

## **FCC Aqualia S.A. and Subsidiaries**

Consolidated Annual Accounts for the  
financial year ended 31 December 2017 and  
Consolidated Management Report, together  
with the Independent Audit Report

## **AUDIT REPORT ON CONSOLIDATED ANNUAL ACCOUNTS ISSUED BY AN INDEPENDENT AUDITOR**

To the shareholders of FCC Aqualia, S.A.:

### **Report on consolidated annual accounts**

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#### **Opinion**

We have audited the consolidated annual accounts of FCC Aqualia, S.A. (the parent Company) and its subsidiaries (the Group), which include the balance sheet as at 31 December 2017, the profit and loss account, the statement of comprehensive income, the statement of changes in net equity, the cash flow statement and the report, all consolidated, corresponding to the financial year ended at that date.

In our opinion, the attached consolidated annual accounts express, in all material respects, the true and fair view of the equity and the financial situation of the Group as of 31 December 2017, as well as its results and cash flows, all of which are consolidated, corresponding to the financial year ended on that date, in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), and other provisions of the regulatory framework for financial reporting applicable in Spain.

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#### **Basis of Opinion**

We conducted our audit in accordance with the regulations in force governing auditing activity in Spain. Our responsibilities in accordance with said standards are described below in the section *Auditor responsibilities in relation to the audit of the consolidated annual accounts* of our report.

In accordance with the ethical and independence requirements which apply to our audit of the consolidated annual accounts, we are independent from the Group, as required by the regulations governing the accounts auditing activity in Spain. In this respect, we have provided no services other than those related to the audit of accounts and in accordance with the provisions of the aforementioned regulation, no situations or circumstances have arisen which would have compromised the required independence.

We believe that the audit evidence we have obtained provides a sufficient and adequate basis for our opinion.

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#### **Most relevant aspects of the audit**

The most relevant aspects of the audit are those which, according to our professional criterion, have been considered the most significant risks of material misstatement in our audit of the consolidated annual accounts for the current period. These risks have been dealt with in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion on these, and we have not expressed a separate opinion in regard to those risks.

## Recognition of amounts pending invoice

### Description

As described in Note 1 of the attached consolidated annual accounts, one of the Group's main activities is the management of integral water cycles, recognising revenues from the supply of water to its subscribers. The invoicing of these services is performed with the periodicities established in each of the operating contracts, meaning the revenue recognition requires user consumption estimates for the periods between the last meter reading date to be performed, and the date of close of accounts. In this regard, the registration of revenues pending invoicing for the supply of water to subscribers, including the estimation of volumes of water consumed since the last reading date of the meter, has been considered as a significant focus area in our audit, given the relevance of the sum of the executed production pending recognition as revenue, in relation to the total net balance of clients as of December 31, 2017, and bearing in mind that, as mentioned above, it requires the execution of relevant estimates by Group Management.

### Procedures applied in the audit

Our audit procedures in order to address this aspect have included, among others, the review of the design and implementation of relevant controls that mitigate the risks associated with the revenue accounting process pending invoicing for water supply to subscribers as well as verification tests that the aforementioned controls operate effectively (including the information systems controls, which have been inspected by our internal experts in systems technology). In addition, we have carried out substantive procedures on a selective basis which included, among others, and as a selected sample of contracts, the assessment of the reasonableness of the sums recorded as Production Executed and pending certification with regard to trends in previous periods. We also obtained and ensured an adequate understanding of the quantification reports for Production Executed and pending certification, produced by the Service Heads in charge of operating the said contracts in order to assess the reasonableness of the hypotheses and assumptions made by the Group.

Notes 2.d.16, 2.d.17 and 11 detail both the criteria for recognition of revenue pending invoicing for these services, and the estimates made for their registration, as well as the additional breakdowns relating to the executed production pending certification in the contracts that are accounted for in accordance with the aforementioned criteria.

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### **Additional Information: Consolidated management report**

The additional information comprises only the consolidated management report for the 2017 financial year, the formulation of which is the responsibility of the parent Company directors and is not an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility for the consolidated management report, in accordance with the terms of the regulations governing the accounts auditing activity, is to assess and report on the concordance of the consolidated management report with the consolidated annual accounts, based on the knowledge of the Group obtained in completing the audit of the aforementioned accounts, and without including any information as evidence other than that obtained during the process. Furthermore, our responsibility is to assess and report on whether the content and presentation of the consolidated management report is compliant with the applicable regulations. If, based on the work we have done, we conclude that there are material misstatements, we are obliged to report as such.

Based on the work performed, as described in the above paragraph, the information contained in the consolidated management report agrees with that presented in the consolidated annual accounts for the 2017 financial year, and its contents and presentation comply with the applicable regulations.

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### **Liability of the directors of the Parent Company in relation to the consolidated annual accounts**

The directors of the Parent Company are responsible for formulating the consolidated annual accounts attached, in such a way that they express a true and fair view of the assets, the financial situation and the consolidated results of the Group, in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, as well as any internal controls they consider necessary to allow the preparation of consolidated annual accounts free of material misstatement, due to fraud or error.

In preparing the consolidated annual accounts, the directors of the Parent Company are responsible for the assessment of the Group's capacity to continue as a working company, revealing, as appropriate, the business-related issues as a an operating company and using the going concern principle unless the said directors intend to liquidate the Group or cease operations, or there is no realistic alternative.

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### **Auditor responsibilities in relation to the audit of the consolidated annual accounts**

Our objectives are to obtain reasonable assurance that the consolidated annual accounts as a whole are free from material misstatement, due to fraud or error, and issue an audit report containing our opinion.

Reasonable assurance is a high degree of assurance but does not guarantee that an audit performed in accordance with the regulations governing the auditing activity in force in Spain always detects a material misstatement if it should exist. Misstatements may either be due to fraud or error and are considered material if, individually or on aggregate, they can reasonably be expected to influence the economic decisions that users take based on the consolidated annual accounts.

A more detailed description of our responsibilities in relation to the audit of the consolidated annual accounts is included in Annex I of this audit report. This description found on pages 5 and 6 below is an integral part of our audit report.

DELOITTE, S.L.  
Registered in R.O.A.C. #S0692



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Raquel Martínez Armendáriz  
Registered in R.O.A.C. nº 20755  
13 March 2018

DELOITTE, S.L.  
Year 2018 nº 01/18/00200  
CORPORATE STAMP. 96.00 EUR

Accounts audit report subject  
to Spanish or international  
accounts auditing regulations

## Annex I to our audit report

In addition to our audit report, this Annex includes our responsibilities for the audit of the consolidated annual accounts.

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### Auditor responsibilities in relation to the audit of the consolidated annual accounts

As part of an audit, in accordance with the regulations governing account auditing activity in force in Spain, we apply our professional criterion and maintain professional scepticism throughout the audit. Likewise:

- \* We identify and value the risks of material misstatement in the consolidated annual accounts due to fraud or error, as well as designing and implementing audit procedures to respond to those risks and obtaining sufficient and adequate audit evidence to provide a basis for our opinion. The risk of not detecting material misstatements due to fraud is higher than for a case due to error, as fraud may involve collusion, forgery, deliberate omissions, intentionally wrong representations, or the circumvention of internal control.
- \* We obtain knowledge of internal controls relevant for the audit in order to design audit procedures that are appropriate according to the circumstances, not in order to express an opinion on the effectiveness of the Group's internal control.
- \* We assess whether the accounting policies applied are appropriate, as well as the reasonableness of the accounting estimates and corresponding information disclosed by the directors of the Parent Company.
- \* We conclude whether it is appropriate for the parent Company's directors to use the accounting principle of a going concern and, based on the audit evidence obtained, we conclude whether or not there is material uncertainty relating to facts or conditions that may generate significant doubts about the Group's ability to continue as a working company. If we conclude that there is material uncertainty, we are required to draw attention to the relevant information disclosed in the consolidated annual accounts in our audit report, or, if such disclosures are not appropriate, we must express an amended opinion. Our conclusions are based on the evidence of audit obtained up to the date of our audit report. However, future facts or conditions may be cause for the Group ceasing to be considered a going concern.
- \* We evaluate the presentation as a whole, the structure and content of the consolidated annual financial statements, including the disclosed information, and whether the consolidated annual accounts represent the underlying transactions and facts in a way that conveys a true and fair view.
- \* We obtain sufficient and adequate evidence regarding the financial information of the entities or business activities within the Group in order to express an opinion on the consolidated annual accounts. We are responsible for the management, supervision and completion of the audit of the Group. We are solely responsible for our audit opinion.

We communicate with the directors of the Parent Company regarding, among other matters, the scope and timing of the planned audit and any significant findings arising from it, as well as any significant deficiencies in internal control that we identify during the course of the audit.

Among the significant risks which have been communicated to the directors of the Parent Company, we determine which have had the greatest significance in the audit of the consolidated annual accounts of the current period, and consequently, which are the most significant risks.

These risks are described in our audit report unless legal or regulatory provisions prohibit publicly disclosing the issue.



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





## **CONSOLIDATED ANNUAL ACCOUNTS**

- Annual accounts

Consolidated Balance Sheet

Consolidated Profit and Loss Account

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

Consolidated Cash Flow Statement

Consolidated Explanatory Notes

- Annex I: Subsidiaries consolidated by the global integration method
- Annex II: Joint operations consolidated using the proportional integration method.
- Annex III: Joint business consolidated using the equity method
- Annex IV: Temporary Joint Ventures
- Annex V: Changes in the scope of consolidation

## **CONSOLIDATED MANAGEMENT REPORT**



**FCC AQUALIA S.A. AND SUBSIDIARIES**  
**(CONSOLIDATED GROUP)**  
**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2017 and 31 DECEMBER 2016 (thousands of euros)**

| ASSETS   | 2017.12          | 2016.12          |
|--|------------------|------------------|
| <b>NON-CURRENT ASSETS</b>  | <b>2,330,608</b> | <b>1,479,391</b> |
| <b>1. Intangible assets (note 4)</b>                                 | <b>848,773</b>   | <b>883,022</b>   |
| 1. Concessions   | 751,910          | 789,414          |
| 2. Goodwill  | 85,306           | 85,306           |
| 3. Other intangible fixed assets                                     | 11,557           | 8,302            |
| <b>2. Property, plant and equipment (note 5)</b>                     | <b>333,927</b>   | <b>318,742</b>   |
| 1. Land and buildings  | 32,426           | 30,253           |
| 2. Technical installations and other property, plant and equipment   | 301,501          | 288,489          |
| <b>4. Investment in associated companies and multigroup (note 7)</b> | <b>117,196</b>   | <b>120,711</b>   |
| <b>5. Non-current financial assets (note 9)</b>                      | <b>992,702</b>   | <b>111,219</b>   |
| <b>6. Deferred tax assets (note 18)</b>                              | <b>38,010</b>    | <b>45,697</b>    |
| <b>CURRENT ASSETS</b>  | <b>577,013</b>   | <b>808,156</b>   |
| <b>2. Inventories (note 10)</b>                                      | <b>33,084</b>    | <b>27,072</b>    |
| <b>3. Trade and other accounts receivables</b>                       | <b>234,429</b>   | <b>255,310</b>   |
| 1. Customer receivables for sales and services (note 11)             | 181,910          | 202,975          |
| 2. Other receivables (note 11)                                       | 52,454           | 52,376           |
| 3. Assets through current tax  | 65               | (41)             |
| <b>4. Other current financial assets (note 9)</b>                    | <b>47,443</b>    | <b>426,143</b>   |
| <b>5. Other current assets</b>                                       | <b>2,912</b>     | <b>1,005</b>     |
| <b>6. Cash and cash equivalents (note 12)</b>                        | <b>259,145</b>   | <b>98,626</b>    |
| <b>TOTAL ASSETS</b>  | <b>2,907,621</b> | <b>2,287,547</b> |

The accompanying Notes 1 to 26 and Annexes I to V are an integral part of the 2017 consolidated annual accounts.



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

**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2017 and 31 DECEMBER 2016 (thousands of euros)**

| <b>LIABILITIES</b>  | <b>2017.12</b>   | <b>2016.12</b>   |
|---|------------------|------------------|
| <b>NET EQUITY (note 13)</b>   | <b>481,664</b>   | <b>849,213</b>   |
| <b>1. Net equity attributed to parent company</b>                     | <b>430,515</b>   | <b>798,641</b>   |
| <b>1. Shareholder equity</b>  | <b>467,926</b>   | <b>822,257</b>   |
| 1. Share capital  | 145,000          | 145,000          |
| 2. Share Premium and reserves   | 230,793          | 606,006          |
| 4. Profit/(loss) for the year attributed to holders of the parent Co. | 92,133           | 71,251           |
| <b>2. Adjustments through changes in value</b>                        | <b>(37,411)</b>  | <b>(23,616)</b>  |
| <b>2. Minority interests</b>  | <b>51,149</b>    | <b>50,572</b>    |
| <b>NON-CURRENT LIABILITIES</b>  | <b>1,878,792</b> | <b>910,427</b>   |
| <b>1. Grants (Note 17)</b>  | <b>44,989</b>    | <b>43,125</b>    |
| <b>2. Non-current provisions (note 15)</b>                            | <b>116,930</b>   | <b>115,518</b>   |
| <b>3. Non-current financial liabilities (note 14)</b>                 | <b>1,660,613</b> | <b>696,662</b>   |
| 1. Debentures and other tradeable securities:                         | 1,551,554        | 197,432          |
| 2. Debts with credit institutions                                     | 41,851           | 46,974           |
| 3. Other financial liabilities  | 67,208           | 452,256          |
| <b>6. Deferred tax liabilities (note 18)</b>                          | <b>51,937</b>    | <b>50,612</b>    |
| <b>5. Other non-current liabilities</b>                               | <b>4,323</b>     | <b>4,510</b>     |
| <b>CURRENT LIABILITIES</b>  | <b>547,165</b>   | <b>527,907</b>   |
| <b>2. Current provisions (note 15)</b>                                | <b>12,710</b>    | <b>16,308</b>    |
| <b>3. Current financial liabilities (note 14)</b>                     | <b>47,525</b>    | <b>50,324</b>    |
| 1. Debentures and other tradeable securities:                         | 18,031           | 2,390            |
| 2. Debts with credit institutions                                     | 11,228           | 5,679            |
| 3. Other financial liabilities  | 18,266           | 42,255           |
| <b>4. Trade and other accounts payable</b>                            | <b>485,015</b>   | <b>459,036</b>   |
| 1. Suppliers  | 212,507          | 184,825          |
| 2. Other payables (note 16)   | 275,486          | 272,373          |
| 3. Liabilities through current tax                                    | (2,978)          | 1,838            |
| <b>5. Other current liabilities</b>                                   | <b>1,915</b>     | <b>2,239</b>     |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                   | <b>2,907,621</b> | <b>2,287,547</b> |

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**FCC AQUALIA S.A. AND SUBSIDIARIES**  
**(CONSOLIDATED GROUP)**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR**  
**CORRESPONDING TO THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017 (thousand of euros)**

|   | 2017.12         | 2016.12         |
|---|-----------------|-----------------|
| Net turnover (note 20)  | 1,035,210       | 991,242         |
| Works carried out by the company for its own assets (note 5)          | 20,621          | 17,691          |
| Other operating income (note 20)                                      | 21,224          | 23,945          |
| Changes in stocks of finished goods and in the process of manufacture | (2,520)         | 2,516           |
| Supplies (note 20)  | (387,434)       | (369,891)       |
| Personnel expenses (note 20)  | (255,043)       | (248,939)       |
| Other operating expenses  | (194,840)       | (189,801)       |
| Depreciation of fixed assets (notes 4 and 5)                          | (92,430)        | (91,512)        |
| Allocation of non-financial fixed asset subsidies and others.         | 4,548           | 3,593           |
| Impairment and profit/losses on asset disposals                       | (1,123)         | (431)           |
| Other results   | 588             | 992             |
| <b>OPERATING RESULT</b>   | <b>148,801</b>  | <b>139,405</b>  |
| Interest income (note 20)   | 20,277          | 8,179           |
| Financial expenses (note 20)  | (35,212)        | (43,430)        |
| Changes in fair value on financial instruments.                       | -               | (1,140)         |
| Translation differences   | (3,038)         | (8,114)         |
| Impairment and profit/losses on disposal of financial instruments     | 463             | 802             |
| <b>FINANCIAL RESULT</b>   | <b>(17,510)</b> | <b>(43,703)</b> |
| Profit/losses of companies carried by the equity method (note 7)      | 7,507           | 8,761           |
| <b>PRE-TAX PROFIT/LOSS FROM CONTINUING OPERATIONS (note 18)</b>       | <b>138,798</b>  | <b>104,463</b>  |
| Income tax (note 18)  | (37,288)        | (26,428)        |
| <b>PROFIT/LOSS FOR THE YEAR FROM CONTINUING OPERATIONS</b>            | <b>101,510</b>  | <b>78,035</b>   |
| <b>CONSOLIDATED PROFIT/LOSS FOR THE YEAR</b>                          | <b>101,510</b>  | <b>78,035</b>   |
| Profit/loss attributed to minority interests (note 13)                | 9,377           | 6,784           |
| <b>PROFIT/LOSS ATTRIBUTED TO THE PARENT COMPANY</b>                   | <b>92,133</b>   | <b>71,251</b>   |
| Basic earnings per share  | 0.6             | 0.5             |

The accompanying Notes 1 to 26 and Annexes I to V are an integral part of the 2017 consolidated annual accounts.



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

**CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED**

AT 31 DECEMBER 2017 and 2016 (thousands of euros)

|  | 2017.12         | 2016.12        |
|--|-----------------|----------------|
| <b>Consolidated profit/loss for the year</b>                 | <b>101,510</b>  | <b>78,035</b>  |
| <b>Income and expenses directly attributed to net equity</b> | <b>(12,201)</b> | <b>(9,978)</b> |
| Cash flow hedging  | 273             | 179            |
| Translation differences                                      | 2,566           | (1,673)        |
| Through actuarial profit and loss and other adjustments      | (534)           | (56)           |
| Companies carried by the equity method                       | (11,836)        | (8,749)        |
| Tax effect   | (2,670)         | 321            |
| <b>Transfer to the profit and loss account</b>               | <b>-</b>        | <b>855</b>     |
| Cash flow hedging  | -               | 1,140          |
| Tax effect   | -               | (285)          |
| <b>Total recognised income/(expenses)</b>                    | <b>89,309</b>   | <b>68,912</b>  |
| <br>   |                 |                |
| <b>a) Attributed to the parent company</b>                   | <b>78,012</b>   | <b>61,971</b>  |
| <b>b) Attributed to minority interests</b>                   | <b>11,297</b>   | <b>6,941</b>   |

The accompanying Notes 1 to 26 and Annexes I to V are an integral part of the 2017 consolidated annual accounts.



**FCC AQUALIA S.A. AND SUBSIDIARIES**  
**STATEMENT OF CHANGES IN NET EQUITY AT 31 DECEMBER 2017 and 2016 (thousands of euros)**

|   | Share<br>capital<br>(Note 13) | Share Premium<br>and reserves<br>(Note 13) | Interim dividend<br>(Note 13) | Profit/loss for the year<br>attributed to the parent<br>company<br>(Note 13) | Adjustments<br>through changes<br>in value<br>(Note 13) | Equity attributed to<br>holders of the parent<br>Co.<br>(Note 13) | Minority<br>interests<br>(Note 13) | Total net<br>equity |
|---|-------------------------------|--|-------------------------------|--|---|---|------------------------------------|---------------------|
| <b>Balance at 31.12.2015</b>                    | <b>145,000</b>                | <b>569,554</b>                             | <b>(30,450)</b>               | <b>67,133</b>  | <b>(14,316)</b>   | <b>736,921</b>  | <b>51,467</b>                      | <b>788,388</b>      |
| Total recognised income/(expenses)              | -                             | (55)                                       | -                             | 71,251   | (9,225)   | 61,971  | 6,941                              | 68,912              |
| Transactions with shareholders or owners.       | -                             | 66,957                                     | -                             | (67,133)   | -   | (176)   | (7,960)                            | (8,136)             |
| Capital Increases/(Reductions)                  | -                             | -  | -                             | -  | -   | -   | 1,219                              | 1,219               |
| Dividend distribution                           | -                             | 67,393                                     | -                             | (67,133)   | -   | 260   | (7,955)                            | (7,695)             |
| Other transactions with shareholders or owners. | -                             | (436)                                      | -                             | -  | -   | (436)   | (1,224)                            | (1,660)             |
| Other changes in equity                         | -                             | (30,450)                                   | 30,450                        | -  | (75)  | (75)  | 124                                | 49                  |
| <b>Balance at 31.12.2016</b>                    | <b>145,000</b>                | <b>606,006</b>                             | <b>-</b>                      | <b>71,251</b>  | <b>(23,616)</b>   | <b>798,641</b>  | <b>50,572</b>                      | <b>849,213</b>      |
| Total recognised income/(expenses)              | -                             | (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)           |
| Share Premium Refund                            | -                             | (32,538)                                   | -                             | -  | -   | (32,538)  | (1,148)                            | (33,686)            |
| Dividend distribution                           | -                             | (342,349)                                  | -                             | (71,251)   | -   | (413,600)   | (11,174)                           | (424,774)           |
| Other transactions with shareholders or owners. | -                             | -  | -                             | -  | -   | -   | -                                  | -                   |
| Other changes in equity                         | -                             | -  | -                             | -  | -   | -   | 1,602                              | 1,602               |
| <b>Balance at 31.12.2017</b>                    | <b>145,000</b>                | <b>230,793</b>                             | <b>-</b>                      | <b>92,133</b>  | <b>(37,411)</b>   | <b>430,515</b>  | <b>51,149</b>                      | <b>481,664</b>      |

The accompanying Notes 1 to 26 and Annexes I to V are an integral part of the 2017 consolidated annual accounts.



**FCC AQUALIA S.A. AND SUBSIDIARIES**  
**(CONSOLIDATED GROUP)**  
**CONSOLIDATED CASH FLOW STATEMENT CORRESPONDING TO THE FINANCIAL YEAR ENDED**  
**AT 31 DECEMBER 2017 (thousands of euros)**

|   | 2017.12          | 2016.12          |
|---|------------------|------------------|
| <b>Pre-tax profit/loss from continuing operations</b>                     | <b>138,798</b>   | <b>104,463</b>   |
| <b>Adjustments</b>  | <b>105,484</b>   | <b>124,261</b>   |
| Depreciation of fixed assets (Notes 4 and 5)                              | 92,430           | 91,512           |
| Other adjustments of (net) profit/loss                                    | 13,054           | 32,749           |
| <b>Changes in current capital</b>   | <b>45,758</b>    | <b>17,184</b>    |
| <b>Other cash flows from operating activities</b>                         | <b>(60,572)</b>  | <b>(35,871)</b>  |
| Collection of dividends   | 963              | 2,849            |
| Income tax collections (payments)   | (55,645)         | (29,254)         |
| Other collections/(payments) from operating activities                    | (5,890)          | -9,466           |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                                | <b>229,468</b>   | <b>210,037</b>   |
| <b>Payments through investments</b>                                       | <b>(585,983)</b> | <b>(55,550)</b>  |
| Group companies, affiliates and business units                            | (519,150)        | (4,249)          |
| Property, plant and equipment and intangible assets                       | (61,087)         | (48,733)         |
| Other financial assets  | (5,746)          | (2,568)          |
| <b>Sums received through divestitures</b>                                 | <b>815</b>       | <b>407</b>       |
| Group companies, affiliates and business units                            | 309              | -                |
| Property, plant and equipment and intangible assets                       | 303              | 411              |
| Other financial assets  | 203              | (4)              |
| <b>Other cash flows from investment activities</b>                        | <b>43,268</b>    | <b>(66,362)</b>  |
| Collection of interests   | 7,950            | 6,243            |
| Other collections/(payments) from investment activities                   | 35,318           | (72,605)         |
| <b>CASH FLOW FROM INVESTMENTS ACTIVITIES</b>                              | <b>(541,900)</b> | <b>(121,505)</b> |
| <b>Collections and (payments) from equity instruments</b>                 | <b>(32,629)</b>  | <b>34</b>        |
| Issue/(amortisation)  | (32,629)         | 34               |
| <b>Collections and (payments) from financial liabilities</b>              | <b>948,861</b>   | <b>(36,658)</b>  |
| Issue   | 1,362,403        | 43,931           |
| Repayment and amortisation  | (413,542)        | (80,589)         |
| <b>Payments through dividends and returns on other equity instruments</b> | <b>(425,284)</b> | <b>(7,426)</b>   |
| <b>Other cash flows from financing activities</b>                         | <b>(16,389)</b>  | <b>(36,236)</b>  |
| Interest payments   | (18,945)         | (37,742)         |
| Other collections/(payments) from financing activities                    | 2,556            | 1,506            |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                                | <b>474,559</b>   | <b>(80,286)</b>  |
| <b>TRANSLATION DIFFERENCES AND OTHER</b>                                  | <b>(1,608)</b>   | <b>(6,563)</b>   |
| <b>NET INCREASE/(DECREASE) OF CASH AND EQUIVALENTS</b>                    | <b>160,519</b>   | <b>1,683</b>     |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>             | <b>98,626</b>    | <b>96,943</b>    |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (note 12)</b>         | <b>259,145</b>   | <b>98,626</b>    |

The accompanying Notes 1 to 26 and Annexes I to V are an integral part of the 2017 consolidated annual accounts.



## CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2017

### 1. ACTIVITIES OF THE GROUP

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

The FCC Group is composed by the Parent Company and a group of national and international affiliate companies the main activity of which is related to the end-to-end water cycle, described in more detail below:

- The end-to-end water cycle management includes the capture, transportation, treatment and distribution of water from wells, hydrographic basins and desalination plants, to urban centres by means of pumping systems, pipelines, distribution networks and water treatment complex installations for its purification and storage. Once used, it is collected through sewage networks and taken to purifying stations, where water is treated before being returned to its natural environment.

The end-to-end water cycle management includes upkeep and maintenance, both of water and sewage networks and of the purifying stations, maintenance and repair of electric, electronic and plumbing equipment and installations. All these works contribute to detecting leaks in networks and to improving the use of water.

The process is completed with the performance of customer management technical, administrative and computer works, such as meter reading, invoicing and handling collection of charges of subscribers and the customer care centre.

- The construction, installation, operation, maintenance, management, repair, purchase, sale and promotion, on its own behalf or that of third parties, of all manner of stations, plants and equipment for the treatment, recovery or elimination of waste and the purification of water and all other facilities intended for the treatment thereof.

The Temporary Joint Ventures (Uniones Temporales de Empresas or UTE) in which the FCC Group participates engage in the same activities and are listed in ANNEX IV.

Likewise, the Parent Company has holdings in companies that have a similar corporate purpose and activities. The details of the companies consolidated by the global integration, proportional integration, and equity methods, appear in ANNEXES I, II and III respectively.





The Group is part of the Integral Water Management Division of FCC, the Parent Company of which is Fomento de Construcciones y Contratas, S.A., which has its registered office at C/ Balmes, 36 in Barcelona.

## **2. REGULATORY FRAMEWORK, BASIS OF PRESENTATION, CONSOLIDATION PRINCIPLES AND VALUATION STANDARDS**

### **a) Basis of presentation**

The attached consolidated annual accounts at 31 December 2017 have been prepared by the Parent Company in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (IFRS-EU) at the closing date, in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, as well as all the provisions and interpretations that develop it.

FCC Aqualia's consolidated annual accounts for the 2016 financial year were approved by the General Shareholders' Meeting of the Company on 12 May 2017.

The consolidated annual accounts at 31 December 2017 have been prepared on the basis of FCC Aqualia, S.A.'s accounting records and those of its investee companies. These records, determined according to local regulations applicable in each case, have been adapted to IFRS by each of the companies integrating the Group in accordance with the procedures and operating systems established by the Group, which allow the development and justification of consolidation in compliance with IFRS requirements.

The consolidated annual accounts of FF Group at 31 December 2017 have been prepared to reflect a fair and accurate image of net equity and of the financial situation at 31 December 2017, and the results of operations, changes in net equity and consolidated cash flow produced in the Group during the year ended on said date.

In order to present the different items comprising these annual accounts at 31 December 2017 in a uniform fashion, accounting standardisation criteria have been applied to the financial statements of companies included in the consolidation perimeter. The balance sheet closing date of the annual accounts of companies included in the scope of consolidation has been generally the same as for the parent Company, i.e., 31 December.

The figures for 2016 are included in the consolidated annual accounts for 2017 for comparison purposes.



The consolidated annual accounts for the 2017 financial year do not include changes in accounting estimates or corrections of fundamental errors from previous years.

Likewise, the consolidated financial statements are formulated in thousand of euros, the currency most frequently used in the Group's operations.

**b) Changes in accounting policies**

Entry into force of new accounting standards.

As of 31 December 2017, the following mandatory rules and interpretations have come into force in the 2017 financial year, already adopted by the European Union, which, if applicable, were used by the Group in preparing these consolidated annual accounts:

(1) New mandatory rules, modifications and interpretations for the year beginning 1 January 2017:

| Approved for use in the European Union   |   | Mandatory application started from: |
|--|---|-------------------------------------|
| Amendment to IAS 7 Disclosure Initiative (published in January 2016)                                     | Introduces additional disclosure requirements to improve the information provided to users.                         | 1 January 2017.                     |
| Amendment to IAS 12 Recognition of deferred tax assets for unrealized losses (published in January 2016) | Clarification of the principles established regarding the recognition of deferred tax assets for unrealized losses. | 1 January 2017                      |

The application of the new aforementioned standards has had no significant impact on the Group.

(2) New rules, modifications and interpretations of mandatory application in years following the calendar year beginning on 1 January 2017 (applicable from 2018 onwards):

On the date of issue of these consolidated annual accounts, the following rules and interpretations had been published by the IASB but had not yet entered into force, either because their effective date is after the date of these consolidated annual financial statements, or because they have not yet been adopted by the European Union:



| Approved for use in the European Union         |  | Mandatory application started from: |
|--|--|-------------------------------------|
| IFRS 15 Revenue from contracts with customers. | New revenue recognition standard (Replaces IAS 18, IFRIC 15, IFRIC 18 and SIC 31)  | 1 January 2018                      |
| IFRS 9 Financial Instruments                   | It replaces the classification, valuation, recognition and derecognition requirements of financial assets and liabilities, hedge accounting and impairment of IAS 39.  | 1 January 2018                      |
| IFRS 16 Leases.                                | Replaces IAS 17 and associated interpretations. The central change is that the new standard proposes a unique accounting model for tenants, which will include all leases on the balance sheet (with limited exceptions) with an impact similar to that of the current financial leases (there will be amortisation of the asset by the right of use and a financial expense for the amortised cost of the liability). | 1 January 2019                      |
| Amendment to IFRS 4 Insurance Contracts.       | It allows entities within the scope of IFRS 4 the option of applying IFRS 9 ("overlay approach") or its temporary exemption.   | 1 January 2018                      |
| Improvements to IFRS 2014-2016 Cycle           | Minor amendments to a series of rules.   | 1 January 2018                      |



| Not approved for use in the European Union   |  | Mandatory application started from: |
|--|--|-------------------------------------|
| Amendment to IFRS 2 Classification and measurement of share-based payments   | These are limited modifications that clarify specific issues such as the effects of accrual for share-based payments to be settled in cash, the stock-based payment classification when it has net settlement clauses and some aspects of the stock-based payment type changes.                                  | 1 January 2018                      |
| IFRIC 23 Uncertainty over tax treatment  | This interpretation clarifies how to apply the registration and measurement criteria of IAS 12 when there is uncertainty about the acceptability by the tax authority of a given tax treatment used by the entity.   | 1 January 2019                      |
| Amendment to IAS 40 Reclassification of investment property.   | The amendment clarifies that a reclassification of an investment to or from investment property is only allowed when there is evidence of a change in use.   | 1 January 2018                      |
| Amendment to IFRS 9 Prepayment feature with negative compensation  | The amortised cost assessment of some financial instruments with prepayment features is permitted, allowing payment of less than the unpaid amounts of capital and interest.   | 1 January 2019                      |
| IFRIC 22 Foreign currency transactions and advance consideration.  | This interpretation establishes the “transaction date” in order to determine the exchange rate applicable to transactions with foreign currency advance consideration.   | 1 January 2018                      |
| Amendment to IAS 28 Long Term Interest in Associates and Joint Ventures  | Clarifies that IFRS 9 applies to long-term interests in an associate or joint venture if the equity method is not applied.   | 1 January 2019                      |
| Amendment of IAS 19, Plan amendment, curtailment or settlement   | In accordance with the proposed modifications, when there is a change in a defined benefit plan (due to an amendment, curtailment or settlement), an entity will use updated assumptions in the determination of the cost of services and net interest for the period after the plan change.                     | 1 January 2019                      |
| IFRS 17 Insurance Contracts  | Replaces IFRS 4 in relation to the principles of registration, measurement, presentation and breakdown of insurance contracts with the aim of providing the entity with relevant and reliable information that allows information users to determine the effect that contracts have on the financial statements. | 1 January 2021                      |
| Amendment to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture. | Clarification regarding the result of these operations in the case of business or assets.  | No defined date                     |

In general, the Group does not expect the application of the aforementioned rules to have any significant impact on its financial statements, except as follows:

Grupo FCC Aqualia has estimated that the application of IFRS 15 “Ordinary revenue from contracts with customers” as of 1 January 2018 will have a negative impact on reserves amounting to 3,919 thousand euros, mainly as a result of the revaluation of revenues previously recognised under IAS 11 “Construction Contracts” and IAS 18 “Ordinary Revenue”, which do not meet the requirements to be



recognised as revenue under the new standard setting out more restrictive criteria for the recognition of revenue by generally requiring approval by the client.

The Group considers that the first application of IFRS 9 “Financial Instruments” as of 1 January 2018 will have a negative impact on reserves amounting to 1,892 thousand euros, derived from the impact on the application of the model of impairment of financial assets that the new standard establishes should be estimated in accordance with the expected credit loss rather than the credit loss incurred, as included in IAS 39 “Financial instruments: recognition and measurement”.

IFRS 16 “Leases” which comes into force as of 1 January 2019 establishes that, for the landlord, all leases (other than certain exceptions owing to a reduced amount or duration) generate recognition of an asset due to right of use, and of a liability due to the future payment obligations incurred. At the date of preparation of these annual financial statements, the Group is continuing with its impact assessment.

### **c) Consolidation principles**

#### Subsidiaries

Subsidiaries are entities over which the Company has the capacity to exercise effective control; this capacity is generally expressed by the presence of three elements: having power over the investee, exposure, or rights over the variable investment returns and the ability to use said power in such a way that it may influence the amount of those returns.

The subsidiaries' annual accounts are consolidated with those of the Company through the application of the global integration method. Consequently, all significant balances and effects of transactions between the consolidated companies have been eliminated during the consolidation process.

At the time of acquiring a subsidiary, said entity's assets and liabilities and contingent liabilities are calculated at their fair values at the acquisition date giving rise to the takeover as indicated in IFRS 3- Business Combinations. Any excess of the acquisition cost with respect to the identified assets' fair values is recognised as goodwill. If the acquisition cost is less than the fair value of the identifiable net assets, the difference is charged to profit and loss on the acquisition date.

The consolidation of results generated by the companies acquired in a given financial year is carried out taking into account solely the period between the acquisition date and the closing of said financial year. In parallel, the consolidation of the results generated by the companies sold in a given financial year is carried out taking into account solely the period between the beginning of the year and the date of disposal.



