the security of the organisation or the personnel of the entire Group. Crisis management includes the possibility of evacuating personnel abroad for security reasons or for medical reasons, for which agreements have been signed with operators specialising in this type of service.

B · Healthy Company

1 · Healthy Habits Promotion Campaigns

Campaigns of different kinds are aimed at improving the health of the company's staff through the introduction of healthier habits, always under the advice of the Medical Services. A series of campaigns has been launched on issues of food safety and the benefits of physical exercise, developing habits capable of modifying unhealthy or dangerous behaviour for the health of the workers as a whole (even transcending their family/social environment).

To this end, intervention strategies and specific procedures for learning and acquiring behaviours were required, among which in 2018 the following are worthy of special note:

- ❖ Healthy Company action plan design for Aqualia.
- ❖ Nationwide training campaign given by Quirónprevención on first aid.



- ❖ Back Schools Plan 2018-19. FCC Medical Services and Quirónprevención.
- ❖ Fitting out of facilities at Las Tablas corporate headquarters (Madrid) to facilitate the promotion of physical activity, bicycle use, etc.
- ❖ Participation of Aqualia staff in sporting challenges.
- ❖ Participation of workers in popular races.
- ❖ Launch of a health app.
- ❖ Inclusion in Sportsnet, an external platform to be implemented at Group level.

2 · Healthy Company Programme in Lleida

The main objective of the programme introduced in the province of Lleida is to foster the commitment to be a healthy company through the promotion of health and well-being at work, through the development of global and personalised initiatives, tailored to the needs of each individual. It is aimed at all workers in the province of Lleida who have voluntarily joined the programme.

The programme aims to help improve the quality of life of workers by identifying and evaluating unhealthy habits and risk factors that may affect the health of the individual, not only in their working environment, but also considering all external factors that are related to their personal routines and out of work activities. The activities carried out in 2018 are as follows, grouped into four blocks.

- DIET: weekly fruit delivery.
- HEALTHY HABITS:
 - ✓ Relaxing massage (one hour free per year, outside working hours).
 - ✓ Skin care workshop.
 - ✓ Tea pairing workshop.
 - ✓ Informative talk about hypopressives.
- SPORT AND PHYSICAL EXERCISE:
 - ✓ Transplanbike participation.
 - ✓ 3rd paddle tennis tournament.
- SOLIDARITY ACTIVITIES AND COLLABORATION WITH THE COMMUNITY:
 - ✓ 2nd blood donation campaign.

These activities are proposed by a monitoring group made up of workers and company representatives. Some of the members of the group are changed every six months and



other members are permanent to ensure continuity of the projects and the objectives of the programme.

3 · Previous campaigns: Health Challenge

Through the widespread use of mobile health applications, workers competed voluntarily in a series of objectives to be achieved (minutes of physical activity, steps taken...) with full monitoring through apps designed to record these parameters using wearables (smartphones, wristbands and activity clocks), all aimed at improving the physical fitness of all workers who had voluntarily joined the programme.

10.7 Participation

A · Participation

1 · Occupational Health Charter

The work being carried out in the framework of Aqualia's Charter for Occupational Health continued in 2018, with representatives of the main trade unions and the Company's management collaborating in the improvement of health and welfare conditions through dialogue and the design of good practices at a global level.

A new feature this year is that the body has extended its remit such that it could be referred to as a "Trade Union Charter", as other forums for participation have been unified, such as the Equality and Work-Life Balance working groups.

10.8 Quality Employment

A · Quality Employment

1. COLLECTIVE BARGAINING, LABOUR RELATIONS AND PERSONNEL MANAGEMENT

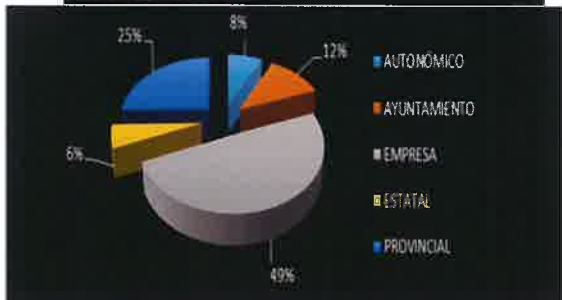
In terms of collective bargaining, the consolidation of the Fifth State Water Agreement throughout the sector at the national level should be highlighted. In March 2018, the



Negotiation Commission of the VI State Water Agreement was constituted, in which the most relevant companies of the sector participated and in which this year the most representative trade union organisations (UGT and CC.OO.) integrated the same with parity in their composition, which further normalises and stabilises negotiations and the sector, thus facilitating relations with trade union and workers' representation applying extensive agreement regulations that have substantially reduced the conflict in the work centres where it operates.