Furthermore, the participation of minority shareholders is established in the proportion to the fair values of the minority party's recognised assets and liabilities.

The participation of third parties in the equity of their investees is presented under the title "Minority interests" on the consolidated balance sheet, within the Group's Net Equity chapter. Similarly, their participation in the results of the financial year is presented under the title "Result attributed to minority interests" in the consolidated income statement.

Consolidation has been carried out using the global integration method for subsidiaries listed in Annex I.

#### Joint Operations

Joint agreements are those in which the management of the investee company is performed by a Group company and one or more third parties and where the parties act together to direct the relevant activities with decisions on such relevant activities requiring the parties' unanimous consent.

Joint operations are those joint agreements where it has been agreed that the shareholder has direct rights and obligations for its proportional part of the assets and liabilities of the agreement.

The annual accounts of joint operations are consolidated with those of the Company by means of the proportional integration method; in such a way that the aggregation of balances and subsequent eliminations take place only in the proportion of the Group's participation in relation to the capital of these entities.

The operations' assets and liabilities are presented in the consolidated balance sheet classified according to their specific nature. Likewise, income and expenses arising from joint operations are presented in the consolidated profit and loss account according to their nature.

Consolidation has been carried out using the proportional integration method for joint operations indicated in Annex II and Annex IV

#### Equity method

In the consolidated annual accounts, the associated entities and joint ventures (joint agreements granting rights to the net assets of the agreement) are valued by means of the equity method, i.e. the fraction of their net equity represented by the Group's stake in its capital, after consideration of dividends received from them and other asset eliminations.



The value of these shares in the consolidated balance sheet implicitly includes, where applicable, the goodwill as evidenced in the acquisition thereof.

Where the Group's investment in associated companies has been reduced to zero, the additional implicit obligations, if any, in the subsidiaries that are formed by the equity method are recorded under the caption "Non-current provisions" on the consolidated balance sheet.

The consolidation has been carried out using the equity method for joint ventures indicated in Annex III.

#### Intra-Group transactions

In transactions between consolidated companies, profit/loss from internal operations are eliminated and deferred until performed for third parties outside the Group.

Works performed by the Group on its own fixed assets are recorded at their production cost and eliminated from intra-Group results.

Credits and debits of subsidiaries and, in the corresponding proportion, those existing between them and Joint Ventures, as well as internal income and expenses in the entire consolidated companies, have been eliminated from the consolidated annual accounts.

#### Standardisation

Consolidation of the entities which make up the consolidation perimeter has been carried out on the basis of their individual annual accounts prepared at 31 December under 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 necessary in order to bring them into line with the International Financial Reporting Standards and/or to align them with the Group's accounting criteria have been considered in the consolidation process.

#### Changes in the scope of consolidation

Annex V presents the changes in the consolidation perimeter during the financial years 2017 and 2016. The results of these companies are included in the consolidated profit and loss account from the effective date of acquisition or until the effective date of disposal, as appropriate. The changes to the consolidation perimeter of 2017 and 2016 have had no significant impact.

The incidence of incorporations and removals of companies from the scope of consolidation are detailed in the notes to this consolidated annual accounts under the heading "Changes in Scope".



#### **d) Valuation standards**

The valuation standards applied in the preparation of Grupo FCC Aqualia's consolidated annual accounts for the 2017 financial year are detailed below:

##### **d. 1 Concessions: Service concession arrangements**

Concession contracts imply agreements between the lending entity and the companies of Grupo FCC Aqualia to provide public services concerning water distribution, construction and exploitation of water infrastructures and others. Income from the service provision may be collected directly from users or, sometimes, from the awarding entity itself, which regulates the prices applied to the provision of the service.

Generally, the concession right implies the exclusivity of the service provision granted for a certain period of time, after which, the fixed assets assigned to the concession and necessary to provide the service revert to the awarding entity, usually with no compensation whatsoever. Concession contracts must necessarily provide for the management or operation of said fixed assets. Likewise, the existence of acquisition or construction obligations of all those elements necessary for the provision of the concession service during the life of the contract is a common characteristic.

The above-mentioned concession contracts are recorded according to the provisions of IFRIC 12 "Service Concession Arrangements", which specifies two clearly differentiated phases, the first phase in which the concession holder provides construction or improvement services recorded depending on the level of progress according to IAS 11 "Construction contracts", with an intangible or financial asset counterpart, and the second phase in which a series of maintenance or exploitation services are provided in the above-mentioned infrastructure, recorded according to IAS 18 under "Ordinary income".

The recognition of an intangible asset takes place when the service demand risk is assumed by the concession holder. Otherwise, if the service demand risk is assumed by the lending company, a financial asset is recorded. Amounts paid as fee for concession awards are also accounted for as intangible assets.

Concessions classified as intangible assets are recorded at the beginning of the concession, as the greatest asset value; dismantling, removal or refurbishment provisions, as well as improvement or capacity enlargement actions the income of which is scheduled in the initial contract are recorded as results, both the amortisation of these assets and the financial updating of the above-mentioned provisions. On the other hand, provisions for the replacement and repair of infrastructures are systematically allocated in the profit and loss account as the liability is incurred.





Interest accrued from the financing of the infrastructure are recorded in the profit and lost account, capitalising those accrued during the construction phase until the commissioning of the infrastructure, only in the intangible asset model.

The recognised intangible asset is amortised on a straight-line basis over the life of the concession.

Concessions classified as financial assets are recorded at the fair value of the construction or improvement services provided. According to the amortised cost method, the corresponding income is recorded in the profit and loss account according to the effective interest rate resulting from the estimated concession collections and payments flows.

#### d.2 Business combinations and goodwill

Assets and liabilities of acquired companies and subgroups are recorded in the consolidated balance sheet at its fair value, showing their corresponding deferred taxes. Nevertheless, according to the standards, the above-mentioned valuation and the initial allocation to the different asset and liability captions could be revised within the twelve months following the acquisition provided that no new data has to be taken into consideration.

The date of incorporation in the scope of consolidation is that in which the effective control takes place, which usually coincides with the acquisition date.

The minority interest is valued by the proportional part in the assets and liabilities of the acquired company.

If the takeover of a business combination is carried out in stages in more than one transaction (successive acquisitions), the difference between the fair value on the date of taking control of the aforementioned stake and the book value of this stake is recognised as operating profit.

Once the company takes control of an investee and does not lose that control, the difference between the amount of any purchase or sale of additional stakes and their book value is charged against net worth.

Goodwill is recognised by the positive difference between a) the sum of the fair value of the consideration transferred for the stake acquired and the fair value on the date of taking control of the aforementioned stakes if the takeover is carried out in stages and b) the percentage of the stake acquired over the fair value of the identifiable assets and liabilities.

Although goodwill is not amortised, it is subject to an impairment test at least at the balance sheet closing date of each year in order to record it at the lower recoverable value calculated according to the expected cash-flow or the acquisition cost, minus impairments experimented in previous



years. The accounting criteria applied to determine impairment are shown in note 2.d.5. The hypotheses used in the calculation of the impairment test are set out in Note 4.

#### d.3 Other intangible fixed assets

This standard refers to the other intangible asset captions which are not included in the previous standards on service concession arrangements and goodwill.

These assets include computer software, recorded at acquisition cost less the accrued depreciation and value impairment losses, if applicable. Depreciation takes place during useful life, calculated to be of 4 years, using the straight-line method.

#### d.4 Property, plant and equipment

Property, plant and equipment is initially valued at their price of acquisition, subsequently reduced in accordance with the corresponding cumulative amortisation and any impairment losses which may occur. The assessment of current value of dismantling or removal of elements assigned are likewise included in the financial expenses, and in those cases in which they have been contributed by the acquired companies, they are initially recorded at fair value at the acquisition date.

Upkeep and maintenance costs of the various property, plant and equipment elements are recorded in the consolidated profit and loss account of the year in which they are incurred. Meanwhile, any amounts invested in improvements intended to increase capacity or efficiency or to extend the useful life of any such assets are registered as a higher cost of the same.

For those fixed assets which need a period longer than one year to be in conditions of use, capitalised costs include financial costs accrued during the period needed by the asset to be in conditions of use and which have been issued by the supplier or relating to loans or to some other kind of external financing, directly attributed to the acquisition or manufacture thereof .

Tasks performed by the Group for its own fixed assets are recorded at the cumulative cost resulting from addition of external costs and internal costs, established in accordance with the inherent consumption of materials, direct manpower involved and general manufacturing costs, calculated in accordance with absorption rates which are similar to those applied for the purpose of stock valuation.

The Group depreciates its property, plant and equipment applying the straight-line method, using annual depreciation percentages calculated on the basis of the estimated useful life of the respective assets, according to the detail set out below:

| <b>YEAR OF ESTIMATED USEFUL LIFE</b>  |         |
|---------------------------------------|---------|
| Buildings                             | 33 – 50 |
| Technical installations and machinery | 10 – 25 |
| Other plant, tools and furniture      | 7 – 10  |
| Other property, plant and equipment   | 4 – 6   |

Residual value, useful life and depreciation method of the Group’s tangible assets are revised periodically in order to ensure that the depreciation pattern applied is coherent with income generated by their exploitation.

As a minimum standard, at the close of each financial year, companies assess whether there are indications of impairment to any asset or set of assets in property, plant and equipment in order to proceed, where applicable, with the impairment or reversion thereof, in order to adjust their net book value to their value in use, without reversions ever outweighing the previous impairments made.

d.5 Value impairment of non-financial assets

In the event of indications of loss of value, intangible assets with a defined useful life and property, plant and equipment undergo an impairment test to adjust their net book value to their value in use, if less.

Goodwill and intangible assets with indefinite useful life are necessarily subject to an impairment test at least once a year to identify potential value losses.

Value impairments recognised in previous years of assets show value recovery. The net book value of assets recovering their value does not exceed in any case the value that would have been obtained if no impairment had occurred in prior years.

Impairment or the reversals of asset impairment are booked in the profit and loss account under the “Impairment and profit/loss on asset disposals” caption.

In order to determine the recoverable value of assets subject to impairment tests, the current value of net cash flows generated by the Cash Generating Units (CGU) to which they are associated have been estimated, excepting cash flows related to payments or collections from finance operations and payments of corporate tax, as well as those derived from foreseen improvements or refurbishments of the assets of the above-mentioned cash generating units. To update cash flows, a discount rate before taxes has been used which includes the current market valuations on the temporary value of money and specific risks of each cash generating unit.



The estimated cash flows have been obtained from the projections made by the management of each of the CGUs which, in general, use five-year periods, except when the characteristics of the business advise longer periods. In this regard, in order to calculate the recoverable value of the Group's concession assets, the remaining concession periods are considered, as well as additional extensions, only in the event that the Group has contractual commitments for compensation whose materialisation is probable. Furthermore, growth rates are included in the different approved business plans that are reviewed periodically, with zero growth rates considered for those periods which stretch beyond the projected financial years. It should also be mentioned that sensitivity analyses are performed in relation to income growth, operating margins and discount rates in order to forecast the impact that future changes could have on these variables.

Flows from CGU placed abroad have been calculated in the functional currency of such cash generating units and updated by means of discount rates taking into account risk premiums corresponding to those currencies. Current value of net cash flows thus obtained has been converted by the exchange rate for that currency prevailing at the balance sheet closing date.

#### d.6 Leases

Leases are classified as financial leases as long as from their conditions it ensues that risks and benefits inherent to the ownership of the asset object of the contract are substantially transferred to the Lessee. In the remaining cases, they are classified as operating leases.

##### ***Financial lease***

In financial leasing operations, the Group acts exclusively as lessee. The cost of leased assets is presented in the accompanying consolidated balance sheet according to the nature of the asset subject matter of the agreement and simultaneously, liabilities for the same amount. This sum will be whichever is the lesser of the fair value of the leased asset and the current value at the outset of the lease of the minimum agreed sums, including the purchase option, where there is no reasonable doubt that this will be exercised. The calculation does not include contingent payments, the cost of services or any taxes charged by the lessor. The total financial charge is attributed to the consolidated income statement for the financial year when it accrues, applying the effective interest rate method. Contingent payments are recognised as an expense in financial year in which they are incurred.

Assets registered under this type of operation are amortised in accordance with the same criteria as those applied to property, plant and equipment as a whole, in accordance with their nature.

At the end of the financial leasing the companies of the Group generally exercise the purchase option, since the contracts do not include any type of restriction to the exercise of such option. There are no renovation covenants regarding the duration of contracts or price updates.



### ***Operating leases***

Expenses arising from operating lease agreements are attributed to the consolidated profit and loss account in the year they are accrued.

Any charges or payments made upon entering into an operating lease shall be treated as an advanced collection or payment attributed to the results throughout the lease term, as the rewards from the leased asset are assigned or received.

#### **d.7 Investments carried by the equity method**

Equity is valued initially at acquisition cost and updated subsequently according with the amount of participation in the results generated by these companies which are not distributed in dividends. Likewise, equity value is adjusted to reflect the proportion of those changes in the net equity of these companies which have not been recognised in the profit and loss account.

Value adjustments are made whenever there are signs of impairment, that is, if the recoverable value of the stake is below its book value.

#### **d.8 Financial assets**

The financial assets held by the Group are classified into the following categories:

- Loans and items receivable: financial assets originating from asset disposals or in services from Group company trade operations or which not having a commercial origin, are not equity instruments or derivatives and which generate collections for a fixed or determined amount and are not traded in an active market.
- Investments held to maturity: securities representing debt, with a fixed maturity date and a sum of receipts which can be established, which are traded on an active market and regarding which the Group has declared its intention and capacity to maintain possession thereof up until their maturity.
- Financial assets available for sale: it includes debt securities and equity instruments from other companies which have not been classified in any of the above mentioned categories.

### ***Initial valuation***

Financial assets are initially recorded at fair value of the consideration paid plus directly attributed transaction costs.

### ***Subsequent valuation***

- Loans, items receivable and investments held to maturity are valued at their amortised cost.
- Financial assets available for sale are valued at fair value, recording as Net Equity the net result of variations in this fair value until the asset has been sold or has suffered value impairment, either stable or permanent, at which time these accumulated results previously recognised in Net equity are recorded in the consolidated profit and loss account. In this sense, it is considered that there is a permanent impairment if the quotation value of the asset has decreased in more than 40%, for a period of more than one year and a half without recovering its value.
- At year end at least, the Company carries out an impairment test for financial assets not recorded at fair value. It is considered that there is objective impairment evidence if the recoverable value of the financial asset is below its book value. When this happens, impairment is recorded in the consolidated profit and loss account.
- In particular, and in respect to valuation corrections relating to trade and other receivables:
  - 1) The Parent Company proceeds to calculate the corresponding value adjustments, as follows:
    - Private clients with balances due in more than one year are fully provisioned.
    - Private clients with balances due in less than one year are provisioned at a % considered on the basis of historical insolvencies.
    - Public clients are provisioned based on a specific analysis.
  - 2) The rest of the Group Companies proceed to calculate the corresponding valuation corrections, if any, based on specific analysis of the risk of insolvency, considering different cases of operations and the type of clients served by the aforementioned Companies.
- The interest received on financial assets is acknowledged in accordance with the effective rate of interest and the dividends, when the right of the shareholder to receive dividends is declared. In any event, interests on financial assets arising after the moment of the acquisition are recognised as income in the income statement.

### ***Classification***

Current and non-current financial assets are classified according to their maturity at the balance sheet closing date, considering assets with maturities twelve months after the balance sheet closing date as current assets and those with maturities exceeding this period as non-current assets.

### ***Derecognition of financial assets:***

The Group will deregister financial assets whenever the contractual rights on cash-flow of the corresponding financial asset cease or are assigned and the risks and profits inherent to their ownership have been substantially transferred, as in the case of a firm asset sales, business credits assignments in factoring transactions where the company does not withhold any significant credit or interest risk, the sale of financial assets with a buyback agreement at their fair value or the



securitisation of financial assets where the assigning company does not withhold subordinated funding nor does it assign any kind of guarantee nor assume any other kind of risk.

Meanwhile, the Group does not deregister financial assets, and recognises a financial liability for a sum equal to the consideration received, in assignments of financial assets where the risks and benefits inherent in ownership thereof are substantially retained, such as the discounting of commercial paper, factoring with recourse, sales of financial assets with agreements to repurchase at a fixed price or the sale price plus interest and securitisations of financial assets where the assigning company retains subordinate finance or some other form of guarantees which would substantially absorb all expected losses.

#### d.9 Inventory

Inventories are valued at their acquisition price, production cost or net realisable value, whichever is less. Commercial discounts, rebates obtained, other similar items and interest incorporated to the nominal value of receivables are deducted from the purposes of determining the acquisition price.

The production cost includes the cost of direct raw materials and, where appropriate, direct labour and production overheads.

Net realisable value represents an estimate of the sale price less any estimated costs to finish production and any costs to be incurred in the marketing, sale and distribution processes.

The Group carries out any appropriate value corrections, recognising them as an expense in the consolidated income statement when the net realisable value of inventories is lower than their acquisition price (or production cost).

#### d.10 Foreign currency

The functional currency of Grupo FCC Aqualia is the euro.

##### **Translation differences**

In the consolidation process, the conversion to euros of foreign companies financial statements prepared in a currency other than the euro was made at the exchange rate prevailing at the balance sheet closing date, with the exception of:

- Capital and reserves that have been converted at historical exchange rates.



- Items in the profit and loss account of foreign companies which have been converted applying the average exchange rates of the year.

Translation differences generated by the applying the year-end prevailing exchange rate method are included net of taxes under the Equity caption of the accompanying consolidated balance sheet.

### **Translation differences**

Payable and receivable balances in foreign currencies in each company are valued in euros applying the rates of exchange prevailing on the consolidated balance sheet closing date and recording the differences in the profit and loss account.

Differences resulting from exchange rate fluctuations from the moment of collection and payment to the date on which operations were carried out or value was updated, are recorded in the profit and loss account.

On the other hand, translation differences in relation to investment finance in foreign companies, in which both the investment and finance are denominated in the same currency, are recorded directly under equity as translation differences.

#### d.11 Grants

Grants are recorded depending on their nature.

**Capital grants.** Capital grants are those involving the acquisition or construction of assets. They are valued at the fair value of the amount or assets granted and are recorded as deferred income in the accompanying consolidated balance sheet, being attributed to results in proportion to the amortisation of the related asset.

**Operating grants.** Operating grants are those other than the above-mentioned and which are not directly related to an asset or group of assets. These are considered operating income for the amount received at the time of concession.

#### d.12 Provisions and contingencies

In drawing up the consolidated annual accounts, the Group Directors draw a distinction between:

- a) Provisions: credit balances which cover current obligations derived from past events, payment of which probably implies the employment of resources, but undetermined regarding their amount and/or moment of cancellation.





- b) **Contingent liabilities:** these are possible obligations arising as a result of past events, the materialisation of which is conditional upon one or more future events beyond the control of the Group, and which may or may not occur.

The annual accounts include all provisions with respect of which it is estimated more likely than not that the relevant liability will need to be met. Contingent liabilities are not recognised in the consolidated annual accounts, but instead the notes of the report inform about them, insofar as they are not considered as remote.

Provisions are valued in accordance with the present value of the best possible estimate of the sum required in order to settle or transfer the obligation, taking into consideration the information available regarding the event and its consequences, with any adjustments arising as a result of the updating of such provisions being recorded as a financial cost as it progressively accrues.

The consideration to be received from a third party at the time of settling the obligation, provided that there is no doubt that such refund will be received, is recorded as an asset, except in the event that 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 consideration will be taken into account for the purpose of estimating the amount, where applicable, of the related provision.

Provisions for dismantling, removal or refurbishing and environmental provisions are recorded by increasing the value of the assigned asset by the current value of expenses to be incurred at the moment when exploitation of the asset has been completed. The impact on profit and loss occurs when the asset is depreciated in accordance with the previous paragraphs of this note and by the financial restatement mentioned in the foregoing paragraph.

Their classification as current or non-current in the accompanying consolidated balance sheet is carried out depending on the estimated time for the maturity of the liability covered and those with an estimated maturity of more than the average cycle of the activity which has originated the provision are classified as non-current.

#### d.13 Financial liabilities

Financial liabilities are initially valued at the fair value of the consideration received, adjusted by the directly attributed transaction costs. These liabilities are subsequently valued in compliance with their amortised cost.

Financial costs are recorded in the consolidated income statement according to the accrual criteria applying the effective interest method, and these costs are added to the amount of the instrument provided that these are not settled in the period in which they are produced.



Debts with credit institutions and other financial current and non-current liabilities are classified depending on maturities on the balance sheet closing date, considering as current debt maturing in the 12 months after the balance sheet closing date and as non-current those exceeding this period.

d.14 Financial derivatives and accounting hedges

A financial derivative is a financial instrument or other contract the value of which is modified according to changes in certain variables, such as interest rate, the price of the financial instrument, exchange rate, a credit rating or index, or according to another variable.

Financial derivatives, besides generating profits or losses may, in certain circumstances, compensate the whole or part of exchange rate risks, or the interest rate or value associated to balances and transactions. Hedges are recorded as described below:

- Cash flow hedges. In this type of hedges, changes in the value of the hedge instrument are provisionally recorded under Net Equity and recognised in the consolidated profit and loss account when the hedged instrument materialises.
- Hedges of net investments in foreign operations. These hedge operations are intended to cover the exchange rate risk and are considered cash flow hedges.

According to IAS 39 “Financial instruments: Recognition and Measurement”, to be considered a hedge, a derivative instrument must comply with the following required conditions:

- Identification and official documentation at the source of the hedge relation, its objective and the strategy assumed by the entity regarding the hedge.
- Documentation with identification of the hedged element, hedge instrument and nature of the hedged risk.
- Prospective demonstration of the effectiveness of the hedge.
- Ex post objective and verifiable measurements.

Variations in the fair value of financial derivatives which do not comply with the criteria for hedge accounting are recorded in the statement of results as they are generated.

The valuation of financial derivatives is carried out by experts in the field, independent from the Group and its financing entities.

For the valuation of the derivative, the rates implicit in the yield curve have been used, estimating the settlements corresponding to each period and deducting them based on said yield curve.



Following the entry into force of IFRS 13 on 1 January 2013, explicit guidelines were made for measuring fair value and, in particular, for the consideration of a credit risk adjustment as part of the fair value measurement of the derivative instrument. For this purpose, an adjustment has been made for the credit risk of the counterparty and for the company itself, using the techniques of simulating future scenarios.

Moreover, the effectiveness assessment is carried out by means of a test that compares, prospectively and retrospectively, whether changes in the fair value of the derivative cash flows compensate for changes in the fair value of the hedged risk.

In order to quantify the hedged risk, the so-called simplification of the hypothetical derivative is applied, and said risk is modelled, isolating the hedged risk from all other factors which affect expected cash flows.

At each accounting close, the changes in the fair value of the cash flows of the derivative designated as a hedging instrument, and the hypothetical derivative that modifies the hedged risk, will be compared retrospectively, calculating the following ratio:

$$\text{Coverage ratio} = \frac{\text{VR (Actual Derivative)}_i - \text{VR (Actual Derivative)}_0}{\text{VR (Hypothetical Derivative)}_i - \text{VR (Hypothetical Derivative)}_0}$$

The coverage shall be deemed to have been highly effective when a compensation is produced between the changes in the fair values of cash flows of the actual derivative and the cash flows of the hypothetical derivative, of between 80% and 120%.

The same analysis will be performed prospectively by means of a simulation of two estimated rate curve variation scenarios.

- Scenario 1: - 25 basic points.
- Scenario 2: +100 basic points.

Though certain hedging instruments are recognised as non-hedging instruments, this is only for accounting purposes, since for financial and management purposes all hedges carried out by the Company, at their inception, are based on a financial transaction and are intended exclusively for operation hedging purposes.

This is the case when the hedging does not successfully pass the effectiveness test, which requires that the changes in the fair value or in the cash flow of the hedged item, directly attributed to the hedged risk, are compensated by the changes in the fair value or cash flow of the hedging



instrument in a rate ranging between 80 % -120 %. If this is not the case, valuation changes are recorded in the income statement.

Note 21 of this consolidated report details the financial derivatives contracted by Grupo FCC Aqualia, in addition to other related aspects.

#### d.15 Profit tax

According to dossier 18/89, the FCC Group, to which the Grupo FCC Aqualia belongs, is under the Corporate Tax consolidation regime, integrating all the group companies that comply with the requirements established by tax legislation.

The expenses or income corresponding to the profit tax include the part relating to the expenses or income on the current taxes and that relating to the expense or income for deferred taxes.

Current tax is the amount paid by each company of the Group as a consequence of the income tax settlement corresponding to a fiscal year applying the corresponding tax rate pursuant the law in each jurisdiction. Tax deductions and other tax benefits on the net tax liability, excluding withholdings and payments on account, as well as tax loss carry-forwards from prior years applied on the current year, give rise to a lower amount of current tax.

Expenses or income from deferred taxes correspond to the recognition and set-off of deferred tax assets and liabilities. These include interim differences identified as those amounts foreseen as payable or recoverable by the differences between the amounts in books of assets and liabilities at their tax value, as well as the negative tax bases pending compensation and credits from non-applied tax deductions. Said amounts are recorded by applying to the relevant temporary difference or credit, the tax rate at which they are expected to be recovered or liquidated.

Accrued Corporate Income Tax of Companies taxed on a consolidated basis is determined taking into account, apart from the requirements applied in case of individual taxation above mentioned, the following:

- Timing and permanent differences produced as a consequence of the elimination of results from operations between the companies of the tax Group, arising from the determination of the consolidated tax base.
- Deductions and allowances corresponding to each company of the tax Group taxed on a consolidated basis; for these purposes, deductions and allowances will be attributed to the company which carried out the activity or registered the necessary performance to obtain the right to the tax deduction or allowance.
- Regarding negative tax results from certain companies of the tax Group which have been compensated by the rest of the companies of the tax Group, a reciprocal credit and debit arises



between their corresponding companies and the companies compensating them. In the event that there is tax loss that cannot be offset by the other companies of the tax Group, these tax credits for tax loss carry forwards are recorded as deferred tax assets according to the criteria established for their recording, considering the tax group as a taxpayer.

- The Parent Company of the FCC Group records the total payable (to be returned) amount for consolidated corporate tax chargeable to (payment) Credits (debts) with tax group companies.

Deferred tax liabilities are recognised for all taxable timing differences except those arising from initial recognition of goodwill of other assets and liabilities in an operation not affecting the tax or accounting result, excepting a business combination.

On the other hand, assets by deferred tax are only recognised if it is considered probable that the Group will have future capital gains to make them effective.

On each balance date, the deferred tax assets recognised are reviewed and appropriate adjustments are made to them, insofar as any doubts exist as to their future recoverability. Likewise, deferred tax assets that are not recorded at the balance sheet closing date in the consolidated balance sheet are valued and are subject to recognition if their recovery is probable with future tax benefits.

Assets and Deferred tax liabilities are recorded in the consolidated balance sheet as non-current assets and liabilities, independently from the scheduled date of realisation or liquidation, without carrying out the financial action in any case.

#### d.16 Operating income and expenses

In water supply contracts, the Group records as income the amount corresponding to cubic meters supplied to customers valued at sale price. Sale price is established for each contract based on the rates approved by each Municipality and published in the Official Gazette (Boletín Oficial) of the corresponding province. In relation to the supplied cubic metres, the Group takes periodic readings of its subscribers consumption. At each accounting close, the Group assesses the sales of water supplied and not invoiced for the registration of the *Production executed and pending certification* under the heading Customers through sales and services in the current assets caption of the consolidated balance sheet as at 31 December 2017. For quantification, it considers the cubic metres consumed by each subscriber from the date of their last invoice up to the date of the last meter reading taken, if appropriate. Likewise, and from the date of last meter reading up to the accounting close date, the remaining consumption is estimated based on the information available from comparable historical periods.

Concerning construction activities, the Group records results according to the degree of development, determined on the basis of the works carried out during the period and their cost,



recorded on the basis of their maturity period, and recording income at the sale price of the executed works, included in a contract signed by the client.

Regarding the service concession agreements, Grupo FCC Aqualia recognises, as operating profit, the revenues from the interest arising from the collection rights of the financial model, since the value of that financial asset includes both the construction services as well as the maintenance and upkeep services which, from an operational standpoint, are identical to those represented in the intangible model and, consequently, they are considered to better represent a true and fair view since both models are related to the Group's operating activity (see Note 2.d.1).

The remaining income and expenses are recorded according to the accrual principle, that is, when the actual flow of assets and services occurs, irrespective of the moment in which the cash or financial flow occurs arising therefrom.

#### d.17 Estimates made

In the consolidated annual accounts of the Group at 31 December 2017, occasionally, estimates have been used to quantify some of the assets, liabilities, income, expenses and commitments recorded therein. Basically, these estimates refer to:

- Impairment losses of certain assets (notes 4, 5, 7, 9, 10 and 11)
- Useful life of tangible and intangible assets (notes 4 and 5)
- The amount of certain provisions (note 15)
- The market value of certain derivatives (note 21)
- The recoverability of deferred tax liabilities (Note 18)
- The Company's tax results which shall be declared to the authorities will be paid in the future and have served as the basis for the recording of the different balances related to the corporate tax in these consolidated annual accounts (note 18).
- Progress of construction activities. (note 2.d.16)
- Estimation of the cubic metres consumption supplied to subscribers between the dates of the last meter reading and the accounting close date (note 2.d.16)

Although these estimates were made based on the best available information on the facts analysed at the preparation date of these consolidated annual accounts, future events could imply that changes (upwards or downwards) might have to be made (upwards or downwards) in the following years, and this would be done prospectively.

#### d.18 Transactions with related parties

The Group carries out all its transactions between related parties at market value.



d. 19 Pension commitments and other similar obligations

The Spanish companies of the Group, in general, do not have established pension plans complementary to those of the Social Security. However, according to the provisions of the Revised Text of the Act on regulation on Pension Plans and Funds (*Texto Refundido de la Ley de Regulación de los Planes y Fondos de Pensiones*), in certain specific cases in which there are similar obligations, the companies outsource the commitments regarding pensions and other similar obligations with the staff.

On the other hand, some of the Group's foreign companies have assumed the commitment to supplement the pension benefits and other similar obligations of its employees. The valuation of the accrued obligations and, where applicable, of the affected assets was made by independent appraisers using the generally accepted appraisal methods and techniques stated, where applicable, in the accompanying consolidated balance sheet in the "Non-current provisions" section under the line-item "Long-term employee benefits", in accordance with the criteria established in the IFRS (Note 15).

d.20 Hierarchy of fair value

The valuation of assets and liabilities measured at fair value is broken down into tiers according to the following hierarchy determined by IFRS 7:

Tier 1: Quoted prices (not adjusted) in active markets for identical asset or liability instruments.

Level 2: Data other than the quoted price included in Tier 1, which must be observable for the asset or liability instrument, both directly (i.e. prices), and indirectly (i.e. derivatives).

Level 3: Data for the asset or liability instrument not based on observable market data.

At 31 December 2017 and 31 December 2016 the Group only holds tier 2 assets and liabilities corresponding to financial instruments valued as indicated in section d.14 Financial derivatives and accounting hedges.

d.21 Activities with an environmental impact

Generally speaking, environmental activities are those whose main purpose is to prevent, reduce or repair damages caused to the environment. In this sense, investments arising from environmental activities are valued at their acquisition cost and are activated as the higher cost of fixed assets in the year they are incurred.

The costs arising from business actions aimed at protecting and improving the environment are recognised as an expense for the financial year in which they are incurred.



#### d.22 Consolidated Cash Flow Statements

In the consolidated cash flow statement, drawn up in accordance with the indirect method, the following expressions are used with the following meanings:

- Cash flows: money incoming and outgoing in cash and equivalents, these being understood as alterations in the value of highly liquid short-term investments.
- Operating activities: typical activities of the Group, as well as other activities that cannot be classified as investment or financing.
- Investment activities: activities relating to the acquisition, transfer or disposal by other means of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities generating changes in the size and composition of net equity and the liabilities not forming part of operating activities.

#### d.23 Severance payments

According to current legislation, the group companies are obliged to pay indemnities to the employees whose work contracts are terminated under certain conditions.

The Directors of the Parent Company estimate that for the possible dismissals of permanent personnel which, under normal circumstances, may take place in the future, and for the corresponding amounts payable, the liabilities accruing in compensation would not be significant, and therefore no provision has been made for this concept in the annual accounts corresponding to 31 December 2017.

#### d.24 Earnings per Share

For the purposes of IAS 33, the basic earnings per share are calculated as the ratio between the net result of the period attributable to the Parent Company and the weighted average number of outstanding ordinary shares in circulation during said period, excluding the average number of shares of the Parent Company held in Group company portfolios. Meanwhile, the diluted earnings per share are calculated as the ratio between the net result of the period attributable to ordinary shareholders adjusted for the effect attributable to potential ordinary shares with dilutive effect and the weighted average number of ordinary shares in circulation during the period, adjusted by the weighted average of the ordinary shares which would be issued if all potential ordinary shares became ordinary shares of the Parent Company. For these purposes, the conversion is considered to take place at the beginning of the period, or at the time of issue of the potential ordinary shares if these have been put into circulation during the same period.





Considering that the scope of IAS 33 covers the consolidated financial statements, whose controlling company meets one of the following requirements:

- Ordinary or potential ordinary shares traded on a public market (either a national or foreign exchange or an OTC market, including local and regional markets), or
- Shares that register or are in the process of registering their financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.

The Directors of the Parent Company consider that as of 31 December 2017 and 31 December 2016, the basic earnings per share coincides with the diluted figure since said circumstances have not arisen.

### 3. DISTRIBUTION OF RESULTS OF THE PARENT COMPANY

The proposal of distribution of results for financial year 2017 that will be submitted to the General Shareholders Meeting approval is shown below:

| <b>PROPOSAL FOR DISTRIBUTION OF RESULTS</b> |               |
|---|---------------|
| <i>(Amounts in thousand euros)</i>          |               |
| <u>Profit for the Year</u>                  | <b>74,006</b> |
| <b>Distribution:</b>                        |               |
| <b>To Voluntary reserves”</b>               | 74,006        |

### 4. INTANGIBLE FIXED ASSETS

The composition of intangible fixed assets at 31 December 2017 and 2016 is as follow:

| (in thousand euros)     | Cost             | Accumulated depreciation | Impairments     | Net Value      |
|-------------------------|------------------|--------------------------|-----------------|----------------|
| <b>31/12/2017</b>       |                  |                          |                 |                |
| 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         |
| <b>TOTAL</b>            | <b>1,586,420</b> | <b>(723,042)</b>         | <b>(14,605)</b> | <b>848,773</b> |



| (in thousand euros)     | Cost             | Accumulated depreciation | Impairments     | Net Value      |
|-------------------------|------------------|--------------------------|-----------------|----------------|
| <b>31/12/2016</b>       |                  |                          |                 |                |
| Concessions (note 6)    | 1,450,901        | (646,159)                | (15,328)        | 789,414        |
| Goodwill                | 85,331           | -                        | (25)            | 85,306         |
| Other intangible assets | 23,455           | (15,109)                 | (44)            | 8,302          |
| <b>TOTAL</b>            | <b>1,559,687</b> | <b>(661,268)</b>         | <b>(15,397)</b> | <b>883,022</b> |

None of the intangible assets recorded were generated internally and, excepting goodwill, all have a limited useful life and, accordingly, are amortised on a straight-line basis over the period in which revenue is expected to be generated, as per the following detail:

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

Intangible fixed assets located outside Spanish territory amounted to 81,306 thousand euros at 31 December 2017 (78,255 thousand euros at 31 December 2016).

There are no additional investment commitments to those already recognised in the specifications and provisioned under the heading “Long-term provisions” on the attached balance sheet (see Note 15).

#### Intangible asset variations

The movements in this caption of the consolidated balance sheet in 2016 and 2017 were as follows:

| (in thousand euros)                   | Concessions      | Goodwill      | Other intangible assets | Amortisations    | Impairments     | TOTAL          |
|---------------------------------------|------------------|---------------|-------------------------|------------------|-----------------|----------------|
| <b>Balance at 31/12/2015</b>          | <b>1,332,816</b> | <b>85,331</b> | <b>19,866</b>           | <b>(526,146)</b> | <b>(12,873)</b> | <b>898,994</b> |
| Inclusions                            | 23,750           | -             | 4,044                   | -                | -               | 27,794         |
| Provisions                            | -                | -             | -                       | (64,803)         | (1,878)         | (66,681)       |
| Reversals                             | -                | -             | -                       | -                | 1,594           | 1,594          |
| Exclusions                            | (1,560)          | -             | (182)                   | 1,365            | -               | (377)          |
| Transfers                             | 7,526            | -             | (273)                   | 47               | (2,240)         | 5,060          |
| Translation differences               | -                | -             | -                       | -                | -               | -              |
| Changes in the scope of consolidation | 88,369           | -             | -                       | (71,731)         | -               | 16,638         |
| <b>Balance at 31/12/2016</b>          | <b>1,450,901</b> | <b>85,331</b> | <b>23,455</b>           | <b>(661,268)</b> | <b>(15,397)</b> | <b>883,022</b> |
| Inclusions                            | 25,148           | -             | 7,045                   | -                | -               | 32,193         |
| Provisions                            | -                | -             | -                       | (64,764)         | (1,680)         | (66,444)       |
| Reversals                             | -                | -             | -                       | -                | 706             | 706            |
| Exclusions                            | (4,774)          | -             | (222)                   | 3,181            | 1,766           | (49)           |
| Transfers                             | (933)            | -             | -                       | 222              | -               | (711)          |
| Translation differences               | -                | -             | 469                     | (413)            | -               | 56             |
| Changes in the scope of consolidation | -                | -             | -                       | -                | -               | -              |
| <b>Balance at 31/12/2017</b>          | <b>1,470,342</b> | <b>85,331</b> | <b>30,747</b>           | <b>(723,042)</b> | <b>(14,605)</b> | <b>848,773</b> |



### Concessions

Administrative concessions are defined as those by virtue of which a lending entity grants concession-holders (Grupo FCC Aqualia) for a term, the construction or exploitation, of just the exploitation of works subject of exploitation and necessary for the provision of public services of economic nature.

The construction and operation of public works under concession will be carried out under the responsibility of the concession-holder, who will assume the economic risks derived from their execution and operation.

The Group records as concessions the amounts contributed in accordance with the specifications and committed upon execution of concession contracts, as well as other expenses incurred to obtain water supply and sanitation service concessions.

In the 2017 financial year, the Group registered new contracts totalling an amount of 25,148 thousand euros in administrative concessions corresponding mainly to the following contracts:

- Mancomunidad Río Algodor (Toledo) at an amount of 6,496 thousand euros, for the renewal in this financial year and a 20-year period, for high-pressure water distribution to 40 municipalities included in this association of municipalities, as well as low pressure water supply to the municipalities which are managed by said association. The Company has provided continuous service to this Association of Municipalities (Mancomunidad) since July 1987.
- Calamonte (Badajoz) for an amount of 1,000 thousand euros for the contract to supply water and waste water treatment for 15 years in said municipality.
- Province of Caltanissetta (Italy) for an amount of 2,106 thousand euros for the execution of network renewal investments in the contracted municipalities, mainly in the cities of Caltanissetta, Gela, Bhutera and San Cataldo.
- Municipalities of Granada's Costa Tropical for an amount of 3,979 thousand euros for the refurbishment and modernisation of the supply and sanitation network in several towns, including Motril and Almuñécar.
- Cartaxo (Portugal) for an amount of 3,696 thousand euros for the commitment to invest in the municipality's water supply and sewerage networks.
- Mogán (Gran Canaria) for an amount of 2,000 thousand euros for the supply, sewerage and purification contract for certain private developments on the coast of this municipality for 15 years.



Also in the 2017 financial year, the Group registered cancellations of administrative concessions amounting to 4,774 thousand euros, mainly the cancellation of service in Monovar (Alicante) for an amount of 3,696 thousand euros; as well as 1,954 thousand euros of accumulated depreciation and 1,742 thousand euros of impairment. This contract was unilaterally terminated by the local council of that town, with FCC Aqualia submitting a claim file against this measure. On 15 March 2017, the High Court of Justice of the Autonomous Region of Valencia ruled favourably to FCC Aqualia, acknowledging an amount receivable of 5,432 thousand euros as compensation for damages for lost profits and interest accrued to date.

Reversions recorded in the deterioration of administrative concessions carried out in previous financial years are explained by the amortisation in the year of concessions deteriorated in previous years, but in which the Company continues to serve.

At 31 December 2017 and 2016, the main administrative concessions are as follow:

**2017.12**

| CONTRACT                              | Administrative concessions |                  |                 | Act Intangible Adm.Concess. |                  |                | Advances for<br>Concession<br>Agreement | Duration     |
|---------------------------------------|----------------------------|------------------|-----------------|-----------------------------|------------------|----------------|---|--------------|
|                                       | Cost                       | Acc. Amort.      | Impairment      | Cost                        | Acc. Amort.      | Impairment     |   |              |
| Alcalá de Henares (Madrid)            | 8,040                      | (4,362)          | -               | 8,434                       | (4,028)          | -              | -                                       | 25 years     |
| Algeciras (Cádiz)                     | 460                        | (270)            | -               | 15,619                      | (5,488)          | -              | -                                       | 50 years     |
| Almansa (Albacete)                    | 5,754                      | (1,154)          | -               | 3,480                       | (321)            | -              | -                                       | 25 years     |
| Almería (Almería)                     | 10,780                     | (6,593)          | -               | 17,838                      | (6,843)          | -              | -                                       | 40 years     |
| Arcos de la Frontera (Cádiz)          | 7,937                      | (1,660)          | -               | 3,250                       | (672)            | -              | -                                       | 25 years     |
| Badajoz (Badajoz)                     | 15,436                     | (8,963)          | -               | 37,359                      | (15,403)         | -              | -                                       | 50 years     |
| Barbate (Cádiz)                       | 4,189                      | (935)            | -               | 3,029                       | (672)            | -              | -                                       | 25 years     |
| Cabezo Torres (Murcia)                | -                          | -                | -               | 6,314                       | (4,698)          | -              | -                                       | 40 years     |
| Calahorra (La Rioja)                  | 6,391                      | (3,476)          | -               | 106                         | (88)             | -              | -                                       | 25 years     |
| Cartaya (Huelva)                      | 8,521                      | (1,317)          | -               | 176                         | (75)             | -              | -                                       | 25 years     |
| Chipiona (Cádiz)                      | 2,131                      | (1,091)          | -               | 4,923                       | (2,089)          | -              | -                                       | 40 years     |
| Denia (Alicante)                      | -                          | -                | -               | 11,568                      | (6,070)          | -              | -                                       | 35 years     |
| Gáldar (Gran Canaria)                 | 10,802                     | (1,955)          | (2,075)         | 2,118                       | (674)            | -              | -                                       | 25 years     |
| Jaén (Jaén)                           | 9,135                      | (6,255)          | -               | 57                          | (55)             | -              | -                                       | 30 years     |
| l'Atmella de Mar (Tarragona)          | 8,415                      | (4,361)          | -               | 592                         | (323)            | -              | -                                       | 25 years     |
| La Línea de la Concepción (Cádiz)     | 8,712                      | (6,767)          | -               | 2,534                       | (398)            | -              | -                                       | 40 years     |
| La Nucia (Alicante)                   | 29                         | (29)             | -               | 22,899                      | (9,605)          | -              | -                                       | 30 years     |
| La Solana (Ciudad Real)               | 3,461                      | (1,355)          | -               | 2,052                       | (772)            | -              | -                                       | 35 years     |
| Llanera (Asturias)                    | 1,248                      | (1,222)          | -               | 12,513                      | (3,906)          | (3,596)        | -                                       | 25 years     |
| Lleida (Lleida)                       | 38,098                     | (6,288)          | -               | 11,179                      | (1,959)          | -              | -                                       | 25 years     |
| Lloret de Mar (Girona)                | 22,253                     | (10,682)         | (3,134)         | 299                         | (181)            | -              | -                                       | 25 years     |
| Los Alcázares (Murcia)                | 7,946                      | (6,095)          | -               | 312                         | (271)            | -              | -                                       | 20 years     |
| Mdad. El Girasol (Toledo)             | 3,689                      | (2,361)          | -               | 4,166                       | (1,923)          | -              | -                                       | 25 years     |
| Mun. Conf. Río Algodor (Toledo)       | 6,496                      | (270)            | -               | 1,182                       | (1,182)          | -              | -                                       | 50 years     |
| Mérida (Badajoz)                      | 17,207                     | (9,502)          | -               | 3,981                       | (2,266)          | -              | -                                       | 30 years     |
| Moguer (Huelva)                       | 5,739                      | (1,720)          | -               | 1,674                       | (483)            | -              | -                                       | 30 years     |
| Oviedo (Asturias)                     | 17,945                     | (7,507)          | -               | 19,131                      | (7,140)          | -              | -                                       | 50 years     |
| Salamanca (Salamanca)                 | 6,961                      | (2,903)          | -               | 1,092                       | (28)             | -              | -                                       | 25 years     |
| San Lorenzo Escorial (Madrid)         | 2,543                      | (566)            | -               | 3,968                       | (1,212)          | -              | -                                       | 30 years     |
| Sanlúcar de Barrameda (Cádiz)         | 17,268                     | (4,986)          | -               | -                           | -                | -              | -                                       | 40 years     |
| Sant Feliu Guixols (Girona)           | 6                          | (6)              | -               | 6,928                       | (4,095)          | -              | -                                       | 50 years     |
| Sant Josep (Balearic Islands)         | -                          | -                | -               | 11,576                      | (5,231)          | -              | -                                       | 28 years     |
| Santander (Cantabria)                 | 72,632                     | (34,061)         | -               | 13,718                      | (6,379)          | -              | -                                       | 25 years     |
| Sóller (Balearic Islands)             | 68                         | (21)             | -               | 6,613                       | (2,369)          | -              | -                                       | 30 years     |
| Talavera de la Reina (Toledo)         | 16,516                     | (12,093)         | -               | 11,838                      | (3,939)          | -              | -                                       | 25 years     |
| Valverde del Camino (Huelva)          | 5,701                      | (1,197)          | -               | 505                         | (105)            | -              | -                                       | 25 years     |
| Vélez-Málaga (Málaga)                 | 6,750                      | (3,492)          | -               | 1,050                       | (164)            | -              | -                                       | 20 years     |
| Vigo (Pontevedra)                     | 32,380                     | (31,087)         | -               | 147,584                     | (128,189)        | -              | -                                       | 30 years     |
| Adeje (Tenerife)                      | 53,528                     | (32,551)         | -               | 63,963                      | (34,472)         | -              | -                                       | 5 – 50 years |
| Ecija (Seville)                       | 9,560                      | (6,270)          | -               | 25                          | (19)             | -              | -                                       | 25 years     |
| Jerez de la Frontera(Cádiz)           | 83,406                     | (15,739)         | -               | 18,580                      | (3,507)          | -              | -                                       | 25 years     |
| La Línea de la Concepción (Cádiz)     | 9,880                      | (2,487)          | -               | 135                         | (23)             | -              | 211                                     | 12 years     |
| Puerto de Santa María (Cádiz)         | 2,000                      | (267)            | -               | -                           | -                | -              | -                                       | 25 years     |
| Alcázar de San Juan (Ciudad Real)     | 1,855                      | (245)            | -               | 10,843                      | (2,693)          | -              | -                                       | 25 years     |
| WWTP municipalities (Teruel)          | -                          | -                | -               | 16,618                      | (7,150)          | -              | -                                       | 21 years     |
| Municipalities C. Tropical<br>Granada | 501                        | (245)            | -               | 25,442                      | (10,007)         | -              | -                                       | 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)                    | 10,177                     | (2,482)          | -               | 13,839                      | (2,155)          | -              | -                                       | 35 years     |
| Fundao (Portugal)                     | 2,000                      | (444)            | -               | 5,132                       | (903)            | -              | -                                       | 30 years     |
| Caltanissetta (Italy)                 | -                          | -                | -               | 44,181                      | (13,116)         | -              | 9,301                                   | 30 years     |
| Rest                                  | 181,730                    | (102,477)        | (5,598)         | 91,071                      | (44,658)         | (133)          | 2,846                                   | 5 – 50 years |
| <b>TOTAL</b>                          | <b>746,276</b>             | <b>(349,809)</b> | <b>(10,807)</b> | <b>711,708</b>              | <b>(354,087)</b> | <b>(3,729)</b> | <b>12,358</b>                           |              |

**2016.12**

| CONTRACT                          | Administrative concessions |                  |                 | Intangible assets for concession agreement |                  |                | Advances for Intang. Assets Concession Agreement | DURATION     |
|-----------------------------------|----------------------------|------------------|-----------------|--|------------------|----------------|--|--------------|
|                                   | COST                       | ACC AM           | IMPAIRMENT      | COST                                       | ACC AM           | IMPAIRMENT     |  |              |
| Alcalá de Henares (Madrid)        | 8,040                      | (4,040)          | -               | 8,434                                      | (3,645)          | -              | -  | 25 years     |
| Algeciras (Cádiz)                 | 460                        | (263)            | -               | 15,619                                     | (5,168)          | -              | -  | 50 years     |
| Almansa (Albacete)                | 5,754                      | (923)            | -               | 3,480                                      | (162)            | -              | -  | 25 years     |
| Almería (Almería)                 | 10,780                     | (6,314)          | -               | 17,838                                     | (6,110)          | -              | -  | 40 years     |
| Arcos de la Frontera (Cádiz)      | 7,937                      | (1,346)          | -               | 3,250                                      | (537)            | -              | -  | 25 years     |
| Badajoz (Badajoz)                 | 15,436                     | (8,721)          | -               | 37,359                                     | (14,582)         | -              | -  | 50 years     |
| Barbate (Cádiz)                   | 4,189                      | (768)            | -               | 3,029                                      | (550)            | -              | -  | 25 years     |
| Cabezo Torres (Murcia)            | -                          | -                | -               | 6,314                                      | (4,172)          | -              | -  | 40 years     |
| Calahorra (Rioja)                 | 6,391                      | (3,395)          | -               | 106  | (84)             | -              | -  | 25 years     |
| Chipiona (Cádiz)                  | 2,131                      | (1,004)          | -               | 4,923                                      | (1,852)          | -              | -  | 25 years     |
| Denia (Alicante)                  | -                          | -                | -               | 11,568                                     | (5,491)          | -              | -  | 35 years     |
| Galdar (Gran Canarias)            | 10,802                     | (1,392)          | (2,207)         | 2,118                                      | (582)            | -              | -  | 25 years     |
| Jaén (Jaén)                       | 9,538                      | (6,070)          | -               | 57   | (55)             | -              | -  | 30 years     |
| L'Ametlla de Mar (Tarragona)      | 8,415                      | (4,023)          | -               | 592  | (301)            | -              | -  | 25 years     |
| La Línea de la Concepción (Cádiz) | 8,712                      | (6,521)          | -               | 2,534                                      | (134)            | -              | -  | 40 years     |
| La Nucia (Alicante)               | 29                         | (29)             | -               | 21,804                                     | (8,651)          | -              | -  | 30 years     |
| La Solana (C.Real)                | 3,461                      | (1,256)          | -               | 2,052                                      | (712)            | -              | -  | 35 years     |
| Llanera (Asturias)                | 1,248                      | (1,220)          | -               | 8,296                                      | (2,836)          | (3,727)        | -  | 25 years     |
| Lleida (Lleida)                   | 38,098                     | (4,683)          | -               | 11,179                                     | (1,459)          | -              | -  | 25 years     |
| Lloret de Mar (Girona)            | 22,253                     | (9,791)          | (3,375)         | 299  | (172)            | -              | -  | 25 years     |
| Los Alcázares (Murcia)            | 7,946                      | (5,674)          | -               | 312  | (261)            | -              | -  | 20 years     |
| Mun. Conf. El Girasol (Cuenca)    | 3,689                      | (2,214)          | -               | 4,166                                      | (1,652)          | -              | -  | 25 years     |
| Mérida (Badajoz)                  | 17,207                     | (8,898)          | -               | 3,981                                      | (2,133)          | -              | -  | 30 years     |
| Moguer (Huelva)                   | 5,739                      | (1,491)          | -               | 1,674                                      | (413)            | -              | -  | 30 years     |
| Oviedo (Asturias)                 | 17,945                     | (7,143)          | -               | 19,131                                     | (6,723)          | (130)          | -  | 50 years     |
| Salamanca (Salamanca)             | 6,961                      | (2,452)          | -               | 43   | (15)             | -              | -  | 25 years     |
| San Lorenzo de El Escorial        | 2,543                      | (450)            | -               | 3,968                                      | (1,050)          | -              | -  | 30 years     |
| Sanlúcar de Barrameda (Cádiz)     | 17,268                     | (4,297)          | -               | -  | -                | -              | -  | 40 years     |
| Sant Feliu (Girona)               | 6                          | (6)              | -               | 6,928                                      | (4,001)          | -              | -  | 50 years     |
| Sant Josep (Ibiza)                | -                          | -                | -               | 11,576                                     | (4,900)          | -              | -  | 28 years     |
| Santander (Cantabria)             | 72,632                     | (31,150)         | -               | 13,718                                     | (5,826)          | -              | -  | 25 years     |
| Soller (Mallorca)                 | 68                         | (17)             | -               | 6,571                                      | (2,026)          | -              | -  | 30 years     |
| Talavera de la Reina (Toledo)     | 16,516                     | (11,434)         | -               | 11,838                                     | (3,375)          | -              | -  | 25 years     |
| Valverde del Camino (Huelva)      | 5,701                      | (969)            | -               | 505  | (85)             | -              | -  | 25 years     |
| Vélez – Málaga (Málaga)           | 6,750                      | (3,235)          | -               | 1,134                                      | (104)            | -              | -  | 20 years     |
| Vigo (Pontevedra)                 | 32,380                     | (30,657)         | -               | 147,504                                    | (121,729)        | -              | -  | 30 years     |
| Adeje (Tenerife)                  | 53,528                     | (29,867)         | -               | 63,963                                     | (30,908)         | -              | -  | 5 – 50 years |
| Ecija (Seville)                   | 9,560                      | (5,887)          | -               | 25   | (19)             | -              | -  | 25 years     |
| Jerez de la Frontera (Cádiz)      | 83,406                     | (12,397)         | -               | 18,580                                     | (2,762)          | -              | -  | 25 years     |
| Cartaya (Huelva)                  | 8,521                      | (973)            | -               | 176  | (70)             | -              | -  | 25 years     |
| La Línea de la Concepción (Cádiz) | 9,880                      | (1,658)          | -               | 135  | (11)             | -              | 211  | 12 years     |
| Puerto de Santa María (Cádiz)     | 2,000                      | (207)            | -               | -  | -                | -              | -  | 25 years     |
| Alcázar de San Juan (Ciudad Real) | 1,855                      | (171)            | -               | 10,843                                     | (2,323)          | -              | -  | 25 years     |
| WWTP municipalities (Teruel)      | -                          | -                | -               | 16,618                                     | (6,276)          | -              | -  | 21 years     |
| Municipalities C.Tropical Granada | 501                        | (222)            | -               | 21,463                                     | (9,455)          | -              | -  | 25 years     |
| Abrantes (Portugal)               | -                          | -                | -               | 9,851                                      | (2,743)          | -              | -  | 25 years     |
| Campo Maior (Portugal)            | -                          | -                | -               | 4,032                                      | (1,189)          | -              | -  | 30 years     |
| Elvas (Portugal)                  | -                          | -                | -               | 5,783                                      | (1,478)          | -              | -  | 30 years     |
| Cartaxo (Portugal)                | 10,177                     | (2,204)          | -               | 10,143                                     | (1,738)          | -              | -  | 35 years     |
| Fundao (Portugal)                 | 2,000                      | (378)            | -               | 5,132                                      | (722)            | -              | -  | 30 years     |
| Caltanissetta (Italy)             | -                          | -                | -               | 41,752                                     | (10,860)         | -              | 9,625  | 30 years     |
| Remainder less than 5 million     | 184,204                    | (96,640)         | (5,882)         | 95,704                                     | (41,607)         | (7)            | 308  | 5 – 50 years |
| <b>TOTAL</b>                      | <b>742,657</b>             | <b>(322,450)</b> | <b>(11,464)</b> | <b>698,100</b>                             | <b>(323,709)</b> | <b>(3,864)</b> | <b>10,144</b>                                    |              |



### Other intangible assets

The caption “Other intangible assets” mainly includes software applications acquired from third parties and amortised by the straight-line method and other fixed assets assigned to the concession contracts.

### Goodwill

The breakdown of goodwill (net of value impairments) at 31 December 2017 and 2016 in the accompanying consolidated balance sheet is the following:

| Amounts in thousand euros | 31/12/2017    | 31/12/2016    |
|---------------------------|---------------|---------------|
| Depurplan 11, S.A.        | 18            | 18            |
| Aqualia Intech, S.A.      | 2,523         | 2,523         |
| Merger Goodwill           | 82,765        | 82,765        |
| <b>TOTAL</b>              | <b>85,306</b> | <b>85,306</b> |

The merger goodwill corresponds to that arising in financial years 2002 and 2011 for takeover mergers that the Parent Company carried out with several of its subsidiaries, originating a goodwill of the difference between the acquisition cost of said subsidiaries and the fair value of the identifiable net assets.

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

On 23 November 2015 Aqualia Industrial Solutions, S.A. was merged with Aqualia Intech, S.A., by means of the absorption by Aqualia Industrial Solutions, S.A. Unipersonal, both FCC Aqualia investee companies. The absorption was carried out by the integration of all elements and the en mass transfer of the equity in consolidated values from the absorbed company to the absorbent entity.

With regard to the estimates made and the sensitivity analysis in the goodwill impairment tests, the main aspects are outlined below:

- Merger Goodwill For the hypotheses used to estimate cash flows, the Parent company as a whole has been considered one cash-generating unit. The main hypotheses followed are:
  - Annual revenue growth: 0.1% for the first year and between 2% and 2.3% for the following years.
  - Perpetual income growth: Zero.
  - Pre-tax discount rate: 5.78 %.



- Current cash flow projections show no signs of high sensitivity, supporting discount rate increases of more than 19 percentage points, as well as a 79% decrease in cash flows without impairment.

## 5. PROPERTY, PLANT AND EQUIPMENT

The net breakdown of tangible assets at 31 December 2017 and 2016 is the following:

| (in thousand euros)   | Cost           | Accumulated depreciation | Impairments | Net Value      |
|---|----------------|--------------------------|-------------|----------------|
| <b>31/12/2017</b>   |                |                          |             |                |
| <b>Land and Buildings</b>                                   | <b>55,182</b>  | <b>(22,756)</b>          | -           | <b>32,426</b>  |
| Land and natural goods                                      | 6,732          | (39)                     | -           | 6,693          |
| Constructions for own use                                   | 48,450         | (22,717)                 | -           | 25,733         |
| <b>Technical facilities and other tangible fixed assets</b> | <b>751,815</b> | <b>(450,287)</b>         | <b>(27)</b> | <b>301,501</b> |
| Technical facilities  | 559,475        | (304,563)                | -           | 254,912        |
| Machinery and transport elements                            | 111,374        | (87,496)                 | -           | 23,878         |
| Ongoing fixed assets  | 6,337          | -                        | -           | 6,337          |
| Other tangible assets                                       | 74,629         | (58,228)                 | (27)        | 16,374         |
| <b>TOTAL</b>  | <b>806,997</b> | <b>(473,043)</b>         | <b>(27)</b> | <b>333,927</b> |

| (in thousand euros)   | Cost           | Accumulated depreciation | Impairments | Net Value      |
|---|----------------|--------------------------|-------------|----------------|
| <b>31/12/2016</b>   |                |                          |             |                |
| <b>Land and Buildings</b>                                   | <b>51,178</b>  | <b>(20,925)</b>          | -           | <b>30,253</b>  |
| Land and natural goods                                      | 6,390          | (37)                     | -           | 6,353          |
| Constructions for own use                                   | 44,788         | (20,888)                 | -           | 23,900         |
| <b>Technical facilities and other tangible fixed assets</b> | <b>698,644</b> | <b>(410,116)</b>         | <b>(39)</b> | <b>288,489</b> |
| Technical facilities  | 516,304        | (273,963)                | -           | 242,341        |
| Machinery and transport elements                            | 102,472        | (81,484)                 | -           | 20,988         |
| Ongoing fixed assets  | 11,800         | -                        | -           | 11,800         |
| Other tangible assets                                       | 68,068         | (54,669)                 | (39)        | 13,360         |
| <b>TOTAL</b>  | <b>749,822</b> | <b>(431,041)</b>         | <b>(39)</b> | <b>318,742</b> |





The variations in the various property, plant and equipment captions in 2016 and 2017 are shown below:

| (in thousand euros)                   | Land and natural goods | Constructions for own use | LANDS AND BUILDINGS | Technical facilities | Machinery and transport elements | Work in progress | Other tangible assets | TECHNICAL INSTALLATIONS AND OTHER TANGIBLE FIXED ASSETS | AMORTISATION     | IMPAIRMENTS | TOTAL           |
|---------------------------------------|------------------------|---------------------------|---------------------|----------------------|----------------------------------|------------------|-----------------------|---|------------------|-------------|-----------------|
| <b>Balance at 31/12/2015</b>          | <b>6,366</b>           | <b>43,877</b>             | <b>50,243</b>       | <b>500,749</b>       | <b>99,704</b>                    | <b>11,533</b>    | <b>72,228</b>         | <b>684,214</b>  | <b>(415,518)</b> | -           | <b>318,939</b>  |
| Inclusions                            | 1                      | 321                       | 322                 | 3,394                | 2,643                            | 17,058           | 2,999                 | <b>26,094</b>   | -                | -           | <b>26,416</b>   |
| Provisions                            | -                      | -                         | -                   | -                    | -                                | -                | -                     | -   | (26,709)         | (39)        | <b>(26,748)</b> |
| Reversals                             | -                      | -                         | -                   | -                    | -                                | -                | -                     | -   | -                | -           | -               |
| Exclusions                            | (4)                    | (288)                     | (292)               | (702)                | (3,388)                          | -                | (7,589)               | <b>(11,679)</b>   | 11,828           | -           | <b>(143)</b>    |
| Transfers                             | 27                     | 878                       | 905                 | 13,368               | 2,327                            | (16,791)         | 199                   | <b>(897)</b>  | (112)            | -           | <b>(104)</b>    |
| Translation differences               | -                      | -                         | -                   | -                    | 41                               | -                | 1                     | <b>42</b>   | (213)            | -           | <b>(171)</b>    |
| Changes in the scope of consolidation | -                      | -                         | -                   | (505)                | 1,145                            | -                | 230                   | <b>870</b>  | (317)            | -           | <b>553</b>      |
| <b>Balance at 31/12/2016</b>          | <b>6,390</b>           | <b>44,788</b>             | <b>51,178</b>       | <b>516,304</b>       | <b>102,472</b>                   | <b>11,800</b>    | <b>68,068</b>         | <b>698,644</b>  | <b>(431,041)</b> | <b>(39)</b> | <b>318,742</b>  |
| Inclusions                            | -                      | 22                        | <b>22</b>           | 1,811                | 1,506                            | 18,209           | 6,297                 | <b>27,823</b>   | -                | -           | <b>27,845</b>   |
| Provisions                            | -                      | -                         | -                   | -                    | -                                | -                | -                     | -   | (27,666)         | -           | <b>(27,666)</b> |
| Reversals                             | -                      | -                         | -                   | -                    | -                                | -                | -                     | -   | -                | 12          | <b>12</b>       |
| Exclusions                            | -                      | -                         | -                   | (1,592)              | (2,184)                          | -                | (431)                 | <b>(4,207)</b>  | 3,791            | -           | <b>(416)</b>    |
| Transfers                             | 35                     | 1,890                     | <b>1,925</b>        | 17,740               | 5,779                            | (24,299)         | 282                   | <b>(498)</b>  | -                | -           | <b>1,427</b>    |
| Translation differences               | 307                    | 1,750                     | <b>2,057</b>        | 25,212               | 3,801                            | 627              | 413                   | <b>30,053</b>   | (18,116)         | -           | <b>13,994</b>   |
| Changes in the scope of consolidation | -                      | -                         | -                   | -                    | -                                | -                | -                     | -   | (11)             | -           | <b>(11)</b>     |
| <b>Balance at 31/12/2017</b>          | <b>6,732</b>           | <b>48,450</b>             | <b>55,182</b>       | <b>559,475</b>       | <b>111,374</b>                   | <b>6,337</b>     | <b>74,629</b>         | <b>751,815</b>  | <b>(473,043)</b> | <b>(27)</b> | <b>333,927</b>  |



Group companies take out the insurance policies they deem necessary to cover the possible risks that could affect property, plant and equipment elements.

At December 31 2017, tangible fixed assets located outside Spanish territory have a net book value of 298,593 thousand euros and are mainly located in the Czech Republic and Italy (285,579 thousand euros at 31 December 2016).

The amount of fully depreciated property, plant and equipment that is nevertheless used in productive activity being in good conditions for use, is of 157,418 thousand euros at 31 December 2017 (143,210 thousand euros at 31 December 2016).

No interest was capitalised for the 2017 financial year (1 thousand euros in the 2016 financial year), with accrued capital interest from the origin of 3,836 thousand euros (3,836 thousand euros in 2016).

#### Assets with ownership restrictions

In the scope of its activity, the Group acquires or builds assets for its own fixed assets that will revert to lending municipalities at the termination of the contracts.

The companies of the Group consider that periodical maintenance plans for their facilities the cost of which is recorded as expenses in the fiscal year incurred, are sufficient ensure the delivery of assets in good conditions, which will be reverting at the end of the concessions and, consequently, no major expenses will be produced as a result of the reversion.

#### Work carried out for the Group's fixed assets

Through its specialist companies, the Grupo FCC Aqualia carries out works and infrastructure related to water contracts, for the most part provided in the Czech Republic, that do not respond to the local councils that granted the contract. The amount capitalised in this regard amounts is 20,621 thousand euros as of 31 December 2017 (17,691 thousand euros as of 31 December 2016).

#### Financial lease

At 31 December 2017 and 2016, the Company possesses transport elements acquired under the financial leasing system, with a net book value of 67 thousand euros at 31 December 2017 (103 thousand euros at 31 December 2016).

The reconciliation between the amount of minimum future lease payments and their current value is the following (in thousand euros):



|                                  | 31/12/2017 | 31/12/2016 |
|----------------------------------|------------|------------|
| <b>Minimum future payments</b>   | <b>38</b>  | <b>81</b>  |
| Non- accrued financial expenses  | (2)        | (5)        |
| <b>Present value (note 13.d)</b> | <b>36</b>  | <b>76</b>  |

At the end of the financial lease, Grupo FCC Aqualia companies generally exercise the call option since the contracts do not include any type of restriction on the exercise of such option.

The financial lease agreements formalised by the companies of the Group do not include quotas the amount of which must be determined depending on facts or future economic indexes, and therefore there were no expenses relating to payment of contingent quotas during the fiscal year.

#### Operating leases

As the lessee, operating leasing quotas recorded by the Group as expenses at 31 December 2017 amount to 24,760 thousand euros (25,2784 thousand euros at 31 December 2016). These quotas relate mainly to leasing of machinery to carry out the Group's activities, as well as constructions leasings for own use.

At 31 December 2017, there are future non-cancellable payment commitments for the operational leasing of office premises, transport elements and other goods amounting to 198,738 thousand euros (205,901 thousand euros at 31 December 2016). The breakdown by maturity of non-cancellable future minimum payments is as follows:

|                            | 31/12/2017     | 31/12/2016     |
|----------------------------|----------------|----------------|
| Up to one year             | 29,236         | 31,184         |
| Between one and five years | 115,807        | 123,030        |
| More than five years       | 54,907         | 51,687         |
|                            | <b>199,950</b> | <b>205,901</b> |

## **6. SERVICE CONCESSION ARRANGEMENTS**

This note provides an overall vision of the investments that the Group holds in the concession businesses that are recognised in the various asset captions in the accompanying consolidated balance sheet.

The table below shows the total assets held by Group companies in service concession agreements to supply public services of drinkable water distribution, construction and operation of water infrastructures and others, and which are included in the captions of the accompanying consolidated



balance sheet at 31 December 2017 and 2016 relating to intangible assets, current and non-current financial assets and investments in companies carried by the equity method.

| <b>CONCESSIOS AT 31.12.2017</b> | <b>Intangible fixed assets</b> | <b>Current collection right, concession agreement</b> | <b>Credits to concessionary joint business companies</b> | <b>Investment integrated using the equity method in concession joint ventures</b> | <b>Total</b>      |
|---------------------------------|--------------------------------|---|--|---|-------------------|
| <b>(in thousand euros)</b>      | <b>(note 4)</b>                | <b>(note 9.b)</b>                                     | <b>(note 7)</b>  | <b>(note 7)</b>   | <b>Investment</b> |
| Cost                            | 1,470,342                      | 5,118   | 53,228   | 63,968  | 1,592,656         |
| Amortisation                    | (703,896)                      | -   | -  | -   | (703,896)         |
| Impairments                     | (14,536)                       | (5,118)   | -  | -   | (19,654)          |
| <b>TOTAL</b>                    | <b>751,910</b>                 | <b>-</b>  | <b>53,228</b>  | <b>63,968</b>   | <b>869,106</b>    |

| <b>CONCESSIOS AT 31.12.2016</b> | <b>Intangible fixed assets</b> | <b>Current collection right, concession agreement</b> | <b>Credits to concessionary joint business companies</b> | <b>Investment integrated using the equity method in concession joint ventures</b> | <b>Total</b>      |
|---------------------------------|--------------------------------|---|--|---|-------------------|
| <b>(in thousand euros)</b>      | <b>(note 4)</b>                | <b>(note 9.b)</b>                                     | <b>(note 7)</b>  | <b>(note 7)</b>   | <b>Investment</b> |
| Cost                            | 1,450,901                      | 5,118   | 54,875   | 65,836  | 1,576,730         |
| Amortisation                    | (646,159)                      | -   | -  | -   | (646,159)         |
| Impairments                     | (15,328)                       | (5,118)   | -  | -   | (20,446)          |
| <b>TOTAL</b>                    | <b>789,414</b>                 | <b>-</b>  | <b>54,875</b>  | <b>65,836</b>   | <b>910,125</b>    |

Likewise, under the concession contracts, concession companies controlled by the Group have the obligation to acquire or construct tangible assets elements for the concessions for an amount of 59,726 thousand euros at 31 December 2017 (61,990 at 31 December 2016).

## 7. INVESTMENTS IN COMPANIES INTEGRATED USING THE EQUITY METHOD

The value of investments in companies consolidated by the equity method is included under this caption that includes both the holding and the non-current credit facilities extended to these companies, as well as those associates or joint ventures that have been carried by the equity method.