As in 2017, this consolidation and extension of the State Water Agreement has been one of the objectives in the area of Labour Relations and it has enabled different work centres to continue to adhere to agreements or company/centre agreements, whereby the number of collective agreements in force in the area of water is 9% lower than the figures recorded for 2017.

Ámbito Geográfico	
AUTONÓMICO	5
AYUNTAMIENTO	8
EMPRESA	33
ESTATAL	4
PROVINCIAL	17
Total general	67





Likewise, the number of work centre agreements as compared to 2017 has increased by 17%, taking into consideration both the reasons for subscribing to the sectorial regulatory framework of the State Water Agreement and the different needs in the different work centres. This has meant a reduction in labour disputes and a substantial improvement in the relationship with the legal representation of workers and employees.

With regard to labour lawsuits, which have been concluded in court, as well as the corresponding labour conciliations, the trend of reduction in conflict observed in 2017 has been maintained throughout 2018. There have been fewer lawsuits with trial results in 17%, in which the most relevant results have been a 34% judicial settlement without a sentence (2% more than in 2017), 27% of favourable sentences for the company (4% more than in 2017), 10% of withdrawals of lawsuits and only in 10% of cases has a first instance ruling been received. These data reflect a trend towards a decrease in labour disputes and a highly satisfactory outcome in the settlement of legal claims and labour disputes.

Tipología Juicio	
Despido	16
MSCT	11
Reclamación cantidad	10
Seguridad Social	6
Despido objetivo	6
Incapacidad permanente	6
Subrogación	5
Conflicto Colectivo / Negociación Convenio	3
Clasificación profesional	1
Incumplimiento Empresario	1
Elecciones Sindicales	1
Total general	70

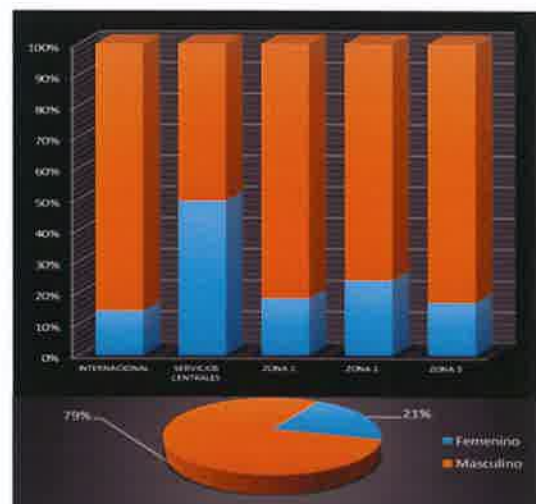
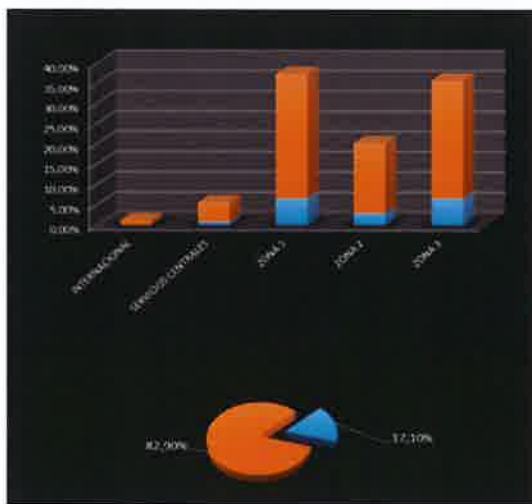
Resultados Juicios	
Acuerdo Judicial	24
Sentencia Favorable	18
Desistimiento	7
Sentencia Condenatoria	7
Pendiente Sentencia	6
Nuevo señalamiento	5
Archivo provisional	2
Sentencia Favorable - Recurrida	1
Total general	70

In terms of conflicts resulting in strikes, only one strike day has been declared in 2018, compared with 6 in 2017 and this was not attributable to the company's actions, since it was the 8th of March strike that took place on International Working Women's Day/International Women's Day.