The movement of equity consolidated using this method for each year, by concept:



| (in thousand euros)               | Shares        | Disbursements pending | Long term credits | FINAL BALANCE  |
|-----------------------------------|---------------|-----------------------|-------------------|----------------|
| <b>Balance at 31/12/2015</b>      | <b>71,129</b> | <b>(47)</b>           | <b>54,246</b>     | <b>125,328</b> |
| Acquisitions                      | -             | -                     | -                 | -              |
| Profit sharing                    | 6,564         | -                     | -                 | 6,564          |
| Dividend distribution             | (2,044)       | -                     | -                 | (2,044)        |
| Sales                             | -             | -                     | -                 | -              |
| Disbursements pending             | -             | -                     | -                 | -              |
| Translation differences           | (10,672)      | -                     | -                 | (10,672)       |
| Credits granted/(written-off)     | -             | -                     | (1,080)           | (1,080)        |
| Impairment provisions / (release) | -             | -                     | 1,709             | 1,709          |
| Others                            | 900           | 6                     | -                 | 906            |
| <b>Balance at 31/12/2016</b>      | <b>65,877</b> | <b>(41)</b>           | <b>54,875</b>     | <b>120,711</b> |
| Acquisitions                      | 230           | -                     | -                 | 230            |
| Profit sharing                    | 6,941         | -                     | -                 | 6,941          |
| Dividend distribution             | (981)         | -                     | -                 | (981)          |
| Sales                             | (289)         | -                     | -                 | (289)          |
| Disbursements pending             | -             | -                     | -                 | -              |
| Translation differences           | (7,976)       | -                     | -                 | (7,976)        |
| Credits granted/(amortised)       | -             | -                     | (1,647)           | (1,647)        |
| Impairment provisions / (release) | -             | -                     | -                 | -              |
| Others                            | 207           | -                     | -                 | 207            |
| <b>Balance at 31/12/2017</b>      | <b>64,009</b> | <b>(41)</b>           | <b>53,228</b>     | <b>117,196</b> |

The breakdown of joint ventures consolidated using the equity method is detailed in Annex III.

The assets, liabilities, turnover and results at 31 December 2017 and 2016 are presented below in proportion to the percentage stake in the capital of each associated company and those jointly controlled:



|                         | (in thousand euros) |         |
|-------------------------|---------------------|---------|
|                         | 2017                | 2016    |
| <b>Balance Sheet</b>    |                     |         |
| Non-current assets      | 171,266             | 181,794 |
| Current Assets          | 69,492              | 75,179  |
| Non-current liabilities | 125,121             | 139,495 |
| Current Liabilities     | 53,741              | 57,743  |
| <b>Profit/Loss</b>      |                     |         |
| Net turnover            | 68,216              | 78,619  |
| Net operating income    | 15,350              | 16,774  |

Regarding the investments carried by the equity method, Grupo FCC Aqualia has granted guarantees amounting to 1,203 thousand euros at 31 December 2017 (2,109 thousand euros at 31 December 2016) vis-à-vis financial institutions to ensure its stake in the affected subsidiaries during the term of the credit contract.

## 8. JOINT OPERATIONSS

The companies of the Group develop part of their activity participating in businesses in which Grupo FCC Aqualia performs management jointly with third parties external to the Group, mainly through Joint Ventures (UTES) and Economic Interest Grouping (EIG). These businesses have been consolidated by proportional integration, as indicated in note 2 of this consolidated report, provided that the stake grants direct rights to the assets and direct obligations on liabilities.

The main figures relating to the assets, liabilities and profit and loss accounts of various joint operations at 31 December 2017 and 2016 are presented below:

| <b>Temporary joint ventures and economic interest groupings</b> |         |         |
|---|---------|---------|
| (Amounts in thousand euros)                                     | 2017    | 2016    |
| Net turnover  | 148,247 | 130,088 |
| Gross Operating Profit  | 32,010  | 28,949  |
| Net Operating Profit  | 21,828  | 16,166  |
| Non-current assets  | 60,360  | 66,051  |
| Current Assets  | 23,957  | 26,732  |
| Non-current liabilities   | 30,407  | 29,947  |
| Current Liabilities   | 41,827  | 52,526  |

Annex II lists the companies consolidated by proportional integration and Annex IV lists the businesses operated jointly with external third parties through temporary joint ventures.



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

The most significant items of the accompanying consolidated balance sheet relating to “Non-current financial assets” and “Other current financial assets” are broken down as follows:

### 9.a) Non-current financial assets

Non-current financial assets are broken down according to the following detail:

| <i>(Amounts in thousands euros)</i>                       | Balance at<br>31/12/2017 | Balance at<br>31/12/2016 |
|---|--------------------------|--------------------------|
| Non-current credit facilities extended to group companies | 884,349                  | 21                       |
| Non-current third-party credits                           | 107,750                  | 110,868                  |
| Assets held until maturity                                | 165                      | 165                      |
| Assets from non-current financial derivatives             | 438                      | 165                      |
| <b>Total</b>  | <b>992,702</b>           | <b>111,219</b>           |

#### 9.a.1 Non-current credits with group companies

The breakdown of non-current financial credits to group companies is as follows:

|   | Balance at<br>31/12/2017 | Balance at<br>31/12/2016 |
|---|--------------------------|--------------------------|
| Fomento de Construcciones y Contratas, S.A. | 522,579                  | 14                       |
| Asesoría Financiera y de Gestión, S.A.      | 361,763                  | -                        |
| Rest  | 7                        | 7                        |
| <b>Total</b>                                | <b>884,349</b>           | <b>21</b>                |

On 8 June 2017, and having obtained the sum of the two straight listed bond issues carried out by the Parent Company in this financial year (see note 14), FCC Aqualia has granted the following loans to FCC group companies.

- Fomento de Construcciones y Contratas, S.A. (Grupo FCC ultimate parent company). Loans amounting to 425,668 thousand euros and 90,174 thousand euros and maturing on 8 June 2029 and 2037, respectively. In both cases, the interest rate is 2.30% per annum and interest will be capitalized successively over the years, except for the last interest period. It will be paid together with the repayment of the principal at the maturity date.



- Asesoría Financiera y de Gestión, S.A. A loan amounting to 357,099 thousand euros, which is the balance payable to FCC Aqualia existing in the cash-pooling contract in force between both companies since June 24, 2014, resolved on 8 June 2017 (see note 9.b). In this case, the maturity is set for 8 June 2037, the accrued interest is 2.30% per annum and the interest will accrue on a yearly basis until the last interest period to be paid together with the principal at the maturity date.

The lender's collection of these loans is subordinated to the obligations entered into by the two borrowers under the Refinancing Agreement signed by Grupo FCC on June 26 2014 and subsequently renewed in November 2014 and June 2017.

#### 9.a.2 Non-current credits with third parties

Maturities foreseen for non-current credit facilities extended by Group companies to third parties are as follow:

At 31 December 2017:

| Amounts in thousand euros   | 2019          | 2020          | 2021          | 2022          | 2023 et seq.  | Total          |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Non-trade credit facilities | 11,306        | 11,285        | 11,270        | 11,312        | 44,239        | 89,412         |
| Deposits and guarantees     | 742           | 22            | 6             | 1             | 17,567        | 18,338         |
| <b>Total</b>                | <b>12,048</b> | <b>11,307</b> | <b>11,276</b> | <b>11,313</b> | <b>61,806</b> | <b>107,750</b> |

At 31 December 2016:

| Amounts in thousand euros   | 2018         | 2019         | 2020         | 2021         | 2022 et seq.  | Total          |
|-----------------------------|--------------|--------------|--------------|--------------|---------------|----------------|
| Non-trade credit facilities | 8,822        | 7,721        | 7,306        | 6,873        | 63,445        | 94,167         |
| Deposits and guarantees     | 600          | 45           | 23           | 1            | 16,032        | 16,701         |
| <b>Total</b>                | <b>9,422</b> | <b>7,766</b> | <b>7,329</b> | <b>6,874</b> | <b>79,477</b> | <b>110,868</b> |

Non current credit facilities are classified according to the following types:

| Amounts in thousand euros                               | Balance at<br>31/12/2017 | Balance at<br>31/12/2016 |
|---|--------------------------|--------------------------|
| Non-current credit facilities to public entities        | 89,354                   | 94,091                   |
| Non-current guarantees and deposits                     | 18,338                   | 16,722                   |
| Non-current loans to personnel                          | 58                       | 55                       |
| <b>TOTAL BALANCE OF NON-TRADE CREDIT<br/>FACILITIES</b> | <b>107,750</b>           | <b>110,868</b>           |

Non-current credit facilities to public entities are mainly the amounts extended to municipalities to finance works and installations in the water network. These credit facilities accrue a floating interest rate depending on the euribor and are recovered basically in the tariff of the associated concession contract.



**CREDITS TO THIRD PARTIES**
*(Amounts in thousands euros)*
**FINAL MATURITY DATE**

|                                       | 31/12/2017    | 31/12/2016    | < 5 YEARS | > 5 YEARS |
|---------------------------------------|---------------|---------------|-----------|-----------|
| Agaete Municipality                   | -             | 35            | 2018      | -         |
| Alboraya Municipality                 | 3,783         | 3,966         |           | >2022     |
| Alcalá Municipality                   | 3,446         | 3,680         |           | >2022     |
| Aller Municipality                    | 233           | 280           |           | >2022     |
| Ávila Municipality                    | 3,240         | 4,284         |           | >2022     |
| Baena Municipality                    | -             | 156           | 2018      |           |
| Bell-Lloch Municipality               | -             | 8             |           | >2022     |
| Bollullos Municipality                | 1,416         | 1,416         |           | >2022     |
| Calasparra Municipality               | 250           | 285           |           | >2022     |
| Callosa del Segura Municipality       | 1,565         | 1,603         |           | >2022     |
| Caravaca de la Cruz Municipality      | 209           | 237           |           | >2022     |
| Chipiona Municipality                 | 862           | 1,204         |           | >2022     |
| Santa Cristina Municipality           | 78            | 89            |           | >2022     |
| El Vendrell Municipality              | 165           | 187           |           | >2022     |
| Güímar Municipality                   | 206           | 235           |           | >2022     |
| Hellín Municipality                   | 15            | 18            |           | >2022     |
| Hondón de los Frailes Municipality    | 97            | 130           |           | >2022     |
| Jaén Municipality                     | 29,436        | 30,938        |           | >2022     |
| La Guardia Municipality               | 426           | 443           |           | >2022     |
| La Línea Municipality                 | 1,227         | 1,381         |           | >2022     |
| Lepe Municipality                     | 10,490        | 10,753        |           | >2022     |
| Lora del Río Municipality             | 533           | 598           |           | >2022     |
| Los Alcázares Municipality            | 406           | -             |           | >2022     |
| Magán Municipality                    | 207           | 233           |           | >2022     |
| Martos Municipality                   | 120           | 232           |           | >2022     |
| Matalascañas Municipality             | 1,817         | 2,271         |           | >2022     |
| Medina del Campo Municipality         | 83            | 90            |           | >2022     |
| General Menacho Base                  | 153           | 153           |           | >2022     |
| Mula Municipality                     | 416           | 565           |           | >2022     |
| Olivenza Municipality                 | 0             | -             |           |           |
| Puerto de la Cruz Municipality        | 1,355         | 1,355         |           | >2022     |
| Quintanar de la Orden Municipality    | -             | 23            | 2018      |           |
| Ribera del Fresno Municipality        | 316           | 341           |           | >2022     |
| Ronda Municipality                    | 2,768         | 2,884         |           | >2022     |
| San Pedro del Pinatar Municipality    | 339           | 364           |           | >2022     |
| San Lorenzo del Escorial Municipality | 3,023         | 3,190         |           | >2022     |
| Sant Fost Municipality                | 1,037         | 1,203         |           | >2022     |
| Solana de Los Barros Municipality     | 153           | 147           |           | >2022     |
| La Tordera Municipality               | 24            | 26            | -         | -         |
| Turcia Municipality                   | 9             | 9             |           | >2022     |
| Ubrique Municipality                  | 569           | 761           |           | >2022     |
| Vélez-Málaga Municipality             | 4,193         | 3,586         |           | >2022     |
| Villarrubia de Santiago Municipality  | 159           | -             |           |           |
| Comarca del Campo de Gibraltar        | 5,293         | 5,294         |           | >2022     |
| Comunidad Regantes Llanos Villamartín | 435           | 691           |           | >2022     |
| Comunidad Riego                       | -             | 10            |           | >2022     |
| Credits Caja Rural                    | 1             | -             |           |           |
| Mun. Conf. Costa Tropical Granada     | 8,801         | 8,737         |           |           |
| <b>Total credits to third parties</b> | <b>89,354</b> | <b>94,091</b> |           |           |



Deposits and bonds correspond basically to those pursuant to contractual legal obligations for carrying of the activities of Group companies, mainly with public entities for the guarantees received from clients for water supply services.

### 9.b) Other current financial assets

The break down of the balance at 31 December 2017 and 2016 is the following:

| Amounts in thousand euros   | Balance at<br>31/12/2017 | Balance at<br>31/12/2016 |
|---|--------------------------|--------------------------|
| <b>Other loans</b>  | <b>32,017</b>            | <b>414,103</b>           |
| Short- term credit facilities to companies consolidated using the equity method | 4,692                    | 4,641                    |
| Short-term credit facilities to FCC Group companies                             | 6,740                    | 387,245                  |
| Short- term credit facilities to non-Group third parties                        | 18,361                   | 19,755                   |
| Dividends receivable from joint businesses and associated companies             | 67                       | 65                       |
| Receivable dividends from companies carried by the equity method                | 2,149                    | 2,389                    |
| Receivable dividends from companies external to the group                       | 8                        | 8                        |
| <b>Deposits and guarantees</b>  | <b>15,426</b>            | <b>12,040</b>            |
| <b>TOTAL</b>  | <b>47,443</b>            | <b>426,143</b>           |

The decrease in the section "Short-term loans to FCC Group companies" is due to the cancellation of the cashpooling agreement, which was subsequently formalised as a long-term credit agreement (see note 9.a of the non-current credit granted to Asesoría Financiera y de Gestión, S.A. by the Parent Company for the amount of 357,099 thousand euros on 8 June 2017, 381,137 thousand euros in current credits at 31 December 2016).

There is no restrictions on its availability, except for "Deposits and guarantees", since these relate to amounts delivered as guarantees for certain contracts that will be recovered at their maturity.



## 10. INVENTORIES

The breakdown of the balance of inventories at 31 December 2017 and 2016 corresponds to the following detail:

| <i>(Amounts in thousands euros)</i>             | <b>Balance at<br/>31/12/2017</b> | <b>Balance at<br/>31/12/2016</b> |
|---|----------------------------------|----------------------------------|
| Raw materials and other supplies                | 13,758                           | 11,906                           |
| Inventory prepayments                           | 19,398                           | 12,649                           |
| Impairments                                     | (90)                             | (20)                             |
| Auxiliary tasks                                 | -                                | 40                               |
| Initial expenditure preliminary project/project | 18                               | 2,497                            |
| <b>TOTAL</b>                                    | <b>33,084</b>                    | <b>27,072</b>                    |

Raw materials and other supplies include spare parts, fuels and other necessary materials for conducting activities.

## 11. TRADE AND OTHER RECEIVABLES

### a) Trade receivables for sales and services

The detail of the breakdown of the trade receivables balance at 31 December 2017 and 2016 is as follows:

| <b>(in thousand euros)</b>                                      | <b>Balance at<br/>31/12/2017</b> | <b>Balance at<br/>31/12/2016</b> |
|---|----------------------------------|----------------------------------|
| Certified production pending collection and trade receivables   | 189,711                          | 200,708                          |
| Non- recourse assignment of credits to customers, third parties | (101,933)                        | (90,784)                         |
| Production executed and pending certification                   | 97,398                           | 94,731                           |
| Withholdings for guarantee                                      | 4,094                            | 1,854                            |
| Production invoiced to FCC Group companies pending collection   | 34,476                           | 36,948                           |
| Provisions for debtors insolvencies                             | (41,836)                         | (40,482)                         |
| <b>TOTAL BALANCE OF CUSTOMERS THROUGH SALES AND SERVICES</b>    | <b>181,910</b>                   | <b>202,975</b>                   |

The “Certified production pending collection and trade receivables” caption reflects the amount of certifications issued to clients for works executed and services rendered and pending payment at the consolidated balance sheet closing date. Under this heading, there are no significant balances of a relevant length of service, with more than 50% of the amount in the table above concentrated in a period of less than six months.



The difference between the amount of the registered production of each for each project and water supply services, valued according to the criteria described in note d.16) “Operating Income and expenses”, and the amount certified for each and every one of them is shown as “Production executed and pending certification”. At 31 December 2017, the heading “Production executed and pending certification” includes 15,017 thousand euros relating to works and 82,381 thousand euros essentially related to water supply to subscribers pending invoicing at the aforementioned date.

The heading “Non-recourse assignment of credits to clients, third parties” corresponds to the receivables assigned without recourse by the Group at 31 December 2017 and 31 December 2016 to a syndicate of Banks in which Banco Santander acts as the agent bank, under a contract signed on 15 July 2011 and amended on 16 June 2014, giving it the same maturity as the FCC Group Refinancing Agreement. According to the aforementioned contract, the Parent Company acts in its own name and also as agent of two subsidiary companies Entemanser, S.A. and Aigues de Vallirana, S.A.U. During the 2015 financial year, the aggregate limit of assignment rose from 90,000 to 102,000 thousand euros.

The variations in provisions for insolvencies of debtors during the periods from 31 December 2015 to 31 December 2016 and 31 December 2016 to 31 December 2017 are as follows:

| (in thousand euros)     | 2,017         | 2,016         |
|-------------------------|---------------|---------------|
| Initial balance         | 42,112        | 45,221        |
| Net Provisions          | (306)         | (3,686)       |
| Perimeter variations    | -             | 577           |
| Translation differences | 30            | -             |
| Final balance           | <b>41,836</b> | <b>42,112</b> |

The net provisions for the financial year have been recorded under the heading "Other operating expenses" in the consolidated profit and loss account at 31 December 2017.

b) Other debtors

The breakdown of the balance of “Other debtors” at 31 December 2017 and 31 December 2016 corresponds to the following detail:



| (in thousand euros)                                  | Balance at<br>31/12/2017 | Balance at<br>31/12/2016 |
|--|--------------------------|--------------------------|
| Public Administrations – Grants receivable (note 18) | 32,377                   | 27,697                   |
| Sundry debtors                                       | 17,289                   | 13,088                   |
| Salary advances                                      | 59                       | 34                       |
| Tax authority, VAT receivable                        | 2,233                    | 5,893                    |
| Social Security institutions, debtors                | 440                      | 5,208                    |
| Tax authority, indirect taxes borne                  | 56                       | 456                      |
| <b>TOTAL OTHER RECEIVABLES</b>                       | <b>52,454</b>            | <b>52,376</b>            |

The increase in the "Public Administrations – Grants receivable" balance is due to the balances pending collection for grants awarded by the R&D projects for an amount of 888 thousand euros and for the operational deficit pending collection for water services provided in Spain.

The increase in the balance under heading "Sundry Debtors" is mainly due to the recording of the amount recognised in court ruling in favour of the Parent Company for damages against the Municipality of Monovar (Alicante) in the fiscal year 2017. (Note 4)

## 12. CASH AND CASH EQUIVALENTS

Administrative management of subsidiaries, 100% controlled by FCC Aqualia directly or indirectly, is centralised. The liquidity positions of these investee companies were flowing, until 8 June 2017, towards Fomento de Construcciones y Contratas, S.A., head of the group to which FCC Aqualia belongs. As of the date referred to above, which is the date of the two straight listed bond issues (see note 14), the treasury remains at the Parent Company FCC Aqualia, which explains the increase in the balance compared to December 2016.

| (in thousand euros)                 | Balance at<br>31/12/2017 | Balance at<br>31/12/2016 |
|-------------------------------------|--------------------------|--------------------------|
| Liquid Assets                       | 259,145                  | 93,739                   |
| Debt securities held until maturity | -                        | 4,887                    |
| <b>TOTAL</b>                        | <b>259,145</b>           | <b>98,626</b>            |



| <b>Breakdown by foreign currency (thousand of euros)</b> | <b>Balance at<br/>31/12/2017</b> | <b>Balance at<br/>31/12/2016</b> |
|--|----------------------------------|----------------------------------|
| Czech Crowns   | 24,637                           | 22,397                           |
| US Dollar  | 4,751                            | 14                               |
| Euros  | 213,126                          | 58,829                           |
| Serbian Dinar  | 1,542                            | 73                               |
| United Arab Emirates Dirham                              | 555                              | 5,792                            |
| Egyptian Pound   | 7,357                            | 6,137                            |
| Chilean Pesos  | 157                              | 393                              |
| Mexican pesos  | 3,853                            | 2,876                            |
| Bosnia and Herzegovina convertible mark                  | 5                                | 5                                |
| Saudi Riyal  | 3,017                            | 1,035                            |
| Uruguayan Peso   | 67                               | 798                              |
| Colombian Peso   | 78                               | 277                              |
| <b>TOTAL</b>   | <b>259,145</b>                   | <b>98,626</b>                    |

During the years 2017 and 2016, the Group's cash balances have been remunerated at market rates. At 31 December 2017 and 2016, guarantees have been provided in relation to certain accounts which, at the respective dates, have a balance of 166,178 thousand euros and 4,200 thousand euros. Notwithstanding the foregoing, of these amounts, only those included in the debt service accounts, the balance of which amounts to 31,729 thousand euros at 31 December 2017 and 4,200 thousand euros at 31 December 2016 are non-transferable for the Company.

### 13. NET EQUITY

The statement of changes in consolidated equity at 31 December 2017 and 2016 reflects equity attributed to the holders of the parent company in the respective years.

#### Net Equity attributed to holders of the Parent Company

##### a) Share capital

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

The participation of shareholders in the share capital of the Parent Company is the following

|   | %     |
|---|-------|
| Fomento de Construcciones y Contratas, S.A.   | 99.99 |
| Internacional Services, Inc. (100% FCC, S.A.) | 0.01  |



## b) Share Premium and reserves

The breakdown of this caption at 31 December 2017 and 2016 is the following:

| <b>Amount in thousand euros</b> | <b>Balance at<br/>31/12/2017</b> | <b>Balance at<br/>31/12/2016</b> |
|---------------------------------|----------------------------------|----------------------------------|
| Reserves of the Parent Company  | 141,951                          | 537,107                          |
| Consolidation reserves          | 88,842                           | 68,899                           |
|                                 | <b>230,793</b>                   | <b>606,006</b>                   |

### b.1) Reserves of the Parent Company

Group of reserves created by the Group's Parent company, FCC Aqualia, S.A., to comply with the various applicable legal provisions and, if applicable, from prior years' retained earnings.

The breakdown at 31 December 2017 and 2016 is the following:

| <b>Amount in thousand euros</b> | <b>Balance at<br/>31/12/2017</b> | <b>Balance at<br/>31/12/2016</b> |
|---------------------------------|----------------------------------|----------------------------------|
| Share premium                   | 79,481                           | 112,019                          |
| Legal reserve                   | 29,000                           | 29,000                           |
| Voluntary Reserves              | 759                              | 363,377                          |
| Special reserves                | 76                               | 76                               |
| To goodwill reserve             | 32,635                           | 32,635                           |
|                                 | <b>141,951</b>                   | <b>537,107</b>                   |

### Share premium and voluntary reserves

The Spanish Capital Companies Act (Ley de Sociedades de Capital) expressly allows using the balance of issue premium to increase capital and does not contemplate any specific restriction in relation to the availability of its balance for other purposes.

These voluntary reserves were reserves freely created with the Parent Company's profit after dividends and after allocating the legal reserve pursuant to current law and for which there is no limitation or restriction regarding their availability.

During the 2017 financial year, at the General Shareholders Meeting held on 8 June 2017, the Parent Company approved the distribution of dividends charged to Reserves and a Share Premium amounting to 446,000 thousand euros, which was paid in June 2017, charging to the following accounts:



|  |         |
|--|---------|
| Distribution charged to Share Premium      | 32,537  |
| Distribution charged to Voluntary Reserves | 413,463 |
| Total                                      | 446,000 |

#### Legal reserve

According to the Law on Capital Companies, 10% of the Parent Company's profit for the year must be allocated to the legal reserve until it reaches at least, 20% of the share capital. The legal reserve cannot be distributed to shareholders, except in case of winding-up.

The legal reserve may be used to increase the capital stock to the proportion of the balance thereof in excess of 10% of the capital stock already increased.

With the exception of the aforementioned purpose, and whilst it does not exceed 20% of the share capital, it can only be allocated to offset losses provided that there are no other sufficient reserves available for this purpose.

#### Goodwill reserves.

By virtue of the provisions of article 273.4 of the Revised Text of the Spanish Capital Companies Act up to 31 December 2015, the Parent Company provided a non-transferable reserve for the amount of goodwill appearing in the assets of the consolidated balance sheet over a period of 20 years, the balance of which at 31 December 2017 and 2016 is 32,635. thousand euros.

In accordance with the amendments made to the Capital Companies Act by Act 22/2015, of 20 July 2015, on Accounts Auditing, starting on the financial years commencing on 1 January 2016, the Company will interrupt the contributions to this reserve for goodwill; the amount exceeding goodwill recorded in the assets on the balance sheet will be available from this financial year.

#### b.2) Consolidation reserves

This caption of the accompanying consolidated balance includes the reserves in companies consolidated by the global and equity methods and generated from the moment of their acquisition.

The amounts comprising this concept for each of the most significant companies at 31 December 2017 and 2016 are:





| <b>Amount in thousand euros</b>                                 | <b>Balance at 31/12/2017</b> | <b>Balance at 31/12/2016</b> |
|---|------------------------------|------------------------------|
| FCC Aqualia, S.A.   | 29,946                       | 22,056                       |
| FCC Aqualia América, S.A., Unipersonal                          | (748)                        | (946)                        |
| Abrantaqua, S.A.  | 437                          | 270                          |
| Acque di Caltanissetta, S.p.A.                                  | 2,762                        | -                            |
| AISA Montenegro   | 395                          | 973                          |
| Aisa Pristina LLC   | (179)                        | 475                          |
| Aguas de Campo Maior, S.A.                                      | 37                           | 13                           |
| Aguas de Elvas, S.A.  | (24)                         | 4                            |
| Aigües de Vallirana, S.A.                                       | 1,417                        | 1,319                        |
| Aquacartaya, S.L.   | -                            | (387)                        |
| Aquajerez, S.L.   | (5,904)                      | (3,726)                      |
| Aqualia Mace LLC  | (2,405)                      | (1,359)                      |
| Aquos El Realito, S.A. de CV                                    | 1,850                        | 1,497                        |
| AIE Costa Tropical de Granada                                   | (567)                        | (19)                         |
| Aqualia Czech, S.L.U.   | 7,076                        | 6,873                        |
| Aqualia Intech, S.A.  | 16,622                       | 11,862                       |
| Aqualia México, S.A de C.V.                                     | 7,942                        | 7,150                        |
| Aqualia Infraestructuras Inzenyring                             | (6,861)                      | (6,066)                      |
| Aqualia New Europe, B.V.  | 1,246                        | 344                          |
| Colaboración, Gestión y Asistencia, S.A.                        | (1,228)                      | (95)                         |
| Constructora de Infraestructuras de Aguas de Queretaro SA de CV | (3,262)                      | (1,033)                      |
| Constructora de Infraestructuras de Aguas de Queretaro SA de CV | (6,628)                      | (6,127)                      |
| Depurplan 11, S.A.  | (239)                        | 258                          |
| Entemanser, S.A.  | (25,716)                     | (23,102)                     |
| FS Colaboración y Asistencia, S.A.                              | 1,363                        | 5                            |
| FCC Aqualia USA Corp.   | (621)                        | (236)                        |
| Girona, S.A.  | 1,640                        | 1,613                        |
| Hidrotec Tecnología del Agua, S.L.U.                            | 11,095                       | 6,343                        |
| Infraestructuras y distribución general del agua, S.L.U.        | (1,984)                      | (1,672)                      |
| Inversora Riutort, S.L.   | 288                          | 289                          |
| Orasqualia Construction S.A.E.                                  | 682                          | 305                          |
| Orasqualia DEVEL.Waste T.P.S.A.E.                               | 6,774                        | 5,914                        |
| Orasqualia O&M  | 848                          | 459                          |
| HA Proyectos Especiales Hidraulicos S.R.L. de CV                | 1,211                        | 224                          |
| Proveiments d'aigua, S.A.                                       | 343                          | 307                          |
| Shariket Tahlya Miyah Mostaganem                                | 28,100                       | 24,092                       |
| Shariket Miyeh Ras Djinet                                       | 8,394                        | 6,730                        |
| SmVak   | (5,917)                      | (6,231)                      |
| Sociedad Española de Aguas Filtradas, S.A.                      | 2,893                        | 2,834                        |
| Suministro de Aguas de Querétaro, S.A. de C.V.                  | 217                          | 220                          |
| Tratamiento Industrial de aguas, S.A.                           | 17,144                       | 17,325                       |
| Rest of companies   | 403                          | 144                          |
| <b>Total Consolidation Reserves</b>                             | <b>88,842</b>                | <b>68,899</b>                |



FCC Aqualia, S.a. reflects the sum of 29,946 thousand euros at 31 December 2017 (22,056 thousand euros at 31 December 2016) as consolidation reserves derived from dividend payments of the subsidiaries in each fiscal year and which in the following year become reserves of the Parent Company.

c) Valuation adjustments

Included under this heading are cash flow hedges (note 21), as well as translation differences arising from the conversion of the financial statements for subsidiaries denominated in another currency into euros.

The detail at 31 December 2017 and 2016 is the following (in thousand euros):

|                         | Balance at<br>31/12/2017 | Balance at<br>31/12/2016 |
|-------------------------|--------------------------|--------------------------|
| Valuation adjustments   | (119)                    | (224)                    |
| Translation differences | (37,292)                 | (23,392)                 |
|                         | <b>(37,411)</b>          | <b>(23,616)</b>          |

The amounts that make up these Valuation Adjustments for each of the most significant companies at 31 December 2017 and 2016 are (in thousand euros):

|                                | Balance at<br>31/12/2017 | Balance at<br>31/12/2016 |
|--------------------------------|--------------------------|--------------------------|
| Aquajerez, S.L.                | 168                      | 63                       |
| Aquos El Realito, S.A. de C.V. | (287)                    | (287)                    |
|                                | <b>(119)</b>             | <b>(224)</b>             |

The amounts comprising conversion differences for each of the subsidiaries with a functional currency other than the euro at 31 December 2017 and 2016 are:



| Amounts in thousand euros   | Balance at<br>31/12/2017 | Balance at<br>31/12/2016 |
|---|--------------------------|--------------------------|
| <b>Algeria</b>  | <b>(12,733)</b>          | <b>(4,010)</b>           |
| Shariket Tahlya Miyah Mostaganem S.p.a.                             | (9,338)                  | (2,957)                  |
| Shariket Miyeh Ras Djinet S.p.a.                                    | (3,395)                  | (1,053)                  |
| <b>Mexico</b>   | <b>(4,301)</b>           | <b>(2,541)</b>           |
| Aqualia México, S.A. de C.V.  | (4,277)                  | (2,477)                  |
| Suministro Aguas de Querétaro, S.A. de C.V.                         | (123)                    | (66)                     |
| Constructora de Infraestructuras de Agua de Querétaro, S.A. de C.V. | 478                      | 200                      |
| Aquos El Realito, S.A. de C.V.                                      | (1,845)                  | (1,040)                  |
| Operadora El Realito, S.A. de C.V.                                  | (22)                     | (5)                      |
| HA Proyectos Especiales Hidraulicos S.R.L. de CV                    | (136)                    | (77)                     |
| Constructora de Infraestructuras de Agua de Querétaro, S.A. de C.V. | 1,624                    | 924                      |
| <b>Egypt</b>  | <b>(14,871)</b>          | <b>(11,515)</b>          |
| Orasqualia Devel. Waste. T.P.                                       | (13,412)                 | (10,521)                 |
| Orasqualia Construction S.A.E.                                      | (579)                    | (413)                    |
| Orasqualia O&M  | (880)                    | (581)                    |
| <b>Czech Republic</b>   | <b>(5,581)</b>           | <b>(5,604)</b>           |
| Aqualia Czech, S.L.U.   | 916                      | 2,303                    |
| Smvak   | (6,363)                  | (8,014)                  |
| Aqualia Infraestructuras Inzenyring, s.r.o.                         | (138)                    | 114                      |
| Ovod Spol, s.r.o.   | 4                        | (7)                      |
| <b>United States</b>  | <b>(37)</b>              | <b>(13)</b>              |
| FCC Aqualia USA Corp.   | (37)                     | (13)                     |
| <b>Colombia</b>   | <b>(4)</b>               | <b>2</b>                 |
| Sera. Q.A. Duitama E.S.P. S.A.                                      | (4)                      | 2                        |
| <b>Serbia</b>   | <b>(52)</b>              | <b>(5)</b>               |
| Aisa D:O:O: Beograd-Vracar  | (52)                     | (5)                      |
| <b>Abu Dhabi</b>  | <b>287</b>               | <b>294</b>               |
| Aqualia Mace LLC  | 287                      | 294                      |
| <b>Total translation differences</b>                                | <b>(37,292)</b>          | <b>(23,392)</b>          |

The main changes in the fiscal year 2017 have occurred in investments in Algeria and Egypt due to the devaluations in their respective currencies.

The main balances of net investments abroad grouped by geographical market and expressed in thousands of euros are shown below:



| Amounts in thousand euros | Balance at<br>31/12/2017 | Balance at<br>31/12/2016 |
|---------------------------|--------------------------|--------------------------|
| Mexico                    | 1,847                    | 3,459                    |
| Czech Republic            | 66,948                   | 73,200                   |
| United States             | 1,310                    | 630                      |
| Serbia                    | 2,368                    | 202                      |
| Others                    | 75                       | 40                       |
| <b>TOTAL</b>              | <b>72,548</b>            | <b>77,531</b>            |

d) Consolidated profit allocated to the Parent Company by company.