With respect to quantitative data, the policy of reducing seasonal hiring has been continued throughout 2018, whereby 82.9% of contracts are now permanent and in terms



of gender the same percentage of women has been maintained since 2017, whereby 80% of employees are male and 20% are female.



With regard to staff management, the full decentralisation of the FCC Group's HR administrative processes has been completed. Thus, Aqualia is responsible for coordinating all the actions required to manage all aspects of employment and staff administration for the staff of the companies within the company's perimeter. This decentralisation has led to improved staff administration processes and greater control of employee management, which has resulted in a reduction in execution times and greater flexibility of action, attending to and resolving employee incidents in a shorter response time.

As part of this decentralisation process, the full management of Social Security by Aqualia's central HR department should be highlighted. This initiative has meant, in addition to a reduction in errors and delays in management, an improvement in the time required to manage information and documentation for other departments. The direct relationship with Social Security speeds up incident resolution times and end-to-end control of any claim or incident in matters of Social Security, as well as an overall improvement in the management of social security.

An update of the job/functions map has been extended and consolidated for the whole Company, which has helped to continue improving the identification and ranking of



employees, increasing the quality of the existing information and facilitating the analysis and study of Aqualia's current personnel.

Also, in 2018, the improvement of processes and reduction of costs in the area of Staff Administration continued. Some of the most noteworthy projects are as follows:

1.- Development and implementation of the app by which employees with access to information systems and the employee portal, can:

- View and download their payslips.
- Approve payments of monthly employee variables.
- Request holidays.
- View their team calendar.
- Approve purchase orders.
- Search for other employees (professional information).

The project, which is in the final testing phase, will incorporate other options for the approval of staff administration requests (change of post/function, transfers, extensions of recruitment and recruitment requests) into the above-mentioned options. All this will mean the elimination of paper applications and will lead to better security in terms of data protection, greater speed in approving applications (which up now have to be signed physically), savings in messaging costs and in the time it takes to process applications.

2.- Cash Advance and Expense Settlement Processes via Work-Flow:

In 2018, the Incorpora tool was developed for processing requests and payments of cash advances and payment of travel expenses so that as from January 2019 these requests and payments are made via WF through this platform, eliminating the paper process and cash payments.

11. COMMUNICATION, MARKETING AND RSC

11.1. Communication

In accordance with what is included in the annual Communication Plan (PCOM), in 2018 five strategic lines of action were proposed in the area of Communication, aimed at the company's different audiences (end customer, institutional customer, media and internal customer):



- Ensure that all audiences of interest perceive Aqualia as a company that adds value to their municipality/country, communicating from the point of view of the recipient of the message.
- Become a benchmark in the sector in the evolution of the social concept of water management.
- To expand and transform our presence in the media, both national and international, and in the new communication channels (RRSS).
- In the International Area, present the Company and its positioning as a strategic ally in the management of public water services.
- Strengthen employees' sense of belonging to the company and internal cohesion.

Within this framework, the most important initiative developed during 2018 was the annual corporate campaign www.compromisoreal.com, focused on the company's contribution to 12 of the Sustainable Development Objectives established by the United Nations for the year 2030.

The campaign has been focused directly on the media, both as reporters/prescribers and as citizens who make use of the public services provided by Aqualia. The efforts made in this regard have led to different achievements that materialised in the more than 200,000 views of the videos in which Aqualia professionals reveal, month by month, the content related to, among others, SDG 6 "Clean Water and Sanitation", SDG 5 "Gender Equality", SDG 11 "Sustainable Cities and Communities" or SDG 1 "End Poverty". The campaign website has received 7,000 visits from more than 10,000 users, reaching more than 300 mentions of the campaign, both in specialist media and in general information media.

In addition, Aqualia's Youtube channel has had more than half a million views since its launch, making it one of the company's main information channels. The informative impact of the channel's contents during this year has been notable, recording more than 250,000 views, which means more than 10,000 hours of viewing time, and close to 400 new subscribers.

The popularity of some of the Company's videos, including those launched monthly as part of the campaign #Compromisoaqualia (Aqualia commitment to social development, work or wellbeing) have been instrumental in this increase in views. The increase in traffic on the YouTube channel has also been possible thanks to the added value of some outstanding and award-winning videos, such as "La Gestión del ciclo integral del agua como nunca te había contado" (The Management of the Integrated Water Cycle as Never Before Told), distinguished as the best audiovisual piece in the 1st edition of the Prizes



(DIRCOM) and awarded as "Best Video" in the iAgua 2017 Prizes, or the video "You have to be from Bilbao to appreciate tap water" which, as part of the campaign for the 50th anniversary of the Bilbao Bizkaia Water Consortium, received an award in the category of Best Responsible Marketing Action at the renowned Publifestival.