The detailed breakdown of the consolidated profit allocated to the Parent Company by company is distributed as follows:

| Amounts in thousand euros                   | 31/12/2017 | 31/12/2016 |
|---|------------|------------|
| Abrantaqua, S.A.                            | 209        | 167        |
| Acque di Caltanissetta, S.p.A.              | 746        | 2,762      |
| Aguas de Alcázar Empresa Mixta, S.A.        | 125        | 99         |
| Aguas de Archidona, S.L.                    | (1)        | 7          |
| Aguas de Denia, S.A.                        | 1          | 1          |
| Aguas de las Galeras, S.L.                  | 306        | 250        |
| Aguas de Narixa, S.A.                       | (32)       | (26)       |
| Aguas de Priego, S.L.                       | (17)       | (104)      |
| Aguas del Puerto Empresa Municipal, S.A.    | (368)      | (435)      |
| AIE Sorea-Aqualia                           | (6)        | (12)       |
| AIE Costa Tropical de Granada               | 567        | 19         |
| AIE ITAM Delta de la Tordera                | (1)        | 5          |
| Aigües de Blanes, S.A.                      | 25         | 10         |
| Aigües de Girona Salt i Sarrià del Ter      | 5          | 94         |
| Aigües de Vallirana, S.A.U.                 | 100        | 98         |
| Aigües del Tomoví, S.A.                     | 41         | 18         |
| Aqua Campiña, S.A.                          | 422        | 456        |
| Aqua Management Solutions B.V.              | -          | (11)       |
| Aquacartaya, S.L.                           | -          | 636        |
| Aquaelvas - Aguas de Elvas, S.A.            | 55         | 243        |
| Aquafundalia – Agua do Fundão, S.A.         | 169        | 57         |
| Aquajerez, S.L.                             | 702        | (1,763)    |
| Aqualia Czech, S.L.                         | (60)       | (94)       |
| México, S.A. de C.V.                        | 627        | 792        |
| Aqualia Infraestructuras Inzenyring, s.r.o. | 676        | 460        |
| Aqualia Infraestructuras Montenegro         | (1,366)    | (577)      |
| Aqualia Infraestructuras Beograd-Vracar     | (1,324)    | (251)      |
| Aqualia Infraestructuras Mostar             | 3          | (37)       |
| Aqualia Infraestructuras Pristina, LLC      | 301        | (654)      |
| Aqualia Intech, S.A.                        | 2,870      | 3,505      |
| Aqualia MACE LLC                            | 2,771      | 3,260      |
| Aqualia New Europe B.V.                     | (207)      | (809)      |
| Aquamaior – Aguas de Campo Maior, S.A.      | 85         | 134        |
| Aquos El Realito, S.A. de C.V.              | 352        | 353        |



| Amounts in thousand euros  | 31/12/2017    | 31/12/2016    |
|--|---------------|---------------|
| Cartagua – Aguas do Cartaxo, S.A.                                    | 87            | 47            |
| Colaboración, Gestión y Asistencia, S.A.                             | (5)           | (1)           |
| Compañía de Servicios Medioamb. do Atlántico, S.A.                   | 18            | 49            |
| Concesionaria de Desalación de Ibiza, S.A.                           | 211           | 207           |
| Conservación y Sistemas, S.A.  | 885           | 182           |
| Constructora de Infraestructuras de Agua de Querétaro, S.A. de C.V.  | (1)           | (500)         |
| Constructora de Infraestructuras de Aguas de Querétaro, S.A. de C.V. | 65            | (2,230)       |
| Depurplan 11, S.A.   | 706           | (497)         |
| EMANAGUA - Empresa Municipal de Aguas de Níjar, S.A.                 | 244           | 56            |
| Empresa Gestora de Aguas Linenses, S.L.                              | 145           | 62            |
| Empresa mixta Abastament en Alta Costa Brava, S.A.                   | 42            | 50            |
| Empresa Mixta d'Aigües de la Costa Brava, S.A.                       | 103           | 72            |
| Empresa mixta de Aguas de Jódar, S.A.                                | 10            | 16            |
| Empresa Mixta de Aguas de Langreo, S.L.                              | 73            | 17            |
| Empresa Mixta de Aguas de Ubrique, S.A.                              | 7             | 3             |
| Empresa Mixta de Aguas y Servicios, S.A.                             | 51            | 48            |
| Empresa Municipal Aguas de Algeciras, S.A.                           | 7             | 16            |
| Empresa Municipal Aguas de Benalmádena, S.A.                         | 338           | 272           |
| Empresa Municipal Aguas de Toxiria, S.A.                             | 4             | 3             |
| Empresa Municipal de Aguas de Linares, S.A.                          | 76            | 69            |
| Entemanser, S.A.   | 2,755         | 2,273         |
| FCC Aqualia América, S.A.U.  | 199           | 199           |
| FCC Aqualia USA CORP.  | (700)         | (385)         |
| FCC Aqualia, S.A.  | 55,758        | 32,850        |
| FS Colaboración Gestión y Asistencia, S.A.                           | -             | 399           |
| Gestión de Servicios Hidráulicos de Ciudad Real AIE                  | 45            | 43            |
| Girona, S.A.   | 27            | 114           |
| HA Proyectos Especiales Hidraulicos S.R.L. de CV                     | (519)         | 987           |
| Hidrotec Tecnología del Agua, S.L.U.                                 | 3,394         | 4,752         |
| Infraestructuras y Distribución General de Agua, S.L.                | (156)         | (88)          |
| Inversora Riutort, S.L.  | -             | (1)           |
| Nueva Sociedad de Aguas de Ibiza, S.A.                               | 19            | 20            |
| Operadora El Realito S.A. de C.V.                                    | 133           | 25            |
| Orasqualia Construction S.A.E.                                       | 3             | 377           |
| Orasqualia Devel. Waste Treatment Plant S.A.E.                       | 447           | 856           |
| Orasqualia Operation and Maintenance, S.A.E.                         | 455           | 821           |
| Ovod spol, s.r.o.  | 148           | 106           |
| Proveïments d'Aigua, S.A.  | 101           | 67            |
| Severomoravske Vodovody a Kanalizace Ostrava a.s.                    | 4,770         | 5,828         |
| Shariket Miyeh Ras Djinet  | 1,205         | 1,664         |
| Shariket Tahlya Miyah Mostaganem                                     | 4,179         | 4,007         |
| Sociedad Española de Aguas Filtradas, S.A.                           | 820           | 59            |
| Sociedad Ibérica del Agua, S.A.U.                                    | 75            | 85            |
| Suministro de aguas de Querétaro, S.A. de C.V.                       | 50            | 54            |
| Tratamiento Industrial de Aguas, S.A.                                | 8,083         | 9,545         |
| <b>TOTAL</b>   | <b>92,133</b> | <b>71,251</b> |



e) Minority interests

This caption of the accompanying consolidated balance sheet includes the proportional part of net equity and the after tax results of the year of those affiliates in which minority interests of the Group hold a stake.

The breakdown at 31 December 2017 and 2016 of the main companies with minority interests is the following:

| Amounts in thousand euros           | Net Equity    | Translation differences | Disbursements pending | Interest Rate Hedging Operations | Profit/Loss  | Total         |
|-------------------------------------|---------------|-------------------------|-----------------------|----------------------------------|--------------|---------------|
| <b>Balance at 31.12.2017</b>        |               |                         |                       |                                  |              |               |
| 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 Caltanisseta, 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           |
| Rest                                | 382           | -                       | -                     | -                                | 131          | 513           |
| <b>TOTAL</b>                        | <b>31,887</b> | <b>9,724</b>            | <b>-</b>              | <b>161</b>                       | <b>9,377</b> | <b>51,149</b> |

| Amounts in thousand euros           | Net Equity    | Translation differences | Disbursements pending | Interest Rate Hedging Operations | Profit/Loss  | Total         |
|-------------------------------------|---------------|-------------------------|-----------------------|----------------------------------|--------------|---------------|
| <b>Balance at 31.12.2016</b>        |               |                         |                       |                                  |              |               |
| Abrantaqua, S.A.                    | 307           | -                       | -                     | -                                | 111          | 418           |
| Aguas de Alcazar Empresa Mixta S.A. | 855           | -                       | -                     | -                                | 90           | 945           |
| Aqua Campiña, S.A.                  | (1,110)       | -                       | -                     | -                                | 51           | (1,059)       |
| Aquajerez                           | (3,578)       | -                       | -                     | 61                               | (1,694)      | (5,211)       |
| Aqualia Czech, S.L.U.               | 40,561        | 2,950                   | -                     | -                                | (90)         | 43,421        |
| Aqualia Infraestructuras Inzenyring | (5,548)       | 146                     | -                     | -                                | 442          | (4,960)       |
| Aqualia Mace LLC                    | (140)         | 377                     | -                     | -                                | 1,982        | 2,219         |
| Aqualia New Europe B.V.             | 7,271         | -                       | -                     | -                                | (102)        | 7,169         |
| Acque di Caltanisseta, S.P.A.       | 56            | -                       | -                     | -                                | 43           | 99            |
| Entemanser, S.A.                    | 1,263         | -                       | -                     | -                                | 70           | 1,333         |
| SmVak                               | (4,093)       | 4,432                   | (1,057)               | -                                | 5,752        | 5,034         |
| Aguas do Cartaxo, S.A.              | 755           | -                       | -                     | -                                | 32           | 787           |
| Rest                                | 281           | (222)                   | -                     | 221                              | 97           | 377           |
| <b>TOTAL</b>                        | <b>36,880</b> | <b>7,683</b>            | <b>(1,057)</b>        | <b>282</b>                       | <b>6,784</b> | <b>50,572</b> |



#### 14. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

During the 2014 financial year, Fomento de Construcciones y Contratas, S.A. and a group of companies, among which the Parent Company is present, proceeded to sign the refinancing contract with the Group's main financial creditors, mainly replacing the financial debt with intragroup debt. In the 2017 financial year, as detailed in section b) of this same note, a bond issue has been issued as a result of which FCC Aqualia, S.A. and subsidiaries become a sub-group excluded from the aforementioned financing, which is headed by Fomento de Construcciones y Contratas, S.A.

##### a) Current and non-current debts with credit institutions

The detail at 31 December 2017 and 2016 is the following (in thousand euros):

| <b>Balance at 31/12/2017</b> | <b>NON-CURRENT</b> | <b>CURRENT</b> | <b>TOTAL</b>  |
|------------------------------|--------------------|----------------|---------------|
| Credit facilities and loans  | 41,851             | 11,228         | 53,079        |
|                              | <b>41,851</b>      | <b>11,228</b>  | <b>53,079</b> |
| <b>Balance at 31/12/2016</b> | <b>NON-CURRENT</b> | <b>CURRENT</b> | <b>TOTAL</b>  |
| Credit facilities and loans  | 46,974             | 5,679          | 52,653        |
|                              | <b>46,974</b>      | <b>5,679</b>   | <b>52,653</b> |

This debt is recorded at amortised cost, its fair value showing no significant change.

At 31 December 2017, the limit of credit and loan policies granted to Grupo FCC Aqualia amounts to 52,794 thousand euros (56,314 thousand euros at 31 December 2016), 164 thousand euros available at 31 December 2017 (3,661 thousand euros available at 31 December 2016).

The average interest rate of debts with credit institutions in 2016 and 2017 is basically the result of the conditions in the various different interbank markets, referred to Euribor.

All current and non-current debts with credit institutions for credit lines and loans drawn down at 31 December 2017 and 2016 are denominated in euros.

Debts with credit institutions as of 31 December 2017 and 2016, present, per company, the following breakdowns and stated conditions:



| Company                                  | Limit  | 2,017         | 2,016         | Start Date | Maturity date | Interest rate      |
|--|--------|---------------|---------------|------------|---------------|--------------------|
| <b>Credit facilities and loans</b>       |        |               |               |            |               |                    |
| AIE Costa Tropical de Granada            | 4,110  | 4,110         | 4,725         | 3/01/2014  | 3/01/2026     | EURIBOR 12M + 1.9% |
| Abrantaqua, S.A. (loan)                  | 500    | 500           | 500           | 10/05/2010 | 15/12/2018    | EURIBOR + 4.75 %   |
| Abrantaqua, S.A. (loan)                  | 500    | 500           | 500           | 10/05/2010 | 15/06/2019    | EURIBOR + 4.75 %   |
| Abrantaqua, S.A. (credit facility)       | 1,000  | 850           | 850           | 15/05/2013 | 12/02/2018    | EURIBOR + 5.5 %    |
| Aquafundalia – Agua do Fundão, S.A.      | 781    | 781           | 1,156         | 17/01/2014 | 17/01/2020    | EURIBOR + 4,800 %  |
| Aquajerez, S.L. (Note 14.c.2)            | 37,520 | 37,520        | 39,212        | 21/07/2016 | 15/07/2031    | EURIBOR 12M+ 2%    |
| Aquamaior – Aguas de Campo Maior, S.A.   | 1,813  | 1,813         | 1,863         | 28/08/2014 | 28/05/2021    | EURIBOR + 4,000 %  |
| Entemanser, S.A. (credit facility )      | 6,261  | 6,247         | 2,758         | 20/05/2014 | 26/06/2018    | 3.66 %             |
| Empresa Mixta d’Aigües de la Costa Brava | 309    | 309           | 622           | 20/05/2014 | 26/06/2018    | 3.66 %             |
| Interest                                 |        | 449           | 467           |            |               |                    |
| <b>Total</b>                             |        | <b>53,079</b> | <b>52,653</b> |            |               |                    |

## b) Debentures and other tradeable securities:

Detailed breakdown of this heading is as follows:

|  | Balance at<br>31/12/2017 | Balance at<br>31/12/2016 |
|--|--------------------------|--------------------------|
| Issue of straight listed bonds in Ireland        | 1,343,121                | -                        |
| Issue of straight listed bonds in Czech Republic | 208,433                  | 197,432                  |
| <b>Total</b>                                     | <b>1,551,554</b>         | <b>197,432</b>           |

Movement occurring from 31 December 2016 to 31 December 2017 is as follows:

|   | Balance at<br>31/12/2016 | Issuance         | Exchange rate<br>adjustments<br>and others | Balance at<br>31/12/2017 |
|---|--------------------------|------------------|--|--------------------------|
| Debt securities issued within the EU, which required the registration of a prospectus | 197,432                  | 1,343,560        | 10,562                                     | 1,551,554                |
|   | <b>197,432</b>           | <b>1,343,560</b> | <b>10,562</b>                              | <b>1,551,554</b>         |

### b.1 Issuance of straight listed bonds in Ireland.

In the context of the Refinancing Agreement mentioned above for the financial indebtedness of Fomento de Construcciones y Contratas, S.A. and certain companies of its group, at its meeting held on 24 February 2017, the Board of Directors of FCC Aqualia arranged, among other things, to carry out one or more straight listed bond issues for a maximum nominal amount of 1,350,000,000 euros.





Subsequently, on 1 June 2017, the Irish Stock Exchange approved the prospectus related to two guaranteed straight listed bond issues with the following characteristics:

- One of them for an amount of 700,000,000 euros with annual remuneration of 1,413%, maturing in 2022.
- The other for an amount of 650,000,000 euros with annual remuneration of 2,629%, maturing in 2027.

Lastly, on 8 June 2017, the Parent Company recorded the terms and conditions of the two aforementioned issuances in a public deed, which, in addition to the aforementioned, contains the following characteristics:

- The nominal value of the bonds is €100,000 and above that figure, in whole multiples of €1,000 up to €199,000.
- Interest will be paid annually on June 8 of each year.
- The planned amortisation date for the first issuance is 8 June 2022 and for the second, 8 June 2027.
- Simple bonds are admitted to trading on the Irish Stock Exchange.
- Both issues have the following guarantees:
  - o Pledge on 100% of the shares in 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 on 97% of the shares in Entemanser, S.A.
  - o Pledge on 100% of the company shares of Infraestructura y Distribución General del Agua, S.L., Empresa Gestora de Aguas Linense. S.L., Aguas de las Galeras, S.L., Hidrotec Tecnología del Agua, S.L. and 51% of Aqualia Czech.
  - o Pledge on 98% of Acque di Caltanissetta shares and 100% of those in Aqualia Mexico, S.A.C.V.
  - o Pledge on the credit rights of certain accounts (see note 12)

Under the heading “Obligations and current bonds with third parties”, the Parent Company records an amount of 15,513 thousand euros at 31 December 2017, in interest accrued from the date of issue.

The price of these obligations in Bloomberg at 31 December 2017 is as follows:

- Bonds maturing in 2022: 102.35 %.
- Bonds maturing in 2027: 103.45 %.

In addition to the guarantees set out in the above paragraphs, the straight listed bond issues by FCC Aqualia have imposed the following limitations on the consolidated Group:



- Limitation on new financial indebtedness which does not exist on the date of issue of the bonds or which is not related to the purchase and sale of goods and services, potential employee claims, obligations and contractual guarantees granted by the FCC Aqualia Group in the normal performance of its activity. In addition to the transactions discussed, the granting of credits and loans within the scope of consolidation is permitted. This financial indebtedness limitation does not apply to the two subsidiaries that have their own financing: Severomoravske Vodovody a Kanalizace Ostrava (note 14.b.2) and Aquajerez (note 14.c.2), nor to the Group's non-recourse financing.

- Limitation on the distribution of dividends. No dividend distribution is allowed in addition to that carried out in the year 2017 (see note 13) until a proportion of EBITDA over net financial indebtedness is reached by which net borrowing is no more than 5 times the EBITDA figure.

- Limitation on changes to the Parent Company's capital structure and of those of its investees whose shares are subject to pledge except for capital increases permitted in accordance with the terms and conditions of the issue.

#### b.2 Issue of straight listed bonds in Czech Republic.

This corresponds to the issue of non-convertible bonds made in July 2015 by the company Severomoravske Vodovody a Kanalizace Ostrava a.s. for the amount of 5,300 million Czech crowns, maturing in 2022 and accruing a fixed interest rate of 2.625% per annum. These obligations are listed on the Prague Stock Exchange (Czech Republic).

Under current liabilities and the heading "Obligations and current bonds with third parties", the Czech Company records an amount of 2,518 thousand euros at 31 December 2017 (2,390 thousand euros at 31 December 2016) corresponding to outstanding accrued interest.

The listing of these obligations in Bloomberg on 31 December 2017 was 101.49% (101.49% as of 31 December 2016).

No guarantees have been granted in relation to this issue.



### c) Other non-current financial liabilities

This detail of this caption of the consolidated balance sheet is as follow:

| Amounts in thousand euros           | 2017          | 2016           |
|-------------------------------------|---------------|----------------|
| FCC, S.A. Equity loan (note 14.a)   | -             | 149,250        |
| Loan by FCC, S.A. (Note 14.c.1)     | -             | 236,529        |
| Guarantees and deposits received    | 34,630        | 32,075         |
| Long-term suppliers of fixed assets | 81            | 554            |
| Non-current finance lease creditors | 5             | 35             |
| Other (Note 14.c.2)                 | 32,492        | 33,813         |
| <b>TOTAL</b>                        | <b>67,208</b> | <b>452,256</b> |

c.1) The long-term debts with Fomento de Construcciones y Contratas, S.A. at 31 December 2017 and 31 December 2016 show the following details:

|  | (Thousand euros) |                |
|--|------------------|----------------|
|  | 2017             | 2016           |
| Participation in the Grupo FCC refinancing agreement         | -                | 232,029        |
| Equity loan  | -                | 149,250        |
| Financing of the construction of the Llanera sport facility. | -                | 4,500          |
| <b>TOTAL</b>   | <b>-</b>         | <b>385,779</b> |

On 8 June 2017, the Parent Company cancelled and refunded the following loans in force at 31 December 2016 and which had been awarded by its controlling company:

- Loan amounting to 4,500 thousand euros granted in 2012 maturing in 2026 and accruing an interest rate of 8.6%.
- Loan for an amount of 232,029 thousand euros granted in 2014 by FCC, S.A. on the basis of the Restructuring Framework and Financing Agreement signed by a group of companies headed by FCC, S.A. and including the Parent Company, other companies of Grup FCC Aqualia and almost all of its financial creditors.
- Equity loan granted to the Parent Company on an indefinite basis, although the lender may request from the borrower its total or partial amortisation at any time; this fact was recorded on 22 December 2016, stating the loan maturity date at 31 January 2017 for integration in the ordinary loan that was available for an amount of 232,029 thousand euros at 31 December 2016.



The interest rate applied was 4.48% until June 8 2017, and 4.38% in 2016.

c.2) Under the heading “Others” for an amount of 25,868 thousand euros at 31 December 2017 (27,505 thousand euros at 31 December 2016), the equity loan granted by the minority shareholder in Aquajerez, S.L. was recorded in the 2013 financial year for the development of the Jerez de la Frontera contract (Cádiz). The initial sum of the equity loan amounted to 29,069 thousand euros and its remuneration is based on a fixed interest rate of 3% plus a variable interest rate based on free cash flows, the sum of both subject to a ceiling of 10% per annum. Likewise, the loan said company has signed with Caixabank establishes pledges regarding the participation of the Parent Company in said company, as well as pledges on credit rights with third parties and bank accounts (Note 12).

**d) Other current financial liabilities**

The details are as follows:

| Amounts in thousand euros                                    | 2017          | 2016          |
|--|---------------|---------------|
| Debts with companies of FCC Group for Corporate Tax          | 3,701         | 16,565        |
| Other current financial liabilities with FCC Group companies | 541           | 10,162        |
| Current payables   | 349           | 203           |
| Current suppliers of fixed assets                            | 4,639         | 5,362         |
| Guarantees and deposits received                             | 2,151         | 2,101         |
| Current financial debts, third parties                       | 6,853         | 7,821         |
| Current financial leasing creditors                          | 32            | 41            |
| <b>TOTAL</b>   | <b>18,266</b> | <b>42,255</b> |

Short-term financial liabilities with companies of Grupo FCC accrue a market interest with the exception of the financial debt arising from certain companies of Grupo FCC Aqualia belonging to the FCC Taxation Group.

The heading "Other current financial liabilities with companies of Grupo FCC" essentially includes the balances generated by the Group Companies with FCC, S.A. as a result of collections and payments on behalf of this company with companies of Grupo FCC Aqualia.

**e) Maturity of Loans and borrowings and other non-current financial liabilities.**

The foreseen maturity schedule at 31 December 2017 and 2016 is the following:



### Year 2017

| Amounts in thousand euros                  | 2019         | 2020          | 2021         | 2022           | 2023 ET SEQ.   | TOTAL            |
|--|--------------|---------------|--------------|----------------|----------------|------------------|
| Debentures and other tradeable securities: | -            | -             | -            | 904,850        | 646,704        | 1,551,554        |
| Non-current Loans and 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           |
| <b>TOTAL</b>                               | <b>6,199</b> | <b>11,107</b> | <b>6,477</b> | <b>910,321</b> | <b>726,509</b> | <b>1,660,613</b> |

### Year 2016

| Amounts in thousand euros                  | 2018           | 2019         | 2020         | 2021         | 2022 ET SEQ.   | TOTAL          |
|--|----------------|--------------|--------------|--------------|----------------|----------------|
| Debentures and other tradeable securities: | -              | -            | -            | -            | 197,432        | 197,432        |
| Non-current Loans and borrowings           | 5,698          | 3,085        | 2,966        | 4,232        | 30,993         | 46,974         |
| Other non-current financial liabilities    | 387,818        | 2,010        | 2,010        | 2,212        | 58,206         | 452,256        |
| <b>TOTAL</b>                               | <b>393,516</b> | <b>5,095</b> | <b>4,976</b> | <b>6,444</b> | <b>286,631</b> | <b>696,662</b> |

#### **f) Other information**

With regard to financial liabilities contracted by the Group, there are mandatory ratios which must be met, and as of 31 December 2017 there are no breaches in this regard which could affect the Group's main finance contracts. There are no breaches expected in 2018 either.

#### **g) Changes in financial liabilities impacting on financing cash flows**

Below is a detailed breakdown of the movements of non-current and current financial liabilities, distinguishing those which have impacted the financing cash flows from the Cash Flow Statement, from all remaining variations:

|  | Balance at 1<br>January<br>2017 | Financing<br>activities cash<br>flows | No impact on cash flows         |                         |                         | Balance at 31<br>December 2017 |
|--|---------------------------------|---------------------------------------|---------------------------------|-------------------------|-------------------------|--------------------------------|
|  |                                 |                                       | Exchange<br>rate<br>differences | Change in<br>fair value | Other<br>move-<br>ments |                                |
| <b>Non-current</b>                       | <b>696,662</b>                  | <b>1,346,321</b>                      | <b>6,336</b>                    | -                       | <b>(388,706)</b>        | <b>1,660,613</b>               |
| Debtures and other tradeable securities: | 197,432                         | 1,343,560                             | 10,562                          | -                       | -                       | 1,551,554                      |
| Debts with credit institutions           | 46,974                          | 87                                    | -                               | -                       | (5,210)                 | 41,851                         |
| Other financial liabilities              | 452,256                         | 2,674                                 | (4,226)                         | -                       | (383,496)               | 67,208                         |
| <b>Current</b>                           | <b>50,324</b>                   | <b>(391,669)</b>                      | <b>(24)</b>                     | -                       | <b>388,893</b>          | <b>47,525</b>                  |
| Debtures and other tradeable securities: | 2,390                           | 15,513                                | 128                             | -                       | -                       | 18,031                         |
| Debts with credit institutions           | 5,679                           | 350                                   | -                               | -                       | 5,198                   | 11,228                         |
| Other financial liabilities              | 42,255                          | (407,532)                             | (152)                           | -                       | 383,695                 | 18,266                         |

|  | Balance at 1<br>January<br>2016 | Financing<br>activities cash<br>flows | No impact on cash flows         |                         |                         | Balance at 31<br>December 2016 |
|--|---------------------------------|---------------------------------------|---------------------------------|-------------------------|-------------------------|--------------------------------|
|  |                                 |                                       | Exchange<br>rate<br>differences | Change in<br>fair value | Other<br>move-<br>ments |                                |
| <b>Non-current</b>                       | <b>703,722</b>                  | <b>(6,871)</b>                        | -                               | -                       | <b>(189)</b>            | <b>696,662</b>                 |
| Debtures and other tradeable securities: | 197,027                         | 405                                   | -                               | -                       | -                       | 197,432                        |
| Debts with credit institutions           | 16,839                          | 39,212                                | -                               | -                       | (9,077)                 | 46,974                         |
| Other financial liabilities              | 489,856                         | (46,488)                              | -                               | -                       | 8,888                   | 452,256                        |
| <b>Current</b>                           | <b>77,740</b>                   | <b>(31,065)</b>                       | <b>0</b>                        | <b>(1,147)</b>          | <b>4,796</b>            | <b>50,324</b>                  |
| Debtures and other tradeable securities: | 2,390                           | -                                     | -                               | -                       | -                       | 2,390                          |
| Debts with credit institutions           | 3,634                           | -                                     | -                               | -                       | 2,045                   | 5,679                          |
| Other financial liabilities              | 71,716                          | (31,065)                              | 0                               | (1,147)                 | 2,751                   | 42,255                         |



## 15. NON-CURRENT AND CURRENT PROVISIONS

The breakdown of the provisions at 31 December 2017 and 2016 is as follows (in thousand euros):

|  | <b>2,017</b>   | <b>2,016</b>   |
|--|----------------|----------------|
| <b>Non-current</b>                                 |                |                |
| Obligations for long-term employee benefits        | 1,764          | 1,802          |
| Disputes   | 3,952          | 2,758          |
| Contractual or legal guarantees and obligations    | 5,060          | 4,038          |
| Improvement or extension of concessions capacities | 59,725         | 61,882         |
| Other risks and expenses                           | 46,429         | 45,038         |
| <b>TOTAL NON-CURRENT PROVISIONS</b>                | <b>116,930</b> | <b>115,518</b> |
| <b>Current</b>                                     |                |                |
| Project liquidation and losses                     | 9,994          | 13,788         |
| Compensation to project staff                      | 951            | 931            |
| Other provisions                                   | 1,765          | 1,589          |
| <b>TOTAL CURRENT PROVISIONS</b>                    | <b>12,710</b>  | <b>16,308</b>  |

The movement in the different provisions during each financial year for the analysed periods is as follows:

| (Amounts in thousands euros) | Non-current provisions | Current provisions |
|------------------------------|------------------------|--------------------|
| <b>Balance at 31/12/2015</b> | <b>108,652</b>         | <b>14,261</b>      |
| Provisions                   | 18,599                 | 5,145              |
| Reversals                    | (3,874)                | (1,419)            |
| Exclusions                   | (14,877)               | (2,376)            |
| Translation differences      | 227                    | (22)               |
| Perimeter variations         | 6,791                  | 719                |
| <b>Balance at 31/12/2016</b> | <b>115,518</b>         | <b>16,308</b>      |
| Provisions                   | 17,398                 | 4,985              |
| Reversals                    | (1,787)                | (6,570)            |
| Exclusions                   | (13,768)               | (1,768)            |
| Translation differences      | (431)                  | (245)              |
| <b>Balance at 31/12/2017</b> | <b>116,930</b>         | <b>12,710</b>      |

In the 2017 financial year, the provisions amounted to 22,383 thousand euros, the most significant being:

- Provision for investment commitments amounting to 9,909 thousand euros. The main contracts affected are Cartaxo (Portugal) for an amount of 3,696 thousand euros, Municipalities of Costa Tropical of Granada (Spain) amounting to 2,040 thousand euros and Abrantes (Portugal) for an



amount of 555 thousand euros. Furthermore, the allocation includes an amount of 1,566 thousand euros corresponding to the financial update thereof.

- Other provisions for risks and non-current expenses amounting to 7,486 thousand euros, and current ones amounting to 4,258 thousand euros. These provisions cover the expenses of obligations arising from contractual and legal commitments which are not of an environmental nature, such as compensation not covered by insurance companies in the event of a loss caused by breakdown of the water network and other provisions for withdrawals of installations upon conclusion of certain contracts.

In the 2016 financial year, the provisions amounted to 23,744 thousand euros, the most significant being:

- Provision for investment commitments amounting to 9,288 thousand euros, mainly affecting the Almansa (Albacete) contract for an amount of 3,443 thousand euros and the Joint Municipal Confederation of Campo de Gibraltar, amounting to 2,492 thousand euros. In addition, the provision included an amount of 1,706 thousand euros corresponding to the financial update thereof.
- Other provisions for risks and non-current expenses amounting to 9,311 thousand euros and current expenses amounting to 5,145 thousand euros. Among the most significant are those corresponding to a court claim brought against the Group by the Municipality of Arteixo (A Coruña), which represented an additional provision of 8,400 thousand euros, which the Group recorded offset under the heading "Other current management expenses" in the attached profit and loss account. Also under this heading and offset in "Other provisions for risks and expenses", the Group provided an amount of 1,700 thousand euros for the guarantee forfeited by a client on a contract in South America.

With regard to the dispute with the Municipality of Arteixo, there is a legal claim against Grupo FCC Aqualia for an amount of 29,390 thousand euros. Up until 30 June 2013, the date on which the general shareholders meeting which decreed the dissolution of the company "Augas municipais de Arteixo, S.A.", FCC Aqualia and the Municipality were shareholders in said entity to supply the integral water cycle for said municipality with FCC Aqualia holding a 51% stake and the Municipality the remaining shares. In order to lodge an appeal against the aforementioned legal claim, on 31 December 2017, the Group granted a bank guarantee of 14,000 thousand euros.

On 11 January 2018, the Parent Company became aware of the judgement on this matter which may be appealed before the High Court of Justice. The ruling considers the termination of the contract for reasons attributable to FCC Aqualia to be in accordance with the law, as well as the implemented prohibition order against contracts in the town of Arteixo for 5 years. It also sets the indemnity to be paid by FCC Aqualia, S.A, to the City Council for damages occasioned at 12,800 thousand euros. An appeal will be filed and the Municipality has announced that it will also file an appeal.





Meanwhile, in the 2017 financial year, the most significant outflows of non-current provisions refer to those for improvement actions amounting to 7,235 thousand euros, for investment commitments made in Spain in the municipalities of Vigo (Pontevedra) at 996 thousand euros, Almansa (Albacete) at 570 thousand euros and Jerez de la Frontera (Cádiz) at 855 thousand euros, as well as in Portugal in Cartaxo at 1,726 thousand euros, among others.

The investment commitments undertaken in the 2016 financial year amounted to 7,281 thousand euros, the most significant being those completed for the service in Fundao (Portugal) amounting to 459 thousand euros, Elvas (Portugal) for an amount of 442 thousand euros, Jerez de la Frontera (Spain), amounting to 353 thousand euros, and water services in Vigo at 1,028 thousand euros, and Talavera de la Reina (Toledo) at 549 thousand euros, among others.

The schedule of expected payments at 31 December 2017 and 2016 derived from the obligations covered by non-current provisions is the following:

| <b>2017</b><br>(Thousand euros)                    | <b>UP TO<br/>5 YEARS</b> | <b>MORE THAN<br/>5 YEARS</b> | <b>BALANCE AS<br/>AT<br/>31/12/2016</b> |
|--|--------------------------|------------------------------|---|
| Obligations for long-term employee benefits        | 33                       | 1,731                        | 1,764                                   |
| Disputes   | 3,952                    | -                            | 3,952                                   |
| Contractual or legal guarantees and obligations    | 5,060                    | -                            | 5,060                                   |
| Improvement or extension of concessions capacities | 28,635                   | 31,090                       | 59,725                                  |
| Other risk and expenses provisions                 | 45,894                   | 535                          | 46,429                                  |
| <b>TOTAL</b>                                       | <b>83,574</b>            | <b>33,356</b>                | <b>116,930</b>                          |
|  |                          |                              |   |
| <b>2016</b><br>(Thousand euros)                    | <b>UP TO<br/>5 YEARS</b> | <b>MORE THAN<br/>5 YEARS</b> | <b>BALANCE AS<br/>AT<br/>31/12/2016</b> |
| Obligations for long-term employee benefits        | 144                      | 1,658                        | 1,802                                   |
| Disputes   | 2,739                    | 19                           | 2,758                                   |
| Contractual or legal guarantees and obligations    | 4,038                    | -                            | 4,038                                   |
| Improvement or extension of concessions capacities | 37,279                   | 24,603                       | 61,882                                  |
| Other provisions for risk and expenses             | 44,533                   | 505                          | 45,038                                  |
| <b>TOTAL</b>                                       | <b>88,733</b>            | <b>26,785</b>                | <b>115,518</b>                          |



### Obligations for long-term employee benefits

The non-current provision caption includes provisions covering commitments for pension and similar obligations of Group companies such as medical and life insurance.

### Disputes

It covers the risks of companies of Grupo FCC Aqualia that are involved as defendants in certain proceedings due to the responsibilities implied by the activities they perform.

The main disputes affecting Grupo FCC Aqualia have been described above and under “Guarantees and contractual or legal obligations” in this same Note. According to Administrators, aside from said dispute, there are no additional liabilities to those already registered at 31 December 2017.

### Contractual or legal guarantees and obligations

Include provisions to cover the expenses generated by obligations arising from contractual and legal commitments other than environmental commitments such as the removal of installations upon termination of certain contracts and expenses assigned to guarantee service quality.

With regard to the contractual or legal guarantees, the Group administrators highlight the following lawsuits still pending resolution to date:

- One of the shareholders in SmVak, who owns a package of 12 shares equivalent to 0.0003 per cent of the capital of the company, brought a legal claim in 2016, proposing overturning the decision reached at the SmVak general shareholders meeting due to defects in the decision-making process; the decision was to reduce capital stock from 3,458,425,000 czk (equivalent to approx. 128,000 thousand euros) to 1,296,9025,375 czk (equivalent to approx. 48,000 thousand euros). Although the court accepted this claim, the Czech company held a general shareholders meeting in May 2017, approving a new capital reduction operation, giving rise to a 6-month appeals period. On 29 December 2017, the Group received a new judicial notice that the same shareholder has filed an appeal against the approved operation. However, based on opinions of their legal advisors, the Group estimates that procedural defects can be fixed in a short period of time without significantly affecting the consolidated annual accounts.
- The Italian Public Prosecution Office has initiated legal proceedings against Acque di Caltanissetta, 98% owned by FCC Aqualia, for breach of the environmental regulations regarding waste water discharges when said entity was contracted for the integral water cycle in Caltanissetta (Sicily).



The Group does not expect the conclusion of the investigation to have significant consequences beyond the provisioned amounts recorded in these consolidated annual accounts.

Improvement or extension of concessions capacities

These are established when the Group is obliged to carry out improvement measures in the infrastructure and said measures are not compensated by obtaining higher income in the concession. Its counterparty will be the heading “Intangible assets for concession agreement”.

Other risks and expenses

This caption includes probable risks not included in the previous captions.

**16. OTHER PAYABLES**

The breakdown of the “Other payables” balance at 31 December 2017 and 2016 correspond to the following detail (in thousand euros):

|   | <b>2017</b>    | <b>2016</b>    |
|---|----------------|----------------|
| Public Administrations - Social Security accounts payable (Note 18) | 6,204          | 10,235         |
| Public Administrations – creditor for withholdings (Note 18)        | 3,386          | 2,987          |
| Public Administrations – Other payables (Note 18)                   | 68,587         | 62,211         |
| Remunerations outstanding   | 4,550          | 4,626          |
| Client advances   | 64,424         | 59,805         |
| Creditors and Other Non-Commercial Debts                            | 128,335        | 132,509        |
| <b>TOTAL OTHER PAYABLES</b>   | <b>275,486</b> | <b>272,373</b> |

The caption “Public Administrations – Other payables” reflects the sums collected by the companies of the Grupo FCC Aqualia from its clients on the account of Public Administrations by reason of duties which are pending payment (Note 18).

The caption “Creditors and Other non-commercial debts” includes the balances pending payment by the Group for provision of services.



## 17. GRANTS

Flows under this heading during each year are the following (in thousand euros):

|   | <b>2017</b>   | <b>2016</b>   |
|---|---------------|---------------|
| <b>Balance at 1 January</b>                                   | <b>43,125</b> | <b>42,114</b> |
| Additions during the year                                     | 6,473         | 4,785         |
| Exclusions  | (61)          | (181)         |
| Allocation to profit of intangible and tangible assets grants | (4,548)       | (3,593)       |
| <b>Balance at 31 December</b>                                 | <b>44,989</b> | <b>43,125</b> |

The FCC Aqualia Group has obtained registrations in the fiscal year 2017 amounting to 6,473 thousand euros (4,785 thousand euros in 2016), the most significant obtained in Portugal for an amount of 3,696 thousand euros. In 2016, the most important were those obtained in Italy for an amount of 3,653 thousand euros.

On the other hand, at 31 December 2017, the Group recorded in the consolidated profit and loss account an amount of 9,050 thousand euros (6,584 thousand euros in 2016) for operating subsidiaries (Note 20), for subsidies granted by the councils of the municipalities where the Group provides the comprehensive water cycle service, and for recognition of the operating concession deficit in those concessions, in accordance with the respective specifications and contracts.

The receivable amounts as of 31 December 2017 and 2016 for this concept are shown in Notes 11 and 18.

## 18. TAX SITUATION

This note develops those headings of the accompanying consolidated balance sheet and consolidated profit and loss account, in relation to the tax obligations of each of the companies belonging to the Group, such as assets and deferred tax liabilities, public administrations debtors and creditors and the expense of income tax.

FCC Aqualia, S.A. and its subsidiaries which comply with the requirements of Spanish tax legislation are included in dossier 18/89, according to which FCC Group is under tax consolidation regime of Corporate Tax, Fomento de Construcciones y Contratas, S.A., being the Parent Company of the Group.

FCC Aqualia, S.A. and subsidiaries which form Grupo FCC Aqualia, as well as the temporary joint ventures, have all annual accounts corresponding to years which have not legally prescribe open for inspection for all applicable taxes. In this regard, on 8 June 2015, the Tax and Customs Control Unit dependent on the Tax Agency issued a “Notice of initiation of verification and research actions” in relation to the Corporate Income Tax of taxation group 18/89, headed by FCC, S.A. (periods between



01/2012 and 12/2013), and in respect to Value Added Tax (periods from 01/2012 to 12/2013) as the main taxes affecting the Group. On 11 October 2017, the FCC Group signed their consent to the corporate tax certificate relating to the period 2010-2012; there were no significant liabilities arising from the process for the FCC Aqualia group, other than those recorded in these annual accounts. An agreement with the Inspectorate for the financial year 2013 is expected to be reached in the coming months, which will not generate any equity disruptions for FCC Aqualia, S.A. and its subsidiaries. With regard to the VAT inspection for the 2012 and 2013 financial years, consent has also been signed on the date 11 December 2017, which resulted in a liability of 131 thousand euros to be paid by the Parent Company.

Regarding other financial year that having inspected in Group companies, in certain cases, the different criteria applied by the tax authorities have caused claims which have been recurred by the corresponding companies of the Group.

Contingent tax liabilities not subject to objective quantification might arise from the criteria that the tax authorities might adopt regarding the annual accounts open to inspection. The directors of the Parent Company consider that the liabilities that might arise, both from annual accounts open to inspection and from claims presented, will not significantly affect the equity of the Group. In this regard, these consolidated annual financial statements do not record any amount as a provision for tax reports.

There are no significant tax amounts recognised in the net equity during the years 2017 and 2016.

a) Deferred tax assets and liabilities

Deferred tax assets correspond mainly to non-deductible provisions in the financial year, the temporary limitation in the deduction of fixed asset amortisation recorded in previous years and the negative tax bases of Temporary Joint Ventures (UTEs) which they attribute to their profits in the following year. Meanwhile, deferred tax liabilities are essentially related to those arising from the purchase of companies, the positive tax bases of UTEs which will be attributed to profits in the following year, and the freedom of amortisation.

| <b>Assets for deferred taxes</b>  |                   |                   |
|---|-------------------|-------------------|
| <i>(Amounts in thousand euros)</i>  |                   |                   |
|   | <b>31/12/2017</b> | <b>31/12/2016</b> |
| Provisions  | 14,843            | 11,225            |
| Pension Plans   | 505               | 505               |
| Amortisations   | 5,917             | 6,446             |
| Profit/loss from UTEs attributed to profit/loss of the following year and adjustments | 1,957             | 3,692             |
| From intra-group transactions in the sale and purchase of fixed assets                | 4,770             | 4,442             |
| From translation differences  | -                 | 8,490             |
| From non-deductible financial expenses  | 3,674             | 3,495             |
| From cancellation of the financial activation of the concession agreement in IFRS     | 3,925             | 3,730             |
| Other differences   | 2,419             | 3,672             |
| <b>TOTAL</b>  | <b>38,010</b>     | <b>45,697</b>     |

| <b>Assets for deferred taxes</b>  |                   |                   |
|---|-------------------|-------------------|
| <i>(Amounts in thousand euros)</i>  |                   |                   |
|   | <b>31/12/2017</b> | <b>31/12/2016</b> |
| Profit/loss from UTEs attributed to results of the following year and adjustments             | 6,786             | 4,966             |
| From financial leasing  | 7                 | 8                 |
| From freedom of amortisation  | 21,558            | 20,082            |
| From translation differences  | 3,347             | 7,086             |
| From allocation of goodwill   | 12,932            | 14,229            |
| From the application of Royal Decree Law 3/2016 postponement of deducted portfolio impairment | 6,134             | 2,737             |
| Other adjustments   | 1,173             | 1,504             |
| <b>TOTAL</b>  | <b>51,937</b>     | <b>50,612</b>     |

The main variation experienced in the 2017 financial year is due to the de-registration of deferred tax assets and liabilities corresponding to translation differences.

Scheduled maturities of deferred taxes are shown below:

| <b>Amounts in thousand euros</b> |             |             |             |             |             |                     |               |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|---------------------|---------------|
|                                  | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>2023 ET SEQ.</b> | <b>TOTAL</b>  |
| Deferred tax assets              | 5,970       | 914         | 627         | 689         | 596         | 29,214              | <b>38,010</b> |
| Deferred tax liabilities         | 6,843       | 1,800       | 1,798       | 1,798       | 1,798       | 37,900              | <b>51,937</b> |

#### b) Public Administrations

The breakdown at 31 December 2017 and 2016 of current assets and liabilities with Public administrations is the following:



### Current Assets

|  | 2017          | 2016          |
|--|---------------|---------------|
| H.P. Debtor for grants granted (note 11) | 32,377        | 19,062        |
|  | <b>32,377</b> | <b>19,062</b> |

### Current Liabilities

|  | 2017          | 2016          |
|--|---------------|---------------|
| Tax withholdings on personal income tax and corporate tax (work income and movable capital income) (note 16) | 3,386         | 2,987         |
| Social Security accounts payable (note 16)   | 6,204         | 10,235        |
| Other public administrations (note 16)   | 68,587        | 62,211        |
|  | <b>78,177</b> | <b>75,433</b> |

The “Other public administrations” caption includes the amounts pending payment for taxes and duties in which the Group manages its collection on account of Public Administrations upon provision of services to clients.

#### c) Tax expense

The expense for income tax accrued in the year amounts to 37,288 thousand euros, as recorded in the attached consolidated income statement (26,428 thousand euros in 2016).

The table below shows the reconciliation of accounting and tax results (amounts in thousand euros):

#### **2017**

| <b>Consolidated pre-tax profit/loss for the year</b>                         | <b>Increases</b> | <b>Decreases</b> | <b>138,798</b> |
|--|------------------|------------------|----------------|
| Consolidation adjustments and eliminations                                   | 938              | (8,445)          | (7,507)        |
| Permanent differences  | 1,513            | (851)            | 662            |
| Tax base compensation from previous years                                    |                  |                  | (408)          |
| <b>Adjusted consolidated book result</b>                                     |                  |                  | <b>131,545</b> |
| Temporary differences:   |                  |                  |                |
| - From other adjustments (mainly provisions)                                 | 16,609           | (7,726)          | 8,883          |
| - For depreciations  | 257              | (2,428)          | (2,171)        |
| - For transfers of results of Temporary Joint Ventures to the following year | 18,858           | (31,030)         | (12,172)       |
| - Adjustment advance tax on intergroup results                               | 2,099            | (1,067)          | 1,032          |
| <b>Consolidation tax base (tax result)</b>                                   |                  |                  | <b>127,117</b> |



|  |                 |
|--|-----------------|
| <b>Adjusted consolidated book result</b> | <b>131,545</b>  |
| Corporate tax quota rebates              | 32,981<br>(255) |
| Other adjustments                        | 4,562           |
| <b>Accrued Corporate Income Tax</b>      | <b>37,288</b>   |

## 2016

| <b>Consolidated pre-tax profit/loss for the year</b>                         | <b>Increases</b> | <b>Decreases</b> | <b>104,463</b> |
|--|------------------|------------------|----------------|
| Permanent Differences, Adjustments and Consolidation Eliminations            | 17,994           | -                | 17,994         |
| Tax base compensation from previous years                                    |                  |                  | (271)          |
| <b>Adjusted consolidated book result</b>                                     |                  |                  | <b>122,186</b> |
| Temporary differences:   |                  |                  |                |
| - for provisions   | 1,103            | (26,840)         | (25,737)       |
| - For depreciations  | 257              | (2,701)          | (2,444)        |
| - For transfers of results of Temporary Joint Ventures to the following year | 23,844           | (20,503)         | 3,341          |
| - Other adjustments  | 5,988            | (1,037)          | 4,951          |
| - Conversion differences and assets at fair value                            | -                | -                | -              |
| - Adjustment advance tax on intergroup results                               | 2,390            | (965)            | 1,425          |
| <b>Consolidation tax base (tax result)</b>                                   |                  |                  | <b>103,722</b> |

|  |                 |
|--|-----------------|
| <b>Adjusted consolidated book result</b> | <b>122,286</b>  |
| Corporate tax quota rebates              | 30,547<br>(185) |
| Other adjustments                        | (3,934)         |
| <b>Accrued Corporate Income Tax</b>      | <b>26,428</b>   |

At 31 December 2017, the “Consolidation adjustments and eliminations” correspond mainly to the result of companies integrated using the equity method.

The companies with tax domicile in Spain and belonging to the Fomento Construcciones y Contratas tax group (group number 18/89) present a debt with the parent of the group for tax purposes for the amount of 3,701 thousand euros at 31 December 2017 (16,565 thousand euros at 31 December 2016).





## **19. GUARANTEES COMMITTED WITH THIRD PARTIES AND OTHER CONTINGENT LIABILITIES**

At 31 December 2016, FCC Aqualia, together with other FCC Group Companies, was the guarantor of the syndicated credits signed by its Parent Company, Fomento de Construcciones y Contratas, S.A., amounting to 3,237,357 thousand euros. As of 31 December 2017, it no longer holds this status as guarantor, having issued two straight listed bonds during this financial year, and becoming a subgroup, excluded for the purposes of the aforementioned financing.

At 31 December 2017, the Group had guarantees before third parties, mostly before public bodies and private clients, to ensure the execution of works and contracts, for an amount of 322,330 thousand euros (364,821 thousand euros at 31 December 2016).

FCC Aqualia, S.A. and the Group's subsidiaries are involved as the defendant in certain disputes regarding the mandatory responsibilities involved in the Group's various activities carrying out awarded contracts. Provisions do exist for said disputes (see note 14), under the expectation that liabilities resulting from them, would not significantly affect the assets of the Group, taking into account said provisions.

As indicated in note 7, the participation of the companies of the Group in businesses managed by Temporary Joint Ventures, participated accounts, groups of economic interest and other entities with similar legal characteristics, imply for participant shareholders to share the joint responsibility on the activity developed.

The directors of the Parent Company consider that no significant liabilities shall arise from those joint and several guarantees.

## **20. INCOME AND EXPENSES**

### Operating Income

The companies of the Group record operating profits under heading "Net amount of the turnover", excepting operating grants recorded as "Other income" in the consolidated profit and loss account.

Turnover consists mainly of two concepts:

- Water supply. It shows the amount corresponding to cubic meters supplied to customers valued at sale price. The selling price for each contract is established based on the tariffs approved by each corresponding public entity.



- Sale of works and services. It includes the amount corresponding to construction works and activities the Group carries out regarding the provision of the integral water cycle in the Municipalities where it has been awarded the contract.

The sales amount of works is calculated applying the criterion of progress achieved, which consists of valuating at the sales price, established in the contract, the units of work carried out during the period, recording at the same time the expenses incurred.

The difference between the amount of production of each of the contracts, and the amount invoiced for each of them until the date of the consolidated balance sheet, both for water and for works, is recorded as “Production executed and pending certification”, under the “Trade payables” caption (Note 11).

The distribution of the net turnover by activity type is as follows:

| <b>TURNOVER BY ACIVITY TYPE</b>    |                   |                   |
|------------------------------------|-------------------|-------------------|
| <i>(Amounts in thousand euros)</i> |                   |                   |
|                                    | <b>31/12/2017</b> | <b>31/12/2016</b> |
| Supply                             | 566,877           | 551,512           |
| Sewerage                           | 153,299           | 150,294           |
| Waste water treatment              | 124,067           | 112,505           |
| Hydraulic works                    | 156,700           | 131,786           |
| Desalination.                      | 10,296            | 12,492            |
| Other income                       | 23,971            | 32,653            |
| <b>TOTAL</b>                       | <b>1,035,210</b>  | <b>991,242</b>    |

The Group does not present analytical information on profit and loss or balance by segments of activity, since its main activity is the integral water cycle, and this as a whole is treated as a single segment in all headings of both financial statements. The turnover is an exception and this segment is broken down by activity, according to the information included in the table above.

The breakdown of net turnover by the Group’s geographical location is as follow:



| <b>GEOGRAPHICAL LOCALISATION</b> |                                    |                   |                   |
|----------------------------------|------------------------------------|-------------------|-------------------|
|                                  | <b>(Amounts in thousand euros)</b> | <b>31/12/2017</b> | <b>31/12/2016</b> |
| <b>Spain</b>                     |                                    |                   |                   |
| Andalusia                        |                                    | 244,793           | 232,074           |
| Aragón                           |                                    | 8,963             | 8,495             |
| Asturias                         |                                    | 30,920            | 32,089            |
| Balearic Islands                 |                                    | 37,022            | 36,345            |
| Canaries                         |                                    | 63,050            | 57,652            |
| Cantabria                        |                                    | 21,500            | 21,773            |
| Castilla – La Mancha             |                                    | 61,450            | 58,763            |
| Castilla – León                  |                                    | 47,007            | 44,115            |
| Catalonia                        |                                    | 65,479            | 62,870            |
| Valencia                         |                                    | 36,199            | 34,989            |
| Extremadura                      |                                    | 39,017            | 38,741            |
| Galicia                          |                                    | 57,737            | 57,595            |
| La Rioja                         |                                    | 4,403             | 4,562             |
| Madrid                           |                                    | 21,830            | 19,874            |
| Murcia                           |                                    | 30,507            | 31,241            |
| Navarre                          |                                    | 1,970             | 1,788             |
| País Vasco                       |                                    | 3,592             | 3,214             |
| <b>International</b>             |                                    |                   |                   |
| Saudi Arabia                     |                                    | 20,850            | 36,072            |
| Algeria                          |                                    | 8,039             | 10,156            |
| Bosnia                           |                                    | 35                | 1                 |
| Chile                            |                                    | 732               | 5,812             |
| Colombia                         |                                    | 5,866             | 1,521             |
| Ecuador                          |                                    | 3,910             | 333               |
| Egypt                            |                                    | 21,646            | 3,085             |
| United Arab Emirates             |                                    | 12,921            | 8,167             |
| India                            |                                    | 132               | 421               |
| Italy                            |                                    | 37,987            | 41,086            |
| Mexico                           |                                    | 10,977            | 14,830            |
| Montenegro                       |                                    | 7,235             | 2,241             |
| Portugal                         |                                    | 17,780            | 13,292            |
| Czech Republic                   |                                    | 92,051            | 89,453            |
| Romania                          |                                    | 729               | -                 |
| Serbia                           |                                    | 3,038             | 1,465             |
| Tunisia                          |                                    | 13,906            | 7,781             |
| Uruguay                          |                                    | 1,937             | 9,346             |
| <b>TOTAL</b>                     |                                    | <b>1,035,210</b>  | <b>991,242</b>    |



The breakdown of the “Other operating income” caption is as follow:

| Amounts in thousand euros                 | 2017          | 2016          |
|---|---------------|---------------|
| Income from operating grants (Note 17)    | 9,059         | 6,584         |
| Income from other services                | 10,601        | 8,355         |
| Surplus provisions for risks and expenses | 1,564         | 9,006         |
|   | <b>21,224</b> | <b>23,945</b> |

The main variation within “Income from other services” is explained by the 2017 financial year registration of an indemnity recognised in a court ruling in favour of the Parent Company amounting to 4,657 thousand euros. (See Note 4). The remaining amount up to 5,432 thousand euros corresponds to interest not yet recognised for accounting purposes.

### Supplies

The breakdown of the supply balance is the following:

| Amounts in thousand euros                               | 2017           | 2016           |
|---|----------------|----------------|
| Works carried out by subcontractors and other companies | 115,790        | 122,390        |
| Purchases and supplies                                  | 271,644        | 247,501        |
|   | <b>387,434</b> | <b>369,891</b> |

### Personnel expenses

The table below shows the detail of Personnel expenses:

| Amounts in thousand euros | 2017           | 2016           |
|---------------------------|----------------|----------------|
| Wages and salaries        | 193,643        | 190,791        |
| Social Security           | 58,107         | 55,351         |
| Other Staff Expenses      | 3,293          | 2,797          |
|                           | <b>255,043</b> | <b>248,939</b> |

The average number of employees of the Group, broken down by professional categories, is the following:

| CATEGORIES                                 | AVERAGE NUMBER OF EMPLOYEES |              |
|--|-----------------------------|--------------|
|  | 2017                        | 2016         |
| Executive and higher level qualification   | 276                         | 291          |
| Technicians and middle level qualification | 1,177                       | 779          |
| Administrative and similar                 | 981                         | 1,115        |
| Rest of employed staff                     | 5,289                       | 5,422        |
| <b>TOTAL</b>                               | <b>7,723</b>                | <b>7,607</b> |



The Group's workforce at year-end 2017 was 7,713 employees (7,752 workers at year-end 2016), with the following breakdown by categories and gender:

| CATEGORIES                                      | N° of employees |              | Men          |              | Women        |              |
|---|-----------------|--------------|--------------|--------------|--------------|--------------|
|   | 2017            | 2016         | 2017         | 2016         | 2017         | 2016         |
| Executive and higher level qualification        | 277             | 320          | 231          | 258          | 46           | 62           |
| Technical staff and intermediate qualifications | 1,228           | 833          | 877          | 585          | 351          | 248          |
| Administrative and similar                      | 988             | 1,198        | 327          | 480          | 661          | 718          |
| Rest of employed staff                          | 5,220           | 5,401        | 4,628        | 4,780        | 592          | 621          |
| <b>TOTAL</b>                                    | <b>7,713</b>    | <b>7,752</b> | <b>6,063</b> | <b>6,103</b> | <b>1,650</b> | <b>1,649</b> |

At 31 December 2017, the Group has 101 employees with a disability equal to or greater than 33% (101 persons at 31 December 2016).

#### Other operating expenses

The table below shows the detail of other operating expenses:

| Amounts in thousand euros   | 2017           | 2016           |
|---|----------------|----------------|
| External services   | 157,943        | 148,213        |
| Taxes   | 26,437         | 24,530         |
| Losses, impairment and changes in provision through commercial operations | 1,790          | 5,936          |
| Other operating expenses  | 8,670          | 11,122         |
| <b>TOTAL</b>  | <b>194,840</b> | <b>189,801</b> |

#### Financial expenses and revenue

The breakdown of financial revenue is the following:

| Amounts in thousand euros                                | 2017          | 2016         |
|--|---------------|--------------|
| Interests on loans to FCC group companies                | 13,990        | 2,901        |
| Interests on credit facilities extended to third parties | 6,287         | 5,278        |
| <b>TOTAL</b>   | <b>20,277</b> | <b>8,179</b> |

The increase in this caption originates from the new loans granted to Group Companies, as mentioned in Note 9.a.



## Financial expenses

The breakdown of the financial expenses is the following:

| Amounts in thousand euros                     | 2017          | 2016          |
|---|---------------|---------------|
| Interests from debts with FCC Group companies | 4,148         | 20,781        |
| Interests from debts with third parties       | 33,228        | 20,572        |
| Financial provisions update                   | 1,566         | 2,077         |
| <b>TOTAL</b>                                  | <b>35,212</b> | <b>43,430</b> |

The change in the different captions of "Financial expenses" originates from the restructuring of financial liabilities performed during the financial year, as detailed in Note 14.

## **21. POLICIES ON FINANCIAL RISK MANAGEMENT**

The concept of financial risk refers to the variation of financial instruments contracted by the Group and its consequences in the consolidated annual accounts due to political, market and other factors.

The Grupo FCC Aqualia's philosophy of risk management, according to FCC Group's policy, is consistent with the business strategy, searching at all times the maximum efficiency and solvency, for which strict control and financial risk management control criteria are applied, consistent in identifying, measuring, analysing and controlling the risks incurred by Group operations, being risk policy correctly integrated in the organisation.

### Capital risk management

Grupo FCC Aqualia, in accordance with the guidelines established its main shareholder, manages its capital to ensure that the companies of the Group will be able to continue as profitable business and maximize the shareholders return through an optimum balance of debt and equity.

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

The Group's capital structure includes debt (constituted by loans and credit facilities detailed in Note 14), cash and other cash equivalents (Note 12), Shareholders' equity, which includes capital, reserves and non-distributed profits, according to that mentioned in Note 13.

The Group's Financial Area, responsible for financial risks management, revises periodically the capital structure, as well as solvency ratios and liquidity in the financing policy of FCC Group.



Capital cost and associated risks in each investment project are analysed by the Operating Areas and Finance Division, and subsequently submitted to the approval or rejection of the relevant Committee, or by the Board of Directors of the Parent Company, together with the reports of other functional areas of the Group.

Among the objectives of investment analysis it can be found the maintenance of Net debt / Ebitda ratio at reasonable levels, and within negotiated commitments with financing entities.

Under “Solvency Risk”, this same note includes the calculation of the Net Debt ratio (Net debt / Total liabilities and net debt / Ebitda)

#### Exchange rate risk

The current positioning of Grupo FCC Aqualia in international markets makes the incidence of the concept of exchange rate risk, in the Group’s global context, relatively moderate.

However, and independently from the significance thereof, Grupo Aqualia’s policy consists of reducing, as far as possible, the negative effect of such risk on its consolidated annual accounts, both due to its transactional movements and those purely equity-related.

The Group carries out an active management of the exchange rate risk contracting financial operations in the same currency in which the asset is formulated, that is, the financing required for the company local activity in the country of origin of the investment should always be in made in the local currency in order to make a natural coverage or “matching” between the cash flows generated by financing.

#### Interest rate risk

Given the nature of the activities in which current assets management plays an essential role, the Group’s general practice consists in determining as reference for the financial debt the index showing more accurately the inflation evolution. Therefore, the policy of the Group consists of trying that both the current financial assets, which to a great extent provide natural coverage to current financial liabilities, as the Group’s debt, is referenced to variable interest rates. In the case of long term operations and as long as the financial structure so requires, the debt is referenced to a fixed interest rate and for a term which coincides with the maturity cycle of the operation in question, all that taking into account the possibilities offered by the market.



### Solvency risk

At 31 December 2017, the net financial indebtedness of Grupo FCC Aqualia amounted to 475,950 thousand euros (167,076 thousand euros at 31 December 2016), as shown in the table below, which represent 99 % (20 % in 2016) as regards the net equity as at that date:

|  | 31/12/2017     | 31/12/2016     |
|--|----------------|----------------|
| Debts with credit institutions (note 14)                   | 53,079         | 52,653         |
| Bonds and other tradeable securities (note 14)             | 1,569,585      | 199,822        |
| Non current financial debts with group companies (note 14) | -              | 385,779        |
| Other interest-bearing financial debts                     | 39,743         | 51,129         |
| Other current financial assets (note 10)                   | (42,969)       | (423,681)      |
| Other non-current financial assets                         | (884,342)      | -              |
| Cash and cash equivalents (note 12)                        | (259,145)      | (98,626)       |
| <b>Net financial debt</b>                                  | <b>475,950</b> | <b>167,076</b> |

The most representative ratios to measure solvency are the following:

|                                    | 31 December 2017 | 31 December 2016 |
|------------------------------------|------------------|------------------|
| Net debt ratio / Ebitda            | 2.01             | 0.74             |
| Net Debt / Total Liabilities Ratio | 16.3 %           | 7.3 %            |
| Financial result ratio / Ebitda    | 7.38 %           | 19.27 %          |

(\*) Annualised Ebitda, understanding Ebitda as a result of operations without considering “Amortisation of fixed assets”, “Allocation of subsidies for non-financial fixed assets and others”, “Impairment and result through disposal of fixed assets” and “Other results”.

### Liquidity risk

This risk is due to time lag between the resources generated by activity and the finances needed to meet the payment of debts, floating assets, etc.

At 31 December 2017, the Group presents a negative working capital amounting to 29,848 thousand euros (280,249 thousand euros at 31 December 2016).

### Financial derivatives of risk hedging

The main financial risk object of economic coverage by Grupo FCC Aqualia by means of derivative instruments is that corresponding to variations of floating interest rates to which the Group's companies financing is referenced.





At 31 December 2017 and 2016, Grupo FCC Aqualia has contracted the following hedging operations on interest rate which comply with cash flow hedging conditions:

| Amounts in thousand euros                                  | Fair value 2017 | Notional 2017 | Fair value 2016 | Notional 2016 | Maturity |
|--|-----------------|---------------|-----------------|---------------|----------|
| <b>Companies consolidated by global integration method</b> |                 |               |                 |               |          |
| Aquajerez  | 438             | 28,000        | 165             | 28,000        | 2031     |
| <b>Companies consolidated by the equity method</b>         |                 |               |                 |               |          |
| Aquos El Realito, S.A. de C.V.                             | 11              | 19,940        | (79)            | 21,494        | 2025     |

To a less extent, as foreseen in previous sections, the Group carries out an active management of the exchange rate risk contracting financial operations in the same currency in which the asset is formulated, that is, the financing required for the company local activity in the country of origin of the investment should always be in made in the local currency in order to make a natural coverage or “matching” between the cash flows generated by financing.

As stated in Note 13.c), the Grupo FCC Aqualia’s main net assets in non-euro currencies were in the Czech Republic at 31 December 2017. To hedge the exchange rate risk of those assets, Grupo FCC Aqualia has arranged financial debt in the same currency (Czech crown), in accordance with the breakdown included in Note 14.b).

Changes in the fair value of cash flow hedges are recorded net of the tax under “Valuation Adjustments” in net equity and recognised in the profit and loss of the year to the extent that the hedged item has an impact on the consolidated income statement.

The valuation of financial derivatives has been carried out by experts, independent from the Group and its financing entities, through generally admitted methods and techniques.

## 22. INFORMATION ON OPERATIONS WITH RELATED PARTIES

The sum accrued for remuneration to members of the Board of Directors of FCC Aqualia, S.A. made up of three persons (two men and one woman), in both 2017 and the previous year, in salaries for the year 2017 amounts to 581 thousand euros (540 thousand euros in 2016). Furthermore, there are no advances or credits or any other kind of guarantee granted to said Board of Directors, or any obligation contracted regarding pensions or life insurance of its members.

Fomento de Construcciones y Contratas, S.A. has arranged a civil liability insurance policy for the directors of the Company, with the latter bearing the costs on an annual basis. At 31 December 2017, the cost amounted to 221 thousand euros (397 thousand euros at 31 December 2016).



Furthermore, natural persons representing the Company in the governing body have not received remuneration from other entities in their roles as directors of said companies.

The amount accrued for remuneration to Senior Management members who are not members of the Board of Directors (9 men and 2 women) listed below, in terms of salaries in the year 2017, totals 1,695 thousand euros (1,736 thousand euros in 2016).

#### Senior Management 2017 and 2016

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

At 31 December 2017, neither the members of the FCC Aqualia, S.A. Board of Directors, nor persons associated with them as defined in the Capital Companies Act have informed the other Board members any situation of conflict.

The Directors of FCC Aqualia, S.A., or person acting on their account during the financial year have not carried out other operations with the Group which are not related to the ordinary activity of each company or in conditions other than the usual of the market.

There are no relevant operations which suppose a transfer of resources or obligations between the parent company or other companies of the Group and their directors or managers.

Likewise, Grupo FCC Aqualia has established precise mechanisms to detect, determine and solve any potential interest conflict between the Parent Company and/or its group, and its significant officers, managers or shareholders, as indicated in article 25 of the Board Regulations of Fomento de Construcciones y Contratas.