Aqualia is committed to constant, useful and responsible communication focused mainly on citizens. It has growing communication on networks: 3,749 followers on Twitter and more than 2,250 followers on the company profile on LinkedIn, the last channel opened by Aqualia in August 2018.

In addition, and with the aim of bringing the company's local representatives into contact with the media in each region, various types of ad hoc local events have been organised: meetings with journalists at facilities, teamwork days, or open-door days.

Aqualia's commitment to being a benchmark in technical matters, innovation, sustainability and communication has been brought to fruition through the Company's participation in the different sessions and working groups organised by representatives of the sector in order to establish clear, continuous and close policies that allow the main messages of the water management sector to be conveyed to the three main target audiences: policy makers, the government and citizens. Thus, different representatives of Aqualia have highlighted the multiple possibilities of public-private collaboration, both nationally and internationally. Of note were the interventions in forums organised by iAgua Magazine, participation in the events organised on the occasion of European Green Week, the presentation at the I Salon H2Orizon (Seville) of the Municipal Water Service in Almeria as an efficient management model, or participation in the National Environment Congress (CONAMA).

Worthy of note is Aqualia's presence at Expoagua, the sector's most important event in Peru. The Company was highly visible, both at the information point it maintained in the exhibition area and in the speeches made by its delegates during Spain Day. Aqualia's presence at this event meant the opportunity to present the company at a corporate level in the country and to network with the main national and Latin American entities present in Peru (ANA, Sunass, IDB, among others).

In addition to the regular actions (press conferences, notes, articles, interviews, reports) and in order to strengthen the relationship with information professionals who help to convey to society the importance of integrated water cycle management, the Company has launched the third Aqualia Journalism Prize "Water management in municipalities". The result will be known in the first half of 2019.

In 2018, Aqualia also took part in various informative breakfasts and round tables dealing with current social, political and cultural issues, which provide an ideal opportunity to strengthen relations with the different stakeholders and the brand image of Aqualia as a company involved in the social, economic and environmental development of the



territories in which it operates, beyond its technical performance. The mayors of Santander and Badajoz, at breakfasts held in October and November in Madrid, endorsed public-private collaboration for the benefit of citizens. Abel Caballero, Mayor of Vigo and President of the FEMP also participated in one of these meetings. In December the informative breakfast "Enclave Mujeres" for equality and against gender violence took place in Toledo, with Vice President of the Government, Carmen Calvo, attending as a special guest. And the Smart City project in Rota, led by its mayor, was the epicentre of an editorial table organised by Aqualia together with the magazine Andalucía Económica. Aqualia's performance in relation to strengthening relations with the media, following the strategic lines of the PCOM, has been reflected in different collaborations. For example, iAgua, the leading online publication in the water sector, published in December the 21st edition of its paper magazine (iAgua Magazine). As usual, Aqualia has collaborated with the publication of a six-page report in which it reviews the main milestones achieved by the company in 2018.

At regional level, Prensa Ibérica, a group to which local newspapers as influential as Faro de Vigo, La Nueva España or Levante, among others, belong, commemorated its 40th anniversary in 2018. As part of the extensive programme of events to celebrate this event, Oviedo and Vigo hosted an exhibition of historical newspaper covers and a subsequent event, in collaboration with Aqualia, which was attended by leading personalities from the political, business, cultural and social spheres of Asturias and Galicia.

Aqualia played a leading role in the programme "Asturias.Repor", on the Public Television of Asturias (TPA). The regional channel, with a wide audience throughout the Principality of Asturias, recorded a four-hour extensive report on the management of the wastewater network in Oviedo, focusing on the work done by the company.

Following the various updates to the corporate website (www.aqualia.com), in 2018 the website recorded a total of 1.7 million visits, mainly on issues related to customer service management (more than 46% of interactions). The average duration of connections was over 2 minutes and 86% came from Spain.

Internal communication has expanded in 2018 with greater use of emailing. Through the e-mail mailbox of the Communication Department, the Company has reinforced Flash information as the main internal information channel. Throughout the year, 132 pieces of information were launched on daily activities in production, business and the different areas that make up the company (R&D, PRL, HR, etc.), as well as different actions and campaigns generated by the Communication and Marketing team and those undertaken in the area of CSR.

11.2. Marketing

One of the main objectives included in the 2018 Communication Plan (PCOM) was to ensure that citizens perceive Aqualia as a company that adds value to the regions in which



it operates. The aim was also for the Company to become a benchmark in the sector in the evolution of the social concept of water management. To achieve this, the Company has opted to position itself in the minds of citizens in one area: concern for people.

Beyond managing the integrated cycle, Aqualia implemented actions in 2018 aimed at connecting with the population with a focus on the citizen. This is why it launched the portal www.aqualiaeduca.com, a new educational tool dedicated to understanding the water cycle and which promotes awareness among the general population and among young people in particular. It is a portal aimed at young and old alike, offering information on the water cycle and access to multimedia, entertaining and adapted documentation to learn how to make responsible use of the resource.

Once again, this year, and with the aim of highlighting the value of the daily work involved in bringing water from nature to the tap, Aqualia has launched a new edition of its children's drawing competition on the website www.aguaparagrifus.com. The competition, which was held for the 16th time in 2018, has an international dimension. In addition to Spain, it is held in Portugal, Italy and the Czech Republic. Aqualia invites boys and girls in the 3rd and 4th grades of primary school in the municipalities where it provides services to participate in the competition.

This digital children's drawing competition forms part of the set of initiatives that Aqualia regularly develops with schools, institutes and university centres to make them aware of the phases of the water cycle and to educate them in its use and consumption. The 2018 edition was a success with more than 8,000 entries. More than 160,000 people from our target audiences have been involved: 150,000 schoolchildren, 6800 teachers, 2000 employees, 1,000 town councils and 850 media.

The competition website has obtained relevant data such as 22,203 users, 50,739 sessions, 382,220 page views and an average visit duration of just over seven and a half minutes.

With this training and educational action, Aqualia is also able to involve the families of its employees. Thus, nearly 100 children, grandchildren and nephews and nieces of the Company's employees took part in the 9th round of Peque artistas (Little Artists), an in-house drawing competition which is carried out entirely online.

Aqualia, technological partner of El Puerto de Santa María Town Council for water management through the mixed company APEMSA started up the Water Room during the academic year 2017-2018. This is a new recreational-educational space to bring the world of water management closer to schoolchildren through games and experiments. This initiative is part of the municipal educational offering and during its first year has received a total of 633 schoolchildren in 3rd and 4th grades of primary school. The success of the event exceeded expectations: a total of fifteen recreational and educational days were held, which were given a score of 5 out of 5 by the teachers.

During 2018, different campaigns linked to commercial and awareness objectives have been developed which have supported communication with the aim of citizens



understanding and valuing the Company's activity. The information and awareness-raising campaign for the proper use of the "Don't flush it" toilet and the one developed at SmVak, Aqualia's Czech subsidiary, promoting the consumption of #tapwater in the restaurants in the region in which it operates are clear examples of this.

The ongoing attacks by public water management platforms, which are clearly excluding companies such as Aqualia, and the strategic lines of PCOM 2018 have led to the development throughout the year of an information campaign aimed at providing, on a monthly basis, true data on the actions carried out to improve the well-being of citizens, as well as a video and a blog with the opinion of the Company's professionals. The campaign #CompromisoAqualia developed on the website www.compromisoreal.com includes a selection of the socioeconomic impacts of the company and its contribution to 12 of the 17 United Nations Sustainable Development Goals with more than 60 real facts that contribute to the transformation of the regions in which it provides service and the achievement of the United Nations SDGs by 2030. Aqualia's activity is closely linked to the main axes defined in the global sustainable development agenda and offers an unbeatable opportunity for the Company to contribute to its achievement, as has been the intention of this campaign.

Aqualia's Commitment (compromiso Aqualia) is an example of the Company's responsibility to provide added value in the areas in which it provides services, while also contributing to improving the well-being of people, especially the most vulnerable groups. At the end of the event, a video was produced which, in 120 seconds, presents the successful data gathered in the last year: more than 200,000 views and 5,000 hours of playback on YouTube, more than 27,000 visits to the website www.compromisoreal.com and 85,000 views on Twitter.