The balances and transactions carried out with companies of the FCC Group and joint business and associated companies are the following (in thousand euros):

- a) Clients and debtors of group companies, joint ventures and associated businesses



| Clients and debtors of group companies, joint ventures and associated businesses | 2017          | 2016          |
|--|---------------|---------------|
| ABAST.ALTA COSTA BRAVA EMP.MIXTA   | 1             | 5             |
| AGUAS DE ARCHIDONA, S.L.   | 120           | 105           |
| AGUAS DE LANGREO, S.L.   | 251           | 573           |
| AGUAS DE NARIXA, S.A.  | 85            | 673           |
| AGUAS DE PRIEGO, S.L.  | 474           | 579           |
| AGUAS DEL PUERTO EMPRESA MUNICIPAL, S.A.   | 715           | 1,212         |
| AIE COSTA BRAVA AB. AQUALIA-SOREA  | 34            | 14            |
| AIE COSTA TROPICAL DE GRANADA  | 1,581         | 1,045         |
| AIE ITAM DELTA DE LA TORDERA   | 665           | 317           |
| AIE SOREA-AQUALIA  | 29            | 11            |
| AIGÜES DE GIRONA SALT I SARRIA DE TER,SA   | -             | 136           |
| AIGÜES DE TOMOVI, S.A.   | 201           | 276           |
| AIGÜES DEL SEGARRA GARRIGUES, S.A.   | 27            | 32            |
| CIA. DE SERV. MEDIOAMBIEN. DO ATLANTICO  | 55            | 176           |
| CONCESIO. DESALACION DE IBIZA, S.A.  | 17            | 41            |
| CONST.DE INFRAEST.DE AGUAS POTOSI, SACV  | 2,113         | 1,930         |
| CONSTRUCTORA INFRAEST. DE AGUA QUERETARO   | 275           | 296           |
| EMP. MIXTA D'AIGÜES DE LA COSTA BRAVA  | -             | 1             |
| EMP. MIXTA MUNICIPAL DE AGUAS DE NIJAR   | 4,859         | 2,584         |
| EMP.MIXTA DE AGUAS DE JODAR, S.A.  | 676           | 420           |
| EMP.MUNICIPAL AGUAS DE LINARES   | 115           | 194           |
| EMPR.MUNICIPAL DE AGUAS DE ALGECIRAS, SA   | 6,079         | 6,504         |
| EMPRESA MIXTA DE AGUAS DE UBRIQUE, S.A.  | 256           | 257           |
| EMPRESA MIXTA DE AGUAS Y SERVICIOS, S.A.   | 11            | 11            |
| EMPRESA MPAL. AGUAS DE BENALMADENA, S.A.   | 689           | 668           |
| EMPRESA MUNICIPAL AGUAS DE TOXIRIA, S.A.   | 674           | 391           |
| FAST CONSORTIUM LIMITED LLC  | 6,892         | 9,472         |
| FCC AMBITO   | 22            | 270           |
| FCC CONSTRUCCION   | 699           | 456           |
| FCC INDUSTRIAL E INFRAESTRUCTURAS ENERGÉTICAS + UTES                             | 47            | 60            |
| FCC, S.A.  | 130           | 150           |
| GENERAVILA, S.A.   | -             | 7             |
| GESTION Y VALOR INT.CENTRO, S.L.   | 18            | 9             |
| GIRONA, S.A.   | 5             | 34            |
| MANTINSA   | 15            | 1             |
| NUEVA SOCIEDAD DE AGUAS DE IBIZA, S.A.   | 1             | 1             |
| ORASQUALIA DEVEL.WASTE T.P. S.A.E.   | 73            | 400           |
| ORASQUALIA O&M   | 40            | 84            |
| SHARIKET MIYEH RAS DJINET  | 869           | 1,804         |
| SHARIKET TAHLYA MIYAH MOSTAGANEM   | 4,588         | 5,749         |
| <b>TOTAL</b>   | <b>33,401</b> | <b>36,948</b> |



b) Suppliers and creditors of FCC Group companies, joint ventures and associated businesses

| <b>Suppliers and creditors of group companies, joint ventures and associated businesses</b> | <b>2017</b>  | <b>2016</b>   |
|---|--------------|---------------|
| AGUAS DE DENIA, S.A.  | 207          | 181           |
| AGUAS DEL PUERTO EMPRESA MUNICIPAL, S.A.  | 5            | -             |
| AIE ITAM DELTA DE LA TORDERA  | 92           | 75            |
| AIGÜES DE TOMOVI, S.A.  | 2            | 17            |
| CONSERVACION DE INFRAESTR. URBANAS, S.A.  | 26           | -             |
| COMPAÑÍA DE CONTROL DE RESIDUOS   | 4            | 13            |
| ECOACTIVA DE MEDIO AMBIENTE, S.A.   | 3            | 8             |
| EMP. MIXTA MUNICIPAL DE AGUAS DE NIJAR  | 1,784        | 697           |
| EMP.MUNICIPAL AGUAS DE LINARES  | 4            | 5             |
| EMPR.MUNICIPAL DE AGUAS DE ALGECIRAS, SA  | 1,130        | 2,241         |
| EMPRESA MIXTA DE AGUAS DE UBRIQUE, S.A.   | 6            | 5             |
| EMPRESA MIXTA DE AGUAS Y SERVICIOS, S.A.  | 11           | 6             |
| FAST CONSORTIUM LIMITED LLC   | 1,388        | 1,449         |
| F-C Y C, S.L. UNIPERSONAL   | 2            | -             |
| FCC AMBITO  | 46           | 27            |
| FCC COLOMBIA S.A.S.   | 2            | -             |
| FCC CONSTRUCCION INC + UTEs   | -            | 6             |
| FCC CONSTRUCCION, S.A.  | 774          | 566           |
| FCC EQUAL CEE, S.L.   | 2            | 2             |
| FCC INDUSTRIAL E INFRAESTRUCTURAS ENERGÉTICAS   | 830          | 127           |
| FCC, S.A.   | 2,450        | 3,669         |
| FCCMA   | 108          | 4             |
| FEDEMES, S.L.   | 347          | 398           |
| GAMASUR CAMPO DE GIBRALTAR, S.L.  | 28           | 22            |
| GESTION Y VALOR INT.CENTRO, S.L.  | -            | 5             |
| HORMIGONES REINARES, S.A.   | 1            | -             |
| HORMIGONES Y MORTEROS PREP., S.A. UNIPERSONAL   | 1            | 1             |
| NUEVA SOCIEDAD DE AGUAS DE IBIZA, S.A.  | 47           | 46            |
| ORASQUALIA CONSTRUCTION SAE   | 305          | 303           |
| ORASQUALIA DEVEL.WASTE T.P. S.A.E.  | 14           | 5             |
| PREFABRICADOS DELTA + UTE's   | 82           | 9             |
| PROVEIMENTS D'AIGUA, S.A.   | 12           | 12            |
| SERVICIOS ESPECIALES DE LIMPIEZA, S.A.  | 69           | 90            |
| SHARIKET TAHLYA MIYAH MOSTAGANEM  | -            | 263           |
| <b>TOTAL</b>  | <b>9,782</b> | <b>10,252</b> |



c) Non-current credit facilities with Grupo FCC companies

| Amounts in thousand euros              | 2017           | 2016      |
|--|----------------|-----------|
| FCC, S.A.                              | 522,579        | 14        |
| ASESORIA FINANCIERA Y DE GESTION, S.A. | 361,763        | -         |
| Others                                 | 7              | 7         |
| <b>TOTAL</b>                           | <b>884,349</b> | <b>21</b> |

d) Current credit facilities with Grupo FCC companies

| Short-term credit facilities to companies consolidated using the equity method | 2,017        | 2,016        |
|--|--------------|--------------|
| AGUAS DE ARCHIDONA, S.L.   | 28           | 15           |
| AGUAS DE LANGREO, S.L.   | 732          | 733          |
| AGUAS DE NARIXA, S.A.  | 468          | 437          |
| AGUAS DE PRIEGO, S.L.  | 179          | 173          |
| AGUAS DEL PUERTO EMPRESA MUNICIPAL, S.A.                                       | 1,069        | 1,436        |
| AIGÜES DE TOMOVI, S.A.   | -            | 11           |
| CIA. DE SERV. MEDIOAMBIEN. DO ATLANTICO  | 2            | 1            |
| CONST.DE INFRAEST.DE AGUAS POTOSI, SACV  | 186          | 200          |
| EMP. MIXTA MUNICIPAL DE AGUAS DE NIJAR   | 727          | 339          |
| EMP.MIXTA DE AGUAS DE JODAR, S.A.  | 29           | 27           |
| EMP.MUNICIPAL AGUAS DE LINARES   | 43           | 43           |
| EMPR.MUNICIPAL DE AGUAS DE ALGECIRAS, SA                                       | 359          | 344          |
| EMPRESA MIXTA DE AGUAS DE UBRIQUE, S.A.  | -            | 13           |
| EMPRESA MPAL. AGUAS DE BENALMADENA, S.A.                                       | 788          | 786          |
| EMPRESA MUNICIPAL AGUAS DE TOXIRIA, S.A.                                       | 46           | 41           |
| SHARIKET MIYEH RAS DJINET  | 3            | 4            |
| SHARIKET TAHLYA MIYAH MOSTAGANEM   | 33           | 38           |
| <b>TOTAL</b>   | <b>4,692</b> | <b>4,641</b> |

| Short-term credit facilities to FCC Group companies | 2017         | 2016           |
|---|--------------|----------------|
| ABAST.ALTA COSTA BRAVA EMP.MIXTA                    | 1            | 1              |
| AIE COSTA TROPICAL DE GRANADA                       | 6            | 1,154          |
| AIE ITAM DELTA DE LA TORDERA                        | 117          | 117            |
| AIE CIUDAD REAL                                     | 13           | -              |
| ASESORIA FINANCIERA Y DE GESTION, S.A.              | -            | 381,137        |
| EMPRESA MIXTA DE AGUAS Y SERVICIOS, S.A.            | 1            | 1              |
| EMPRESA MUNICIPAL AGUAS DE TOXIRIA, S.A.            | -            | 1              |
| FCC CONSTRUCCION SA                                 | 164          | 945            |
| FCC, S.A.   | 6,438        | 3,889          |
| <b>TOTAL</b>  | <b>6,740</b> | <b>387,245</b> |



| <b>Dividends receivable from joint ventures and associated companies</b> | <b>2,017</b> | <b>2,016</b> |
|--|--------------|--------------|
| AIE CIUDAD REAL  | 13           | -            |
| AIE COSTA TROPICAL DE GRANADA  | -            | 9            |
| AIE AQUAGEST-AQUALIA   | 54           | 33           |
| AIE COSTA BRAVA AB. AQUALIA-SOREA  | -            | 23           |
| <b>TOTAL</b>   | <b>67</b>    | <b>65</b>    |

| <b>Receivable dividends from companies carried by the equity method</b> | <b>2,017</b> | <b>2,016</b> |
|---|--------------|--------------|
| ORASQUALIA DEVEL.WASTE T.P. S.A.E.                                      | 1,400        | 1,798        |
| ORASQUALIA CONSTRUCTION SAE   | 341          | 382          |
| ORASQUALIA O&M  | 408          | 209          |
| <b>TOTAL</b>  | <b>2,149</b> | <b>2,389</b> |

e) Current financial debts with Grupo FCC companies

|   | <b>2,017</b> | <b>2,016</b>  |
|---|--------------|---------------|
| <b>Debts with companies of FCC Group for Corporate Tax</b>          |              |               |
| FCC, S.A.   | 3,701        | 16,565        |
| <b>Other current financial liabilities with FCC Group companies</b> |              |               |
| AGUAS DE ARCHIDONA, S.L.  | 2            | 1             |
| AGUAS DE NARIXA, S.A.   | 1            | -             |
| AGUAS DE PRIEGO, S.L.   | 2            | -             |
| AIE COSTA TROPICAL DE GRANADA                                       | -            | 1             |
| AIE ITAM DELTA DE LA TORDERA  | 375          | 375           |
| AIGÜES DE TOMOVI, S.A.  | 18           | 34            |
| AUGAS MUNICIPAIS DE ARTEIXO, S.A.                                   | 1            | 1             |
| CONSTRUCTORA INFRAEST. DE AGUA QUERETARO                            | 12           | 12            |
| EMPR.MUNICIPAL DE AGUAS DE ALGECIRAS, SA                            | -            | -             |
| EMPRESA MIXTA DE AGUAS DE UBRIQUE, S.A.                             | 427          | 454           |
| FCC CONSTRUCCION, S.A.  | 464          | 157           |
| FCC INDUSTRIAL E INFRAESTRUCTURAS ENERGÉTICAS                       | 68           | 68            |
| FCC, S.A.   | (844)        | 9,044         |
| GRUPO PROACTIVA   | 13           | 13            |
| PRESTADORA SERV.ACUEDUCTO EL REALITO,SA DE CV                       | 1            | 1             |
| PROVEIMENTS D'AIGUA, S.A.   | -            | 1             |
| SHARIKET TAHLYA MIYAH MOSTAGANEM                                    | 1            |               |
| <b>Total</b>  | <b>542</b>   | <b>10,162</b> |



f) Turnover

| (Thousand euros)                                      | 2017          | 2016          |
|---|---------------|---------------|
| ABASTECIMIENTO ALTA COSTA BRAVA EMPRESA MIXTA         | 8             | 21            |
| AGUAS DE ARCHIDONA, S.L.                              | 436           | 423           |
| AGUAS DE LANGREO, S.L.                                | 105           | 102           |
| AGUAS DE NARIXA, S.A.                                 | 664           | 896           |
| AGUAS DE PRIEGO, S.L.                                 | 167           | 181           |
| AGUAS DE UBRIQUE, S.A.                                | 921           | 912           |
| AGUAS DEL PUERTO EMPRESA MUNICIPAL, S.A.              | 3,967         | 3,981         |
| AIE AQUAGEST-AQUALIA                                  | 28            | 35            |
| AIE COSTA BRAVA ABASTAMENT AQUALIA-SOREA              | 47            | 44            |
| AIE COSTA TROPICAL DE GRANADA                         | 454           | 481           |
| AIGÜES DE GIRONA SALT I SARRIA DE TER, S.A.           | -             | 112           |
| AIGÜES DE TOMOVI, S.A.                                | 552           | 541           |
| AIGÜES DEL SEGARRA GARRIGUES, S.A.                    | 124           | 100           |
| CIA. DE SERVICIOS MEDIOAMBIENTALES DO ATLANTICO, S.A. | 180           | 493           |
| CONCESIONARIA DESALACION DE IBIZA, S.A.               | 333           | 341           |
| ECOPARQUE MANCOMUNIDAD DEL ESTE S.A.                  | -             | 1             |
| EMP. MIXTA MUNICIPAL DE AGUAS DE NIJAR, S.A.          | 3,550         | 3,941         |
| EMP.MUNICIPAL AGUAS DE LINARES, S.A.                  | 4,227         | 4,159         |
| EMPR.MUNICIPAL DE AGUAS DE ALGECIRAS, SA              | 9,166         | 9,277         |
| EMPRESA MIXTA DE AGUAS DE JODAR, S.A.                 | 717           | 553           |
| EMPRESA MIXTA DE AGUAS Y SERVICIOS, S.A.              | 36            | 39            |
| EMPRESA MPAL. AGUAS DE BENALMADENA, S.A.              | 2,868         | 3,260         |
| EMPRESA MUNICIPAL AGUAS DE TOXIRIA, S.A.              | 988           | 941           |
| FAST CONSTRUCTION, LLC                                | 16,140        | 25,877        |
| FCC ÁMBITO, S.A.                                      | 161           | 394           |
| FCC CONSTRUCCION, S.A.                                | 865           | 587           |
| FCC MEDIO AMBIENTE, S.A.                              | 1             | 3             |
| FCC SERVICIOS INDUSTRIALES Y ENERGÉTICOS              | 94            | 90            |
| FCC, S.A.   | 365           | 304           |
| GESTION Y VALOR INT.CENTRO, S.L.                      | 31            | 14            |
| GIRONA, S.A.  | 48            | 28            |
| HA PROY. ESPEC. HIDR.                                 | 2,407         | 1,570         |
| MATINSA, S.A.   | 12            | -             |
| NUEVA SOCIEDAD DE AGUAS DE IBIZA, S.A.                | 2             | 2             |
| ORASQUALIA DEVEL.WASTE T.P. S.A.E.                    | 125           | 146           |
| ORASQUALIA O&M  | 69            | 84            |
| SHARIKET MIYEH RAS DJINET, S.P.A.                     | 2,719         | 4,988         |
| SHARIKET TAHLYA MIYAH MOSTAGANEM, S.P.A.              | 4,347         | 5,128         |
| <b>TOTAL FCC GROUP COMPANIES AND ASSOCIATED</b>       | <b>56,924</b> | <b>70,049</b> |

The turnover with Fast Construction LLC comes from the works carried out on the Riyadh Metro (Saudi Arabia).



g) Purchases and other supplies

| (Thousand euros)                                | 2017         | 2016         |
|---|--------------|--------------|
| ABAST. ALTA COSTA BRAVA EMPRESA MIXTA           | -            | 1            |
| AGUAS DEL PUERTO EMPRESA MUNICIPAL, S.A.        | 33           | 26           |
| AIGÜES DE TOMOVI, S.A.                          | 14           | 18           |
| ARIDOS Y CANTERAS DEL NORTE, S.A.               | 2            | -            |
| COMPAÑÍA DE CONTROL DE RESIDUOS                 | -            | 1            |
| EMPR.MUNICIPAL DE AGUAS DE ALGECIRAS, SA        | 1,642        | 2,071        |
| ECOACTIVA DE MEDIO AMBIENTE, S.A.               | 1            | -            |
| EMPRESA MIXTA MUNICIPAL DE AGUAS DE NIJAR       | 1,086        | 1,067        |
| EMPRESA MIXTA DE AGUAS DE JODAR, S.A.           | 19           | -            |
| EMPRESA MUNICIPAL DE AGUAS DE TOXIRIA, S.A.     | 9            | -            |
| FCC AMBITO, S.A.                                | 2            | 9            |
| FCC CONSTRUCCIÓN, S.A.                          | 12           | 9            |
| FCC INDUSTRIAL E INF. ENERGETICAS, S.A.         | 22           | -            |
| FCC MEDIO AMBIENTE, S.A.                        | 3            | 2            |
| FCC, S.A.                                       | 63           | 15           |
| HORMIGONES CALAHORRA, S.A.                      | -            | 5            |
| HORMIGONES REINARES, S.A.                       | 1            | 1            |
| HORMIGONES Y MORTEROS PREP., S.A. UNIP.         | -            | (11)         |
| NUEVA SOCIEDAD DE AGUAS DE IBIZA, S.A.          | 97           | 178          |
| PREFABRICADOS DELTA                             | 79           | 11           |
| PROVEIMENTS D'AIGUA, S.A.                       | 2            | 2            |
| <b>TOTAL FCC GROUP COMPANIES AND ASSOCIATED</b> | <b>3,087</b> | <b>3,405</b> |

h) Work performed by other companies

| (Thousand euros)                                | 2017         | 2016         |
|---|--------------|--------------|
| AIE COSTA TROPICAL DE GRANADA                   | 1            | -            |
| AIGÜES DE TOMOVI, S.A.                          | -            | 18           |
| COMPAÑÍA DE CONTROL DE RESIDUOS                 | 5            | 28           |
| ECOACTIVA DE MEDIO AMBIENTE, S.A.               | 11           | 11           |
| EMP.MUNICIPAL AGUAS DE LINARES, S.A.            | (15)         | -            |
| EMPRESA MIXTA DE AGUAS Y SERVICIOS, S.A.        | 50           | 26           |
| EMPRESA MUNICIPAL AGUAS DE TOXIRIA, S.A.        | 4            | -            |
| FCC AMBITO, S.A.                                | 149          | 147          |
| FCC CONSTRUCCION, S.A.                          | 429          | 151          |
| FCC MEDIO AMBIENTE, S.A.                        | 100          | 9            |
| FCC SERVICIOS INDUSTRIALES Y ENERGÉTICOS, S.A.  | 738          | 59           |
| FCC, S.A.                                       | 570          | 625          |
| GAMASUR GIBRALTAR, S.L.                         | 51           | 35           |
| GESTION Y VALOR INT.CENTRO, S.L.                | -            | 5            |
| PROVEIMENTS D'AIGUA, S.A.                       | 88           | 16           |
| <b>TOTAL FCC GROUP COMPANIES AND ASSOCIATED</b> | <b>2,181</b> | <b>1,130</b> |





i) Other operating expenses

| (Thousand euros)                                    | 2017          | 2016          |
|---|---------------|---------------|
| AGUAS DE ARCHIDONA, S.L.                            | -             | 1             |
| AGUAS DE DENIA, S.A.                                | 256           | 256           |
| AGUAS DE LANGREO, S.L.                              | -             | 7             |
| AIE COSTA TROPICAL DE GRANADA                       | 3             | -             |
| AIE ITAM DELTA DE LA TORDERA                        | 4             | 18            |
| AIGÜES DE TOMOVI, S.A.                              | 8             | 1             |
| COMPañÍA DE CONTROL DE RESIDUOS                     | 6             | 2             |
| EMPRESA MIXTA DE AGUAS DE UBRIQUE, S.A.             | 6             | 6             |
| F-C Y C, S.L. UNIPERSONAL                           | 9             | -             |
| EMP.MUNICIPAL AGUAS DE LINARES                      | 18            | 18            |
| EMPR.MUNICIPAL DE AGUAS DE ALGECIRAS, SA            | 154           | 133           |
| FCC AMBITO, S.A.                                    | 26            | 7             |
| FCC CONSTRUCCION, S.A.                              | 722           | 47            |
| FCC EQUAL CEE, S.L.                                 | 12            | 12            |
| FCC MEDIO AMBIENTE, S.A.                            | (2)           | 2             |
| FCC INDUSTRIAL E INFRAESTRUCTURAS ENERGÉTICAS, S.A. | 14            | -             |
| FCC, S.A.   | 19,462        | 22,381        |
| FEDEMES, S.L.                                       | 3,599         | 2,083         |
| ORASQUALIA DEVEL.WASTE T.P. S.A.E.                  | 9             | 32            |
| ORASQUALIA O&M                                      | -             | 12            |
| PROVEIMENTS D'AIGUA, S.A.                           | -             | 12            |
| SERVICIOS ESPECIALES DE LIMPIEZA, S.A.              | 155           | 87            |
| <b>TOTAL FCC GROUP COMPANIES AND ASSOCIATED</b>     | <b>24,461</b> | <b>25,117</b> |



## j) Financial Income

| (Thousand euros)                                | 2017          | 2016         |
|---|---------------|--------------|
| AGUAS DE ARCHIDONA, S.L.                        | 32            | 33           |
| AGUAS DE NARIXA, S.A.                           | 318           | 310          |
| AGUAS DE PRIEGO, S.L.                           | 179           | 185          |
| AGUAS DEL PUERTO EMPRESA MUNICIPAL, S.A.        | 856           | 746          |
| AIE COSTA TROPICAL DE GRANADA                   | 331           | 270          |
| AIGÜES DEL SEGARRA GARRIGUES, S.A.              | 46            | -            |
| ASESORIA FINANCIERA Y DE GESTION, S.A.          | 5,100         | 851          |
| EMPRESA MIXTA AGUAS DE LANGREO, S.A.            | 228           | 244          |
| EMPRESA MIXTA DE AGUAS DE JODAR, S.A.           | 69            | 71           |
| EMPRESA MIXTA DE AGUAS DE UBRIQUE, S.A.         | 4             | 17           |
| EMPRESA MUNICIPAL DE AGUAS DE ALGECIRAS         | 25            | 32           |
| EMPRESA MUNICIPAL DE AGUAS DE BENALMADENA, S.A. | 55            | 72           |
| EMPRESA MUNICIPAL DE AGUAS DE LINARES, S.A.     | -             | 1            |
| EMPRESA MUNICIPAL DE AGUAS DE NIJAR, S.A.       | 52            | 61           |
| EMPRESA MUNICIPAL DE AGUAS DE TOXIRIA, S.A.     | 5             | 6            |
| FCC, S.A.                                       | 6,737         | 3            |
| <b>TOTAL FCC GROUP COMPANIES AND ASSOCIATED</b> | <b>14,037</b> | <b>2,902</b> |

The increase in "Other financial income" originates from the new loans granted to Group Companies, as mentioned in Note 9.a.

## k) Financial costs

At 31 December 2017 the financial expenses with companies of the FCC Group amounted to 4,148 thousand euros, corresponding in their entirety to Fomento de Construcciones y Contratas, S.A. (20,781 thousand euros at 31 December 2016).

The reduction in "Financial expenses" originates from the restructuring of financial liabilities performed during the financial year, as detailed in Note 14.

## 23. REMUNERATION OF AUDITORS

Fees relating to auditing services and other professional services provided to different companies which compose Grupo Aqualia, by the main auditor and other auditors taking part in the audit of the different companies of the Group, and by entities related to them, are shown in the following table:



| <i>Amounts in thousand euros</i>   | 2017         |                |              | 2016         |                |            |
|------------------------------------|--------------|----------------|--------------|--------------|----------------|------------|
|                                    | Lead Auditor | Other auditors | Total        | Lead Auditor | Other auditors | Total      |
| Auditing services                  | 424          | 142            | 566          | 323          | 120            | 443        |
| Other Verification Services        | 196          | 57             | 253          | 21           | 1              | 22         |
| <b>Total</b>                       | <b>620</b>   | <b>199</b>     | <b>819</b>   | <b>344</b>   | <b>121</b>     | <b>465</b> |
| Other services                     | 30           | 220            | 250          | 14           | -              | 14         |
| <b>Total Professional services</b> | <b>30</b>    | <b>220</b>     | <b>250</b>   | <b>14</b>    | <b>-</b>       | <b>14</b>  |
| <b>TOTAL</b>                       | <b>650</b>   | <b>419</b>     | <b>1,069</b> | <b>358</b>   | <b>121</b>     | <b>479</b> |

## 24. OTHER INFORMATION

a) Information on deferred payments made to suppliers. Third additional disposition “Duty to inform” of Law 15/2010, of 5 July.

With regard to the Decision of the ICAC (Institute of Accounting and Accounts Auditing) of 29 January 2016, issued in accordance with the Second Final Provision of Act 31/2014, of 3 December 2014, and modifying the Third Additional Provision of Act 15/2010, of 5 July 2010, establishing measures to combat late payment in commercial operations, it should be pointed out with regard to the 2017 and 2016 financial year that the Parent Company operates in Spain with public sector clients, such as the State, autonomous regions, local authorities and other public bodies, which proceed to settle their payment obligations on terms that go beyond the period established in the Public Sector Procurement Legislation, and in Act 3/2004, of 29 December 2004, establishing measures to combat late payment in commercial operations.

It should be pointed out that in contracts and supplies with third parties derived from contracts signed by the Company with various public authorities, the terms of subsection 5 of Article 228 of the current Recast Text of the Public Sector Procurement Act apply, allowing the contractor to agree payment periods with its suppliers that go beyond the terms established by said regulation, subject to certain conditions.

As a result of these circumstances, and in order to adapt the Company's financial policy to reasonable levels of efficiency, over the course of the 2017 financial year the standard supplier payment period in the sectors in which the Company operates have been maintained.

The Group suppliers payment policy mentioned in the two preceding paragraphs is supported by: a) Payments to suppliers of contracts signed by the Company with the Public Authorities, in accordance with the requirements of article 228.5 of the TRLCSP, and b) Payments to other suppliers, according to the Second Transitory Provision of Act 15/2010, and, where applicable, the terms of Article 9 of Act 3/2004, which excludes "payment deferment for objective motives" from its understanding of unfair



nature, taking into consideration for both cases a) and b), the standard payment periods in the sectors where the Company conducts its activity.

Furthermore, the Parent Company recognises and makes payment to suppliers, at all times through mutual agreement with them, of the late-payment interest agreed in the contracts, providing them with negotiable means of payment associated with exchange instruments. These agreements, in addition to being expressly envisaged as indicated in the TRLCSP, are admitted by Directive 2011/7/EU, of 16 February, of the European Parliament and of the Council.

In accordance with the aforementioned Decision, a table is set out below providing information as to the average supplier payment period for commercial operations accruing from the date of entry into force of the aforementioned Act 31/2014, in other words 24 December 2014, although only with regard to companies based in Spain and consolidated by full or proportional integration.

Suppliers, purely for the purposes of providing the information set out in said Decision, include trade creditors through debts with suppliers of goods or services, included under the items "Suppliers" and "Sundry creditors" under the current liabilities on the balance sheet, referring only to Spanish entities included in the consolidable group.

| <b>Average supplier payment period (thousand euros)</b> |               |               |
|---|---------------|---------------|
|   | <b>2017</b>   | <b>2016</b>   |
|   | <b>Days</b>   | <b>Days</b>   |
| Average supplier payment period                         | 91            | 94            |
| Ratio of operations paid                                | 75            | 78            |
| Ratio of operations pending payment                     | 145           | 157           |
|   | <b>Amount</b> | <b>Amount</b> |
| Total payments made                                     | 441,133       | 398,678       |
| Total payments pending                                  | 123,614       | 102,909       |

#### b) Earnings per share

The diluted result per share coinciding with the basic result per share, in accordance with the following details:

| <b>Amounts in thousand euros</b>  | <b>2017.12</b> | <b>2016.12</b> |
|---|----------------|----------------|
| Net result for the financial year attributed to the Parent Company (thousand euros) | 92,133         | 71,251         |
| Average weighted number of shares in circulation                                    | 145,000        | 145,000        |
| <b>Basic result per share (euros)</b>   | <b>0.6</b>     | <b>0.5</b>     |



## 25. INFORMATION ON ENVIRONMENT

FCC Aqualia's activity is directly linked to environmental protection, since the thread that connects its actions is collaboration with Public Administrations for efficient integral water-cycle management and seeking to ensure water availability for sustainable growth of the populations it serves.

In the development framework of its activity, there are several actions which, pursuing the objective of efficiency under its responsibility as public services manager, allow for a better protection of environment. Among these actions the following can be highlighted:

- During the 2015 financial year, the Carbon Footprint for activities connected with the design and construction of water treatment, purification and desalination plants and associated installations was calculated, said operations being performed by the subsidiary company Aqualia Intech, registered in the Carbon Footprint Register of the Ministry of Agriculture, Food and Environment, on 21 April 2015, under registration code 2015\_00\_a062.
- The Carbon Footprint reduction plan continued in 2016, and the foundations were laid for the development of the PIMA EMPRESA project. There was furthermore an update to the calculation of the Carbon Footprint of all FCC Aqualia activities, registered in the Carbon Footprint Register of the Ministry of Agriculture, Food and Environment, on 9 August 2016, under registration code 2016\_00\_a200, verified by AENOR. In 2017 the Carbon Footprint Reducción Plan for FCC Aqualia Activities (2017-2019) was launched.
- It is a priority aim for FCC Aqualia to support the company's strategy as regards fulfilment of the Sustainable Development Goals (SDG) of the United Nations, emphasising those that affect our sector and stakeholders:
  - Nº 3. Promote general well-being.
  - Nº 6. Water and sustainable sanitation.
  - Nº 8. Promote sustained economic growth.
  - Nº 9. Build resilient infrastructure.
  - Nº 11. Create sustainable cities.
  - Nº 12. Guarantee sustainable production and consumption.
  - Nº 13. Adopt urgent measures to combat climate change.
  - Nº 14. Preserve marine resources sustainably.
  - Nº 15. Combat desertification and protect biodiversity.
- Likewise, in response to the entry into force of Royal Decree 56/2016 on Energy Efficiency, in February 2016, during said year we continued the implementation of the plan agreed with AENOR, which allowed us to certify the entire organisation in line with Standard ISO 50001.



To this end, Energy Audits were planned in contracts with a combined consumption representing 85% of the company's total consumption, as required by the regulations in force for reporting to the competent bodies in the various Autonomous Regions.

- In this regard, during 2017 a new computer application was launched, designed jointly with a technology partner for the control of electricity bills, which, among other functions, serves to centralise for the different levels of the organisation the adjustment of contracted power ratings, control of reactive energy consumption, analysis of offers, and automatic checks on the adjustment of electricity bills issued by the reseller, with regard to the contracted terms.
- The FCC Aqualia CSR Report clocked up in 2017 its 11th edition, maintaining the editorial approach of previous years, while presenting the different actions performed to raise awareness to combat gender violence, achieve occupational integration of people with disability, and equality.
- The Report likewise emphasises the company's involvement in all forums organised on the topic of Human Rights, as well as our involvement in Smart Cities, innovation projects, the Cantabria Water Footprint, the Aqualia Infrastructure Carbon Footprint, and energy efficiency in Lleida.
- Control of water collection and distribution quality. In 2016, the project to reorganise the network of FCC Aqualia drinking water laboratories was implemented. As a result, the previous network of 27 laboratories in Spain was replaced with a more concentrated arrangement of 7 accredited and 2 certified laboratories, with a significantly higher output capacity than at present, and a greater scope of accreditation, which will be capable of performing analytical techniques that currently need to be conducted at external laboratories. The new laboratory network in Spain will be fully operational by the second half of 2018, following the incorporation of the laboratories in Badajoz and Vigo.
- Elimination of environmental impact caused by discharging wastewater. This is achieved through the implementation and proper use of the most modern available technologies in the wastewater treatment plants operated by FCC Aqualia. These techniques not only seek to minimise the impact of treated wastewater discharged into rivers, but also minimise the impact caused by extraction of sludge, as well as odours and noise generated by treatment.
- Development of R&D&i projects focused mainly on improving the possibilities of water treatment. In this regard, work has continued to develop the projects in progress for methane enrichment at treatment plants, new methods for hypochlorite manufacturing for the disinfection of water plants, and the use of ozone in the treatment process.



## 26. POST-BALANCE SHEET EVENTS

### a) Acquisition of 49 % of Aqualia Czech, S.L. and Aqualia Infraestructuras Inzenyring sro from MIT Infrastructure Europe Ltd.

On 17 November 2007, the companies FCC Aqualia and MIT Infrastructure Europe Ltd. recorded in a public instrument the agreement signed on the same date, under the terms of which the former acquired from the latter 49% of the capital held in the companies Aqualia Czech, S.L. and Aqualia Infraestructuras Inzenyring s.r.o., for a price of 83,435 thousand euros and 9,065 thousand euros, respectively.

On 9 January 2018, both amounts were paid out, following receipt of authorisation from Competition Protection for the transfer of the shares, and the operation having been perfected in 2018, there are no accounting effects as of 31 December 2017.

### b) Other events.

At the date of formulation of these accounts, no further significant events in addition to those stated and entailing significant changes to the figures set out in the notes had occurred.



## ANNEX I

### FCC AQUALIA S.A. AND SUBSIDIARIES (CONSOLIDATED GROUP) SUBSIDIARIES (CONSOLIDATED BY GLOBAL INTEGRATION)

| COMPANY  | % GROUP STAKE | AUDITOR                     |
|--|---------------|-----------------------------|
| <b>Acque di Caltanissetta, S.p.A.</b><br>Viale Sicilia 176 93100 Caltanissetta - ITALY                                       | 98.46 %       | DELOITTE                    |
| <b>Aguas de Alcázar Empresa Mixta, S.A.</b><br>C/ Rondilla Cruz Verde, 1 - Alcázar de San Juan (CIUDAD REAL)                 | 52.38 %       | CENTIUM AUDITORES           |
| <b>Aguas de las Galeras, S.L.</b><br>Avda. Camino de Santiago, 40 – MADRID   | 100.00 %      | -                           |
| <b>Aigües de Vallirana, S.A.U.</b><br>C/ Conca de Tremp, 14 – Vallirana (BARCELONA)  | 100.00 %      | -                           |
| <b>Aqualia Infraestructuras D.O.O. Beograd-Vracar</b><br>Resavska 23 Belgrado Vracar - Belgrado-SERBIA                       | 100.00 %      | -                           |
| <b>Aqualia Infraestructuras Montenegro</b><br>Bulevar Svetog Petra Centinjskog 1 A – 81000 Podgorica - MONTENEGRO            | 100.00 %      | -                           |
| <b>Aqualia Infraestructuras Pristina LLC</b><br>Bulevardi Nëna Terezë No 47/5B -Prishtina- REPUBLIC OF KOSOVO                | 100.00 %      | -                           |
| <b>Aqualia MACE LLC</b><br>P.O. Box 105547 – Abu Dhabi, U.A.E.   | 51.00 %       | DELOITTE                    |
| <b>Aquaelvas - Aguas de Elvas, S.A.</b><br>Rua Paco Bandeira, 14 - Assunção - Elvas - PORTUGAL                               | 100.00 %      | DELOITTE                    |
| <b>Aquamaior – Aguas de Campo Maior, S.A.</b><br>Rua Mayor Talaya, 28 – Nossa Senhora de Expectaçao – Campo Maior – PORTUGAL | 100.00 %      | DELOITTE                    |
| <b>Abrantaqua, S.A.</b><br>Parque Lena – Alferrarede Abrantes – PORTUGAL   | 60.00 %       | OLIVEIRA, REIS & ASSOCIADOS |
| <b>Aqua Campiña, S.A.</b><br>C/Blas Infante, 6 – Écija (SEVILLE)   | 90.00 %       | AUDINFOR                    |
| <b>Aquafundalia – Agua do Fundão, S.A.</b><br>Rua Fernando Pessoa, 195 6230 479 Fundao - PORTUGAL                            | 100.00 %      | DELOITTE                    |
| <b>Aquajerez, S.L.</b><br>C/ Cristalería, 24 - CÁDIZ   | 51.00 %       | EY                          |
| <b>Aqualia Intech, S.A.</b><br>Avda. Camino de Santiago, 40 – MADRID   | 100.00 %      | DELOITTE                    |
| <b>Aqualia Infraestructuras Inzenyring, s.r.o.</b><br>Marienské Hory, Slavnikovcu 571/21 Ostrava – CZECH REPUBLIC            | 51.00 %       | ABC AUDIT SRO               |
| <b>México, S.A. de C.V.</b><br>Carrizal, 33 - Santiago de Queretaro - Queretaro - MEXICO                                     | 100.00 %      | DELOITTE                    |
| <b>Aqualia Infraestructuras Mostar</b><br>Dr. Ante Estarcevic BB – MOSTAR (SERBIA)   | 100.00 %      | -                           |
| <b>Aqualia Czech, S.L.</b><br>Avda. Camino de Santiago, 40 – MADRID  | 51.00 %       | DELOITTE                    |
| <b>Aqualia New Europe B.V.</b><br>C/Calude Debussylann, 24 – Amsterdam (NETHERLANDS)   | 51.00 %       | DELOITTE                    |
| <b>Cartagua – Aguas do Cartaxo, S.A.</b><br>Zona Industrial do Cartaxo, Lote 20 – Cartaxo - PORTUGAL                         | 60.00 %       | OLIVEIRA, REIS & ASSOCIADOS |
| <b>Compañía Onubense de Aguas, S.A.</b><br>C/Martín Alonso Pinzón, 8 – HUELVA  | 60.00 %       | -                           |
| <b>Conservación y Sistemas, S.A.</b><br>C/ Federico Salmón, 13 – MADRID  | 100.00 %      | DELOITTE                    |
| <b>Depurplan 11, S.A.</b><br>C/ Madre Rafols, 2 – SARAGOSSA  | 100.00 %      | AUDINFOR                    |
| <b>Empresa Gestora de Aguas Linenses, S.L.</b><br>C/Federico Salmón, 13 – MADRID   | 100.00 %      | -                           |
| <b>Empresa Mixta de Butarque, S.A.</b><br>C/Princesa, 3 - (MADRID)   | 70.00 %       | -                           |
| <b>Entemanser, S.A.</b>  | 97.00 %       | DELOITTE                    |





**FCC AQUALIA S.A. AND SUBSIDIARIES (CONSOLIDATED GROUP)  
SUBSIDIARIES (CONSOLIDATED BY GLOBAL INTEGRATION)**

|   |          |                        |
|---|----------|------------------------|
| C/Castillo, 13 – ADEJE (SANTA CRUZ DE TENERIFE)                         |          |                        |
| <b>FCC Aqualia América, S.A.U.</b>                                      | 100.00 % | -                      |
| C/ Uruguay, 11 – Vigo (PONTEVEDRA)                                      |          |                        |
| <b>FCC Aqualia USA Corp.</b>  | 100.00 % | BEKOWITZ POLLACK BRANT |
| 2711 Centerville Road, Suite 400. Wilmington (New Castle -Delaware-USA) |          |                        |
| <b>SEVEROMORAVSKÉ VODOVODY A KANALIZACE OSTRAVA a.s.</b>                | 50.33 %  | DELOITTE               |
| Varenská 2723/51 70200 Ostrava – CZECH REPUBLIC                         |          |                        |
| <b>Hidrotec Tecnología del Agua, S.L.U.</b>                             | 100.00 % | DELOITTE               |
| C/Pinzel, 25 – SEVILLE  |          |                        |
| <b>Infraestructuras y Distribución General de Agua, S.L.</b>            | 100.00 % | -                      |
| C/La Presa, 14 – Tijoco Bajo-ADEJE (SANTA CRUZ DE TENERIFE)             |          |                        |
| <b>Inversora Riutort, S.L.</b>  | 100.00 % | -                      |
| C/ Alfonso XIII – Sabadell (BARCELONA)                                  |          |                        |
| <b>Ovod spol, s.r.o.</b>  | 100.00 % | ABC AUDIT SRO          |
| Jaselská 47 - Opava – CZECH REPUBLIC                                    |          |                        |
| <b>Sociedad Ibérica del Agua, S.A.U.</b>                                | 100.00 % | -                      |
| C/Federico Salmón, 13 – MADRID  |          |                        |
| <b>Sociedad Española de Aguas Filtradas, S.A.</b>                       | 100.00 % | DELOITTE               |
| C/ Jacometrezo, 4 – MADRID  |          |                        |
| <b>Tratamiento Industrial de Aguas, S.A.</b>                            | 100.00 % | DELOITTE               |
| C/Federico Salmón, 13 – MADRID  |          |                        |

Note: This annex is an integral part of the Report on the accompanying consolidated financial statements.