Also, in 2018, work was done to reinforce the perception of Aqualia as a glocal company (global management with a strong local commitment), a company that is close and provides local and at the same time international value whilst being open to new cultures. Thus, the Company has increased its presence in numerous events and strategic forums of international importance with the aim of positioning itself in the sector as a benchmark for innovative solutions responding to future challenges or responding to new models of public-private collaboration. This is true of Aqualia's participation in the International Water Summit, the Oman Energy & Water Exhibition and Conference, the SWAN Congress held in Formentera and the ANEAS convention-exhibition held in Mexico.

At the international level, Aqualia was chosen as one of the best water management companies in the world during the Global Water Awards gala with the "Distinction Award", which recognises the excellent performance of the company's team during the year. The awards were presented at the Global Water Summit, a conference held in London in April and which brought together the main companies, authorities from



different countries, institutions and high-level individuals that are leaders in the water sector.

Also noteworthy is the iAgua publication award for Best Contract of the Year for the Empalme - Guaymas desalination plant in Mexico.

Aqualia also received the "IDA Exceptional Utility Leader in Water Reuse and Conservation Award", in recognition of its outstanding public and private service management that has successfully implemented innovative water reuse and conservation projects.

11.3. Corporate Social Responsibility (CSR)

Aqualia understands CSR as a cross-cutting element in its business model. In this way, economic profitability and competitiveness are integrated with the social and environmental factors of our environment, which are so important for the future of our business and for contributing to sustainable development.

In 2018 and in accordance with what is included in the CSR Plan 2018-2020 (CSRPlan), different actions have been developed linked to the three strategic lines defined:

- Citizen connection.
- Intelligent services
- Exemplary performance

Civic Connection.

Sustainability and awareness are two key factors for the company. For Aqualia, efficient management of natural resources, especially water, is fundamental. In 2018, campaigns were carried out to ensure responsible consumption of both drinking water and good use of the wastewater network.

Aqualia also joined Global 6K For Water, organised by World Vision, the largest clean water race held for the first time in Spain on 19 May in Madrid to raise funds to bring drinking water to 300 students at the Saint Mary Kevin orphanage and school in Uganda, where 68% of the population does not have access to drinking water.

The Company, with a view to considering the results of decisions that improve the perception that customers have of the work that Aqualia carries out in the different regions, carries out different Satisfaction Studies for the final customer, institutional customer and Aqualia Contact.

Excellence in customer service is Aqualia's commitment to society. To achieve this, the company offers a highly customised service in line with users' needs. The public has been informed of the Company's new freephone numbers via press releases, and these have also been updated on invoices and on Aqualia's website.

Intelligent Services



In addition, and linked to its daily activity, Aqualia has launched several initiatives to raise awareness about the responsible use of water and the environment.

The Company celebrated World Water Day (22 March) with numerous activities for everyone, ranging from schoolchildren and the elderly to representatives of institutions. In Oviedo, schoolchildren were the main focus of the visit to the Cabornio DWTP. In the Balearic Islands, Ibiza hosted a massive event promoted by the Water Alliance, in which Aqualia participated as the concessionaire for water management in the Balearic Islands, to present the campaign "Not a drop in the sea". In Andalusia, the Tempul reservoirs, located in the Zoobotanical facilities of Jerez (Cadiz), opened their doors to receive hundreds of schoolchildren in a day organised by the City Council and Aquajerez. Open days were also held at facilities in municipalities such as Salamanca, in collaboration with the Centre for Technological Research and Development of Water (CIDTA), in Toledo, Medina del Campo (Valladolid), Mondoñedo (Lugo), Dénia (Alicante), Alcoi (Alicante), Anglès (Gerona), Almacelles (Lleida), Baix Ebre (Tarragona), Nájera (La Rioja), Miajadas (Cáceres), Los Santos de Maimona (Badajoz) and Olivenza (Badajoz), among others.

Water has also featured strongly on radio stations. In Linares (Jaén), the live programme "Hoy por Hoy" on Cadena Ser was broadcast from the city's drinking water plant facilities, and featured interviews with the management of Linaqua, who announced the work being carried out in the Municipal Water Service; and in Alcázar de San Juan (Ciudad Real), the management at Aguas de Alcázar took part in a special monographic water programme broadcast on the SER radio station.

In Portugal, Aqualia gave talks on the responsible use of water to Fundão's schoolchildren, who also learned about the drinking water treatment process through the educational material provided through the Children's Digital Drawing Competition "Water for Grifus" (videos, comics, hobbies, etc.). Similarly, in Italy, Caltaqua joined in the celebration of World Water Day by publicising the Company's commitment to protecting this resource and raising public awareness about responsible water use.

On the occasion of World Environment Day, which is celebrated every 5th June, Aqualia organised various actions at a local level with the aim of raising public awareness on correct water use thus contributing to the care of the environment. Among other actions, the event held in the educational classroom of Entemanser, Aqualia's subsidiary in the Canary Islands brought together nearly 250 schoolchildren from Granadilla de Abona (Tenerife) for a talk and demonstration on the problem caused by wipes thrown into the toilet and on how to use the sewage network properly.

In addition, as in previous years, Aqualia has also organised open days for the facilities it manages.

In 2018 more than 150 days were organised with different groups (homemakers, retired people, journalists) and more than 100 visits brought together around 10,000



schoolchildren. Visitors were informed of how the integrated water cycle is managed by companies like Aqualia and were trained in the correct use of the resource: responsible consumption, correct use of the toilet, what to do with oils, etc to care for and make a firm commitment to protecting the environment.

Outstanding Performance

In this context, the awareness-raising campaigns carried out on the occasion of International Women's Day (8 March) are particularly noteworthy. Aqualia launched the campaign #AqualiaEquality among its employees, inviting them to publish their thoughts and reflections on equality on the website www.aqualiaigualdad.com.

At the same time, the Company produced a video based on the experiences of 10 women in positions of responsibility (as service manager, plant manager, customer service centre supervisor). In the video they share their daily experiences as well as their opinions and wishes to continue advancing towards a 50:50 planet in 2030.

Training activities on the theme of equality were also held, such as the second Women's Talent Encounter in Aqualia, under the slogan "Talent without gender". Attendees reflected and debated on the role of women in the water sector, self-imposed gender limitations in professional development, the next steps on the road to Equality, the management of female talent from a production perspective and "talent without gender". In addition, the closing ceremony of the third Mentoring programme, hosted by the Mayor of Jerez, and EOIs Development Programme for Executive Leadership for Women was also held.

On the occasion of the day against Gender Violence, Aqualia launched a new edition of the #AqualiaContigo campaign. On this occasion, the company invited all employees to take part in a photography competition, publishing inspirational images on the website www.aqualiacontigo.com with which the Aqualia's workers expressed their "NO" to gender violence in a resounding manner.

From all the material gathered, the company has edited a video with a selection of the images and messages received, which also includes a few words of introduction by Aqualia's CEO, Félix Parra, explaining the objective of the campaign and the company's commitment to this cause. This video was shared with all employees and also with the sector media on the World Day Against Gender Violence (25 November).

Likewise, during the week of 25 November, various actions were organised in collaboration with the Town Councils of the municipalities in which Aqualia is present. Examples include Santa Eulària (Ibiza), Lluçmajor (Mallorca), Abarán (Murcia) and El Vendrell (Tarragona). The water in fountains in municipalities such as Oviedo was also dyed violet and talks and conferences were organised - in Martos (Jaén) – alongside other activities, such as dramatised performances or the canvas competition "Ávila - a space free of male violence".



Similarly, in 2017, the Company successfully completed the family-friendly company certification process (efr) by Fundación Másfamilia. And in 2018 Aqualia received the efr seal for its commitment to work-life balance from the Ministry of Health, Social Services and Equality, highlighting the progress made by the Company over the last year in the area of work-life balance. An important dissemination campaign on this subject has been launched among employees, via emailing, Flash information, Tu Flash and by setting up a specific work-life balance site on the ONE Aqualia Intranet. In addition, the Company's CEO recorded a video encouraging all employees to continue working on the commitment to create a working environment that helps people to develop professionally.

Aqualia and Caritas has strengthened its alliance against poverty and social exclusion in a meeting held at the headquarters of Cáritas de Ávila. Beyond the commitment to respond to the social needs of the most vulnerable groups, the agreement with Cáritas is another example of the importance of public-private collaboration and the company's effort to collaborate with organisations that help people.

In addition, during 2018 the different initiatives have continued to guarantee access to drinking water and sanitation services for those citizens who for economic and social exclusion reasons find themselves unable to pay water bills. Thus, services such as Barbate (Cádiz), Denia (Alicante), Jaén, Molíns de Rei (Barcelona), Sant Andreu de la Barca (Barcelona) or Vigo (Pontevedra) are some examples of this initiative that Aqualia intends to bring to practically all of the areas in which it operates. The objective is to ensure that no citizen is deprived of domestic water service for financial reasons, always in collaboration with the owner of the service (city council) and with the relevant local social services.

As a company dedicated to the management of a public asset such as water, Aqualia has an added responsibility towards society, so during this year it has collaborated in different actions to integrate people with disabilities into society and into the workforce. The company was involved on March 21 (World Down Syndrome Day) in publicising the campaign of the Down's Syndrome Foundation of Madrid to raise awareness and contribute to social-workforce integration through the sector media, via Twitter and in Aqualia's various channels of internal and external communication (corporate website, premises and ONE Aqualia intranet).

In 2018 Aqualia was once again awarded the Stela Prize, one of the awards given by the Down's Syndrome Foundation of Madrid (Down Madrid) in recognition of companies that incorporate workers with intellectual disabilities into their workforce.

In addition, on the occasion of the International Day of Persons with Disabilities the Company linked in with the Adecco Foundation's campaign #Contralasetiquetas to break down the stereotypes that hinder the professional development of people with disabilities



and support their inclusion in society and the workforce. Aqualia has been involved in publicising the campaign among its employees and the media in the sector.

In its commitment to society, also worthy of note are the more than one hundred cultural, sports and environmental collaborations that reflect the company's effort to be recognised as an agent of change and involvement in the region, establishing relationships with citizens to create a more just society.

Also worthy of note is presentation in Salamanca of the book "Women in First Person", edited by Aqualia, which brings together the experience of more than 60 women, both workers of the company and representatives of the Public Administration, in the day to day management of the integrated water cycle from their positions in the various town halls.

In another order of topics, the Be Aqualia initiative was recently presented at a conference held at Federico Salmón's offices in Madrid. The Department of Communication, Marketing and CSR collaborated in the design and implementation of different initiatives to convey to all workers the concept of the Company as a healthy and safe environment in which communication and participation is promoted.

As part of the 2018 Christmas campaign, in collaboration with UNHCR, the Company donated to help 214 refugee children from South Sudan receive the appropriate treatment to combat malnutrition.

And to collect all its activity in the field of CSR Aqualia published the 12th edition of its Corporate Social Responsibility Report, which summarises the main economic, social and environmental milestones reached by the company in 2017. It does so in a very visual way, and it reflects the key aspects of the relationship of the company with its public of interest: employees, citizens, media and public administrations, among others. The report can be consulted on the Aqualia website (www.aqualia.com).

Within this strategic line, it should be noted that the Company has been distinguished as one of the 100 best companies to work for in Spain according to the annual ranking of "Actualidad Económica", the leading magazine of the Spanish financial press. Aqualia is the only water management company that appears in the 20th edition of this ranking. As Aqualia's strengths, the publication highlights the work environment, the training it offers its employees and its talent management policy.

OTHER INFORMATION

The Company's exposure to financial risks is detailed in the accompanying report in Note 23.



As detailed in Note 24.2 to the consolidated financial statements, the Company has exceeded the maximum average payment period to suppliers. The Company has established measures aimed at adjusting this maximum period, such as

- Review of internal procedures in relation to the payment process (receipt of invoices and internal approval processes).
- Optimisation of working capital management, shortening the average collection and payment periods.
- Study and, if necessary, implement electronic invoicing processes.

With regard to transactions involving treasury shares, the Company has not purchased any treasury shares, nor does it plan to do so in the future.

Any possible events occurring subsequent to 31 December 2018 are described in Note 24.1 of the attached report.



The Annual Accounts and the Management Report of FCC Aqualia, S.A., which correspond to the financial year ended 31 December 2018, were prepared by the directors of the Company on 27 February 2019 and are presented on 61 sheets of official State stamped paper, typed on both sides of the series 0L numbers 4175658 to 4175718 both inclusive, being signed, in proof of conformity, on the State stamped paper sheet of the series 0L number 4175719.

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Mr Alejandro Aboumrad González

Deputy Chair

Member

Mr Nicolás Villén Jiménez

Mr Lars Bespolka

Member

Member

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