## ANNEX II

### FCC AQUALIA S.A. AND SUBSIDIARIES (CONSOLIDATED GROUP) JOINT OPERATIONS (CONSOLIDATED BY EQUITY METHOD)

| COMPANY   | % GROUP STAKE | AUDITOR           |
|---|---------------|-------------------|
| <b>AIE Costa Tropical de Granada</b><br>Plaza Aurora, s/n - Motril (GRANADA)                                | 51.00 %       | DELOITTE          |
| <b>AIE ITAM Delta de la Tordera</b><br>Travesera de Gracia, 58 – BARCELONA                                  | 50.00 %       | -                 |
| <b>AIE Aquagest Medioambiente, S.A. - Aqualia</b><br>C/Condado de Jaruco, s.n. – Lloret de Mar (GIRONA)     | 37.50 %       | -                 |
| <b>Empresa mixta Abastament en Alta Costa Brava, S.A.</b><br>Plaza Josep Pla, 4 - GIRONA                    | 26, 00 %      | AUDINFOR          |
| <b>Gestión de Servicios Hidráulicos de Ciudad Real AIE</b><br>C/ Ramírez de Arellano, 15 – MADRID           | 75.00 %       | -                 |
| <b>Empresa Mixta de Aguas y Servicios, S.A.</b><br>Alarcos, 13 - CIUDAD REAL                                | 41.25 %       | CENTIUM AUDITORES |
| <b>Empresa Mixta d'Aigües de la Costa Brava, S.A.</b><br>Plaza Josep Pla, 4 - GIRONA                        | 25.00 %       | EY                |
| <b>AIE Costa Brava Abastecimientos Aqualia-Sorea</b><br>C/ Sector Carlit, s/n. Castelló d'Empuries - GIRONA | 50.00 %       | -                 |

Note: This annex is an integral part of the Report on the accompanying consolidated financial statements.



### ANNEX III

#### FCC AQUALIA S.A. AND SUBSIDIARIES (CONSOLIDATED GROUP) JOINT VENTURES (CONSOLIDATED BY EQUITY METHOD)

| COMPANY   | % STAKE | VNC 31.12.2017<br>(Note 6) | VNC 31.12.2016<br>(Note 6) | AUDITOR                                   |
|---|---------|----------------------------|----------------------------|---|
| <b>Aguas de Priego, S.L.</b><br>Plaza Constitución, 3. Priego de Córdoba (CORDOBA)  | 49.00 % | -17                        | -104                       | AUDINFOR SL                               |
| <b>Aguas de Archidona, S.L.</b><br>Plaza Ochavada, 1 – 29300 Archidona - MALAGA   | 48.00 % | 71                         | 76                         | CENTIUM AUDITORES SL                      |
| <b>Aguas del Puerto Empresa Municipal, S.A.</b><br>C/ Aurora 1 - 11500 - EL PUERTO DE SANTA MARÍA (CÁDIZ)                             | 48.98 % | 3,927                      | 3,860                      | -   |
| <b>Compañía de Servicios Medioamb. do Atlántico, S.A.</b><br>Carretera de Cedeira, km 1 - Narón (LA CORUÑA)                           | 49.00 % | 313                        | 343                        | AUDINFOR SL                               |
| <b>Girona, S.A.</b><br>Travesía del Carril, 2 – GERONA  | 33.61 % | 1,771                      | 1,831                      | CATAUDIT AUDITORS<br>ASSOCIATS SL         |
| <b>Aguas de Denia, S.A.</b><br>Pedro Esteve, 17 - Denia (ALICANTE)  | 33.00 % | 400                        | 400                        | AUDINFOR SL                               |
| <b>Aguas de Ubrique, S.A.</b><br>Avenida España, 9 - Ubrique (CÁDIZ)  | 49.00 % | -59                        | 0                          | -   |
| <b>Aguas de Narixa, S.A.</b><br>C/Málaga, 11 – Nerja (MÁLAGA)   | 50.00 % | 268                        | 274                        | AUDINFOR SL                               |
| <b>Aigües de Blanes, S.A.</b><br>Canigó, 5. Blanes - GIRONA   | 16.47 % | 64                         | 50                         | CD AUDITORS                               |
| <b>Aigües de Girona Salt i Sarrià del Ter</b><br>Ciudadans, 11 - GIRONA   | 26.88 % | 166                        | 255                        | CATAUDIT AUDITORS<br>ASSOCIATS SL         |
| <b>Aigües del Tomoví, S.A.</b><br>c/ Vella, 1 – El Vendrell (TARRAGONA)   | 49.00 % | 531                        | 509                        | GM AUDITORS SL                            |
| <b>Constructora de Infr. de Aguas de Querétaro, S.A. de C.V.</b><br>C/ Minería Edificio B Ciudad de Méjico, Distrito Federal (MEXICO) | 24.50 % | -2,720                     | -2,995                     | DELOITTE SL                               |
| <b>Constructora de Infr. de Aguas de Potosí, S.A. de C.V.</b><br>Bulevar Manuel Avila Camacho, 36 Méjico, Distrito Federal (MEXICO)   | 24.50 % | -5,005                     | -5,395                     | -   |
| <b>Concesionaria de Desalación de Ibiza, S.A.</b><br>Rotonda de Sta. Eulalia, s/n – Ibiza (BALEARES)                                  | 32.00 % | 1,260                      | 1,226                      | BDO AUDITORES S.L.                        |
| <b>EMANAGUA - Empresa Municipal de Aguas de Níjar, S.A.</b><br>Plaza de la Glorieta, 1 – Níjar (ALMERÍA)                              | 49.00 % | 464                        | 277                        | CENTIUM AUDITORES SL                      |
| <b>Empresa Municipal Aguas de Algeciras, S.A.</b><br>C/Virgen del Carmen, s/n - Algeciras (CÁDIZ)                                     | 49.00 % | 208                        | 201                        | NEXT AUDITORES Y<br>CONSULTORES S.L.      |
| <b>Empresa Municipal Aguas de Benalmádena, S.A.</b><br>Exp.. Ap.Tívoli, s/n - Arroyo de la Miel (MÁLAGA)                              | 50.00 % | 1,648                      | 1,582                      | AUDINFOR SL                               |
| <b>Empresa mixta de Aguas de Jódar, S.A.</b><br>Plaza de España, 1- Jódar (JAEN)  | 49.00 % | 10                         | 16                         | CENTIUM AUDITORES SL                      |
| <b>Aguas de Langreo, S.L.</b><br>C/Alonso del Riesgo, 3 – Langreo (ASTURIAS)  | 49.00 % | 946                        | 874                        | CAPITAL AUDITORS AND<br>CONSULTANTS, S.L. |
| <b>Empresa Municipal Aguas de Toxiria, S.A.</b><br>Plaza de la Constitución – Torredonjimeno (JAÉN)                                   | 49.00 % | 80                         | 78                         | CENTIUM AUDITORES SL                      |
| <b>Empresa Municipal de Aguas de Linares, S.A.</b><br>C/ Cid Campeador, 7 - Linares (JAEN)  | 49.00 % | 223                        | 186                        | CENTIUM AUDITORES SL                      |
| <b>Empresa Mixta de Aguas de Ubrique, S.A.</b><br>C/JUZGADO S/N - 11600 - UBRIQUE (CÁDIZ)   | 49.00 % | 81                         | 76                         | DELOITTE SL                               |



|  |         |               |               |                                   |
|--|---------|---------------|---------------|-----------------------------------|
| <b>Aquos El Realito, S.A. de C.V.</b><br>San Luis Potosí (MEXICO)  | 49.00 % | 5,778         | 5,884         | DELOITTE MEXICO                   |
| <b>Orasqualia Devel. Waste Treatment Plant S.A.E.</b><br>2112 South Tower – Cairo (EGYPT)                          | 27.95 % | 8,669         | 8,942         | DELOITTE SL                       |
| <b>Orasqualia Construction S.A.E.</b><br>2112 South Tower – Cairo (EGYPT)  | 50.00 % | 122           | 147           | KPMG                              |
| <b>Orasqualia Operation and Maintenance, S.A.E.</b><br>Nile City Towers – Cairo - EGYPT                            | 50.00 % | 471           | 553           | DELOITTE SL                       |
| <b>Operadora El Realito S.A. de C.V.</b><br>Tomas Alva Edison 176- San Rafael-Distrito Federal (MEXICO)            | 15.00 % | 164           | 46            | EY                                |
| <b>HA Proyectos Especiales Hidraulicos S.R.L. de CV</b><br>Neucalpan – MEXICO D.F.                                 | 49.50 % | 560           | 1,111         | GRANT THORNTON SC                 |
| <b>Nueva Sociedad de Aguas de Ibiza, S.A.</b><br>C/Bartolomé Rosselló, 18 - (IBIZA)                                | 40.00 % | 101           | 82            | -                                 |
| <b>Proveïments d'Aigua, S.A.</b><br>Asturias, 13 - GIRONA  | 15.12 % | 504           | 433           | ANTONI RIERA ECONOMISTES AUDITORS |
| <b>Sera.Q.A. Duitama, S.A.</b><br>(COLOMBIA)   | 30.60 % | 42            | 48            | -                                 |
| <b>Shariket Tahlya Miyah Mostaganem</b><br>Cit  Abdoni Ilot, 36 – Dar el Beida (ALGERIA)                           | 25.50 % | 31,248        | 32,464        | MUSTAPHA HEDDAD                   |
| <b>Shariket Miyeh Ras Djinet</b><br>Cit  Abdoni Ilot, 36 – Dar el Beida (ALGERIA)                                  | 25.50 % | 11,393        | 12,178        | MUSTAPHA HEDDAD                   |
| <b>Suministro de aguas de Quer taro, S.A. de C.V.</b><br>Santiago de Quer taro – Quer taro Arteaga (MEXICO)        | 1.00 %  | 326           | 368           | DELOITTE MEXICO                   |
| <b>Prestadora de Servicios Acueducto El Realito SACV</b><br>Bvd. Manuel Avila Camacho, 36. MIGUEL HIDALGO (MEXICO) | 24.50 % | 1             | 1             | -                                 |
| <b>Total</b>   |         | <b>64,009</b> | <b>65,877</b> |                                   |

Note: This annex is an integral part of the Report on the accompanying consolidated financial statements.



## ANNEX IV

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

#### TEMPORARY JOINT VENTURES

| NAME   | PARTICIPANT SHAREHOLDERS  | % GROUP STAKE |
|--|---|---------------|
| Asocierea FCC-Aqualia-Suez EDAR Glina              | Aqualia Intech, S.A. – FCC Construcción, S.A. – SUEZ Internacional SAS                | 27 %          |
| UTE Abu Rawash Construccion                        | Aqualia Intech-Orascom Cons.Industries  | 50 %          |
| UTE Agnita Eptisa - aisa                           | Aqualia Intech S.A - EPTISA   | 50 %          |
| UTE Agua Santo Domingo                             | FCC Aqualia, S.A. - Water and energy  | 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. – Eicoh Explot. S.L. – Eléct. Maspalomas, S.A.                      | 50 %          |
| UTE Aigües els Poblets                             | FCC Aqualia, S.A. – Hidrosal, S.A.  | 95 %          |
| UTE Alkhorayef-FCC Aqualia                         | FCC Aqualia -Alkhorayef Water&Power   | 51 %          |
| UTE Alcantarillado Burgos                          | FCC Aqualia, S.A. - FCC, S.A.   | 40 %          |
| 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 Riofabar Piloña                        | FCC Aqualia, S.A.   | 100 %         |
| UTE Bombeos Zona Sur                               | FCC Aqualia, S.A. - FCC, S.A.   | 99 %          |
| UTE C.H. Talave                                    | FCC Aqualia - SEAFSA  | 100 %         |
| UTE Cangas   | FCC Aqualia, S.A. - FCC, S.A.   | 50 %          |
| 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 Thechnical 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 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. – FCCCO – 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. – DEMAINE, S.L  | 50 %          |
| Ute Edar Albuñol                                   | FCC Aqualia- 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. – FCCCO – Degremont, S.A.  | 30 %          |
| UTE EDAR La Ranilla                                | FCC Aqualia, S.A. – Aqualia Intech, S.A. - FCC.S.A.                                   | 75 %          |
| UTE EDAR Reinosa                                   | FCC Aqualia, S.A. - FCC, S.A.   | 99 %          |
| UTE EDAR San Claudio                               | Aqualia Intech, S.A. - FCC Construcción, S.A.   | 50 %          |
| 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 EPTISA - AISA (ZIMNICEA)                       | 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 Explotación Piscinas Vigo     | FCC Aqualia, s.a – Idonea CYS, S.L:                               | 50 %    |
| UTE FCC-Aqualia-Salamanca         | FCC Aqualia, S.A. - FCC, S.A.                                     | 95 %    |
| UTE Gestión Cangas                | FCC Aqualia, S.A. – Civis Global, S.L.                            | 70 %    |
| UTE Gestión Piscinas Vigo         | FCC Aqualia, S.A. – Idonea Cys, S.L.                              | 50 %    |
| 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.                                     | 80 %    |
| 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 Ibiza - Pormany EPC           | 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 EDAM 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.                                     | 99 %    |
| UTE Mostaganem                    | Aqualia Intech, S.A. – Inima                                      | 50 %    |
| UTE Nigrán                        | FCC Aqualia, S.A. - FCC, S.A.                                     | 99 %    |
| 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 PTAR Ambato                   | Aqualia Intech, S.A. - Alvarado Ortiz Constructores               | 60 %    |
| UTE PTAR San Silvestre            | Aqualia Intech, S.A. - Construvías de Colombia S.A.               | 50 %    |
| UTE Ranilla Construcción          | Aqualia Intech, S.A. – FCC Construcción, S.A. – CODESA            | 42.5 %  |
| UTE Redes CABB                    | FCC Aqualia, S.A. – Iragaz Watin S.A.                             | 65 %    |
| UTE Redondela                     | FCC Aqualia, S.A. - FCC, S.A.                                     | 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              | SEAFSA – Jaime e Isaac Rodríguez                                  | 60 %    |
| UTE Sentinas                      | SEAFSA – Sampol   | 50 %    |
| UTE SGVV                          | Conservación y Sistemas, S.A. - ACISA                             | 50 %    |
| UTE Sistema Integral Alacantí 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 Tossa de Mar                  | FS Colaboración y Asistencia, S.A. - Tec-Rec, S.L.                | 20 %    |
| 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 %    |
| UTE Vigo Piscinas                 | FCC Aqualia, S.A. – Idonea CYS, S.L:                              | 50 %    |

Note: This annex is an integral part of the Report on the accompanying consolidated financial statements.



## ANNEX V

### FCC AQUALIA S.A. AND SUBSIDIARIES (CONSOLIDATED GROUP) VARIATIONS IN THE CONSOLIDATION PERIMETER 31-12-2017

| NAME  | REGISTERED OFFICE | % GROUP STAKE |
|---|-------------------|---------------|
| <b>A) Registrations in global consolidation</b> |                   |               |
| <b>B) Withdrawals in global consolidation</b>   |                   |               |
| FS Colaboración Gestión y Asistencia, S.A.      | SPAIN             | 100 %         |
| Colaboración, Gestión y Asistencia, S.A.        | SPAIN             | 100 %         |
| Aquacartaya, S.A.                               | SPAIN             | 100 %         |
| <b>C) Withdrawals in equity method</b>          |                   |               |
| Aguas de Ubrique, S.A.                          | SPAIN             | 49 %          |

### FCC AQUALIA S.A. AND SUBSIDIARIES (CONSOLIDATED GROUP) VARIATIONS IN THE CONSOLIDATION PERIMETER 31-12-2016

| NAME  | REGISTERED OFFICE    | % GROUP STAKE |
|---|----------------------|---------------|
| <b>A) Registrations in global consolidation</b> |                      |               |
| Aqualia MACE, LLC                               | UNITED ARAB EMIRATES | 51 %          |
| <b>B) Withdrawals in global consolidation</b>   |                      |               |
| Aqualia Industrial Solutions, S.A. Unipersonal  | SPAIN                | 100 %         |
| Depurtebo, S.A.U.                               | SPAIN                | 100 %         |
| Aqualia Management Solutions, BV                | THE NETHERLANDS      | 100 %         |
| <b>C) Withdrawals in the Equity Method</b>      |                      |               |
| Aqualia MACE, LLC                               | UNITED ARAB EMIRATES | 51 %          |

Note: This annex is an integral part of the Report on the accompanying consolidated financial statements.



## MANAGEMENT REPORT 2017

### WATER MANAGEMENT

#### DOMESTIC MARKET

In 2017, the trend which began in 2015 and 2016 has continued, with the recovery of the **sales revenues**. The gap between coastal and inland areas was reduced, with significant consumption increases in the Balearic and Canary Islands and coastal districts of Andalusia, while extensive mainland inland regions plateaued out. In overall figures, turnover rose year on year by 2.31%, with income from internal concepts rising by 2.54%, with the average pricing rates being essentially frozen. Low-level supply saw an increase in volume of 1.19%, a rise in revenue of 2.41%, and an average price rate rise of 1.21%. There was a significant increase in high-level water sales, of 8.75%, in particular to irrigation operations in Andalusia, although this had a limited impact on income, given the low price rates.

Political initiatives supporting the restoration of water management services to the municipal authorities have been focused in just a few municipalities where the concessions in force were coming to an end. The City Councils of Tarrasa and Valladolid, opted, upon expiry of the contract that they had in place with competing companies, to manage the services directly. At Aqualia, albeit in a very isolated manner (in the case of Alcázar de San Juan), we are noting certain similar initiatives, although within the legal framework for the development of our contracts, this does not prompt us to perceive any significant risk to our operations in the short term.

As for **commercial operations** in the integrated water cycle **concessions** segment, we have been awarded competitive tenders or have extended contracts on their expiry (with an extremely high loyalty rate, in excess of 90%), by those municipalities where we operate. The main contracts were:

- Mogán (Las Palmas), integrated water management service for Taurito, awarded by Aguas de Tirajana, for a period of 15 years
- Valle del Zalabí (Granada), integrated water management service awarded by the Municipality of Valle de Zalabí, for a period of 10 years
- Joint Municipal Confederation of Río Algodor (Toledo), management of high-level water service to the municipalities for a period of 20 years
- San Pedro Pinatar (Murcia), management of the water supply, sanitation and treatment service for a period of 15 years





- Louro (Pontevedra), integrated water management concession within the scope of the Louro Consortium, for a period of 3 years
- Cabeza de Horno (Salamanca), high-level drinking water supply services for the Joint Municipal Confederation of Cabeza de Horno, for a period of 10 years
- La Guardia (Toledo), management of the municipal water supply service for a period of 20 years
- Villanueva de Alcardete (Toledo), municipal water supply and drains service concession for a period of 20 years
- Sant Antoni de Portmany (Balearic Islands), management of municipal water supply and sewerage service for a period of 1 year
- Santa Eulària des Riu (Balearic Islands), management of municipal water supply and sewerage service for a period of 1 year
- Quintanar del Rey (Cuenca), management of the municipal water supply service for a period of 10 years
- Güüimar (Santa Cruz de Tenerife), management of municipal water supply and sanitation service for a period of 1 year
- Inclusion of the Atlanterra Urban Development within the contract for Tarifa (Cadiz) for a period of 5 years.

In parallel, we have dedicated considerable efforts to extending our presence in the installations **Operation and Maintenance** sector (WWTP, DWTP, desalination plants, network management). We have focused our activities on significant public clients, in terms of technical level and solvency, who recognise our technological value-added and administrative improvements, allowing us to maintain appropriate profitability, having been awarded, among others:

- Aguas de Burgos (Burgos), operation and maintenance service for the WWTP, and city drains network cleaning service for a period of 4 years.
- Canal de Isabel II (Madrid), urgent renewal and repair initiatives for water supply and regenerated water networks corresponding to Lot 9, Culebro Network, for a period of 2 years
- Canal de Isabel II (Madrid), operation and maintenance service for the peripheral sanitation networks in the Culebro region, for a period of 1 year
- Luarca WWTP (Asturias, CADASA), for a period of 4 years
- Meter reading for GIHASA (Huelva) for a period of 4 years
- Maintenance of sports facilities in Villaviciosa (Asturias), Oleiros (La Coruña) and Redondela (Pontevedra), for periods of from 1 to 3 years.
- Maintenance of supply networks, Lot A, for Udal Sareak (Biscay Water Consortium), for a period of 2 years
- Huesca WWTP (Aragon Water Institute), for a period of 3 years



The Central and Regional Government is not tendering significant **water infrastructure concession projects**, in this case mainly as a result of the process of fiscal consolidation and debt reduction that these public authorities continue to apply, increasing the deficit in terms of infrastructure renewal and expansion. Purely by way of example, within the sphere of waste water treatment, the average volume of treated waste water with tertiary treatment (allowing for subsequent reuse) is 67% in Europe, while in Spain, the country subject to the greatest water supply stress in Europe because of its climatic and hydrological characteristics, the level is only 60%. There are plans in 2018 for Castile-La Mancha to tender what is known as the Castile-La Mancha Treatment Programme (PLAN DEPURACLM 100%). 10 lots will be tendered. 556 WWTPs will be constructed or remodelled, the main purpose being the design, execution of works, financing and operation of the facilities for 25 years. The contracts have an estimated budget of 1.742 billion euros. Other autonomous regions are expected to embark on initiatives in the future (Andalusia, Extremadura).

We also expect to continue making progress in promoting **new activities** on a complementary or accessory basis, alongside those that represent our core operations, such as: O&M and adaptation of water plants (process and discharge) for industries; Smart City Services (remote control and management, remote-reading...). We should emphasise in this field for 2017 the contracting of industrial works to adapt installations for above all CAPSA (in Villagarcía de Arousa and Lugo), INCARLOPSA (Corral de Almaguer, Toledo), García Baquero (Toro, Zamora), VALEO (Martos, Jaén) and COSENTINO (Almería).

In the **Technology and Networks** sector, we have been awarded construction projects for the Majadahonda WWTP (Canal de Isabel II in Madrid), the La Nucía WWTP (Alicante), the expansion of the El Bobar WWTP (Almería) and a water storage tank in Granadilla (Tenerife), among others. There are plans for 2018 for an expansion of tendering processes at the MAPAMA (Tenerife WWTP and other facilities), at Canal de Isabel II (Colmenar WWTP, and Multi-year Plan for the Elimination of Fibre Cement Networks), etc.

In 2017, concession contracts that we have been providing in the field of integrated water cycle and O&M contracts come to an end. We expect to maintain similar renewal to this year.

There are also significant contracts operated by other companies in the sector due to expire in Lugo, San Cugat del Vallés, Manises, Requena, Santiago de Compostela, Fuengirola, Ourense and Zamora. We have submitted an offer for the Pontevedra tender, which is at present pending the award. In 2018, the market is likely to be more active than this year, and will therefore offer



greater contractual opportunities. It should be emphasised that considerable interest has been noted in the most recent tender processes, with up to 10 bidders in some cases.

The new Public Sector Procurement Act will take effect in early 2018. It will have an impact on the sector, essentially as regards the solvency to be demanded of bidders, the adaptation of concession periods, the revision of the grounds for claims regarding economic imbalances in concessions, and the regulation of the contract price rate review regime. Meanwhile, application of the De-indexing Act Regulation is now progressively being implemented at all public authorities, with a fairly insignificant impact on the establishment of remuneration review mechanisms.

Likewise, in 2017 we continued our social action and dissemination campaigns. Numerous agreements have been signed with local authorities, and regulatory modifications instigated to avoid water supply being cut off in the event of non-payment by customers at risk of social exclusion on economic grounds. Our R&D+i initiatives and projects have also been extensively publicised, , highlighting the Vice-President of the European Commission, Mr Miguel Arias Cañete's inauguration of the Chiclana WWTP, which bases the treatment on cultivating algae and produces gas suitable for use in vehicles, with a positive energy balance.

## **INTERNATIONAL MARKET**

At the international level, FCC Aqualia focused its operations during the 2017 financial year on Europe, North Africa, the Middle East, the United States and Latin America.

In the **Americas**, the deficit in terms of water infrastructure and the pursuit of efficiency in the existing facilities make it more likely that Aqualia will have the opportunity to expand, with a significant increase in likelihood following the divestment by FCC of its stake in Proactiva, an investee company with the French operator Veolia.

In **Mexico**, use is being made of the experience obtained in the Acueducto II and Realito BOT contracts to propose similar projects, where the more demanding technical and financial capacities give FCC Aqualia a prominent position. In this regard, the contract for the financing, design, construction and operation of a 200 L/s desalination plant in Sonora (Baja California) has been presented and won. The year also saw the conclusion of construction of the third Cutzamala line, section 2, front 1, for the National Water Commission, along with the modernisation works on the Mezcapala Intake for Petróleos Mexicanos, among others, while work continues on the engineering and construction of the Contracorriente WWTP in the east



of Mexico City. The country continues to register an increase in its concern with the efficiency of the water services of a number of municipalities, which, combined with the limitations of federal subsidies, means that the opportunities for involvement in management are increasing, essentially under the mixed-economy enterprise structure. Lastly, as a result of the recent energy reform the national oil company is aiming to modernise, with a process of interest taking place for the outsourcing of its water services, in which Aqualia is involved.

In **Colombia**, development has begun of the El Salitre WWTP project in Bogota, and the San Silvestre WWTP in Barrancabermeja. Business opportunities are being monitored for the management of integrated services in major municipalities in the country under the municipal concession model, as well as for the design, construction and financing of water infrastructure for the treatment of waste water, and new drinking water supply sources in those regions that have such a need.

In **Peru**, the state is engaged in a process of evaluating the efficiency of its utilities, to open the door up to private initiatives in the case of those revealing the poorest management indicators. During the year, five private initiatives were presented for waste water treatment in the municipalities of Trujillo, Cajamarca, Cuzco, Chincha and Cañete, which are expected to be declared of interest during 2018. New business opportunities will arise, promoted by PROINVERSION, which is responsible for stimulating investment in the country, as well as outsourcing contracts at SEDAPAL, the municipal water company for the city of Lima.

In **Chile**, the mining sector continues to reveal business opportunities of interest for the production of the desalinated water for its facilities. We are working for our long-standing clients in the sector to expand and refurbish their facilities. Business opportunities are likewise expected to emerge in connection with the rotation of the assets of some utilities.

In **Panama**, the national government is developing an ambitious water infrastructure project in which we are actively involved, having recently been awarded the project for engineering, construction and operation of the Arraiján WWTP for 10 years, which will provide water treatment for a population of 130 thousand, and we have also submitted an assistance and consultancy offer for the operational and commercial management of the IDAAN, the national body responsible for administration of the country's water service.

During 2017, FCC Aqualia strengthened its commercial analysis operations in the **United States**, above all in Florida, California Texas. Water shortages, the obsolescence of water infrastructure and the limited penetration of private operators within the sector, all serve as



engines for growth in these states. FCC Aqualia is currently preparing tender projects, private initiatives (unsolicited proposals), and the development of water projects.

In **Portugal**, practically no new competitive tenders were announced in 2017 for municipal service concessions. Opportunities have emerged for the outsourcing of services at public enterprises, with high levels of competitiveness and low profit. Nonetheless, the concession business is expected to become more active again following the municipal elections held in the final quarter of 2017, prompted by the budgetary shortfall suffered by local councils, and the need for infrastructure investment. Activities in technology and networks connected with our contracts have notably benefited from the application of European funds (POSEUR) to improve infrastructure.

In **Italy**, the fine-tuning of the regulatory system to determine price rates, based on the principle of full cost recovery, is improving the perception of the business by the investors present in the market, and will act as a spur for new public-private partnership opportunities with local and regional authorities. New concessions are expected in the north of Italy (Piacenza and Remini), along with the focusing of water management on large geographical units. Fulfilment of EU regulations in the field of waste water treatment will speed up the application of European funds to implement new infrastructure, or to refurbish or expand the capacity of existing facilities. Meanwhile, the public water companies in the country have been drawing up competitive tenders for the construction and operation of their infrastructure.

In 2017, **the Czech Republic** eliminated the regulatory framework governing price rate incentives that had been applied to investments by companies owning assets. This price rate component has been restored in 2018, and will serve to improve the EBITDA, which will be dedicated to increasing investment. Competitive tenders are expected for private water and sanitation service management contracts in major towns in northern Bohemia and southern Czechia, while tenders are also likely for new service lease contracts without investment by the operator. The most significant event during the year, though, was undoubtedly the repurchase from Mitsui of its stake in SmVak and Aqualia Engineering.

In **Poland**, business opportunities are being explored, taking the specific form during the year of pre-qualification for the project for the design, construction, operation and financing of a waste water treatment plant in the Karzcew municipality.

In **France**, considerable activity is expected over the coming years as a result of the conclusion of contracts historically managed by the major French water companies. Breaking down the



traditional entry barrier into this market is expected to be complex, although the high prices for which water services are currently being provided by traditional operators could provide an incentive for local authorities to decide to change provider. Likewise, the local organisational structure for the management of public services in conurbations gives rise to a new political context of transparency and efficiency in management, liable to attract new management operators. This is, for example, the case in Toulouse, where we have been pre-qualified together with another three companies. One significant event expected foreseeably in the French water market in 2018 is the divestment by the French banking sector of its stake in SAUR, the third-largest operator in the country, with a significant presence in Spain, Poland, and Saudi Arabia.

In the **United Kingdom**, the management of water sanitation services is performed by private companies who own the assets, mostly controlled by financial investors. Breaking into this market will focus on the provision of high value-added services for the asset-owning companies, as in the case of Aqualia being hired for a pilot nutrient elimination plant for the dehydration of sludge for Thames Water. The results obtained by the pilot plant over the course of the year have served to win us a further 6-month contract extension.

In the **Balkans**, the most widespread business model is for works to be contracted using European funds, with the aim of fulfilling European regulations in the sphere of urban water treatment. There is now some mention of private investment to finance water infrastructure, although we believe that there is still a long way to go before this is definitively implemented.

In **Romania**, we have been awarded the expansion of the Glina waste water treatment plant in Bucharest. Intense commercial efforts have likewise been made to identify value-added services for public companies in the country.

In **North Africa**, desalination of sea water and waste water treatment represent business opportunities in those countries where Aqualia has already established a presence. This is the case in Algeria, Tunisia and Egypt:

In **Algeria**, over the course of the year a major agreement was arranged and signed with the client at our Mostaganem desalination plant, Sonatrach, to construct a new catchment facility that will serve to increase the plant's output capacity. Construction work will begin in the first quarter of 2018, and take place over 2 years. Two agreements have also been signed for the operation and maintenance of the Mostaganem and Cap Djinet plant, regularising items not billed to the client since the start of operations, which will serve to make both projects more



profitable. As for new opportunities, the government has announced new desalination projects for a number of the country's coastal cities, with the details being finalised in 2018.

In **Egypt**, Aqualia has made significant progress on the execution of the contract for the design, construction and operation of the El Alamein desalination plant, with a capacity of 150,000 m<sup>3</sup>/day, on terms that guarantee that execution will go ahead, irrespective of the economic turbulence that the country is undergoing. The nation's fiscal and trade deficits, high interest and inflation rates, and limitations on access to hard foreign currency forced the Egyptian government to adopt severe economic measures, including a reduction in public expenditure and the free flotation of the Egyptian pound in 2016. During 2017 the country has been more stable, and market conditions have improved.

In this regard, the project reconstruction, financing and operation of the Abu Rawash treatment plant, which was awarded to a consortium involving Aqualia, through its EBRD investee subsidiary, has been turned into an EPC project, financed from the national budget. Meanwhile, given the water shortages faced by Egypt, the Ministry of Defence is likely to tender new large-scale desalination plants to supply the population in the Mediterranean and Red Sea regions. Meanwhile, the expansion of the Suez Canal and the creation of new industrial and mining zones suggest that demand for water for their development will continue to increase.

In **Tunisia**, execution of the Djerba project was almost completed during the year. It has a capacity of 50,000 m<sup>3</sup>/day, guaranteeing supply for the local population and the tourist development on the island. In 2018, the SONEDE likewise plans to tender new seawater desalination plants to supply the cities of Zarat and Sfax. A number of waste water treatment plant refurbishment, operation and maintenance projects promoted by the ONAS will likewise be tendered in the country.

In the **Middle East**, where considerable population growth of up to 8% is being registered in some countries, the significant downturn in oil revenues is forcing countries in the Gulf to withdraw subsidies and turn to private ventures to develop their water infrastructure projects.

In **Saudi Arabia**, progress has been made on the execution of the contract for services affected by the Riyadh Metro, with Aqualia completing its activities on Line 4, and continuing operations and Lines 5 and 6, which will likewise proceed during 2018. As regards new projects, the national government has entrusted the WEC to execute an ambitious water infrastructure implementation plan, including both the production of desalinated water to supply the population, and the treatment of waste water. Particular mention should be made in



this regard of the following projects: Rabigh 3 with a capacity of 600,000 m<sup>3</sup>/day, Shuqaiq 3 with 380,000 m<sup>3</sup>/day and Yanbu with 450,000 m<sup>3</sup>/day in the desalination sector, and Damman and Jeddah (330,000 and 500,000 m<sup>3</sup>/day respectively) in the field of water treatment. The National Water Company, which is responsible for distributing drinking water to the major cities, will finalise a number of these concession projects that have been in the design phase for some years now. There should be special mention for the contract renewal for the operation and maintenance of the Haddah and Arana plants, of 250,000 m<sup>3</sup>/day, and the increase to the Arana plant purification capacity which was achieved at the end of 2017.

**Oman** will also continue to develop its dissemination plan through public-private ventures. During the year, FCC Aqualia broke into the country by winning the integrated water cycle management contract for the Sohar port zone for 20 years, in partnership with the Omani public concession company Majis.

In the **United Arab Emirates**, tender processes are expected for operation and maintenance contracts, and also for the construction of desalination plants, and more specifically the BOT contract for the Umm al Quwain desalination plant.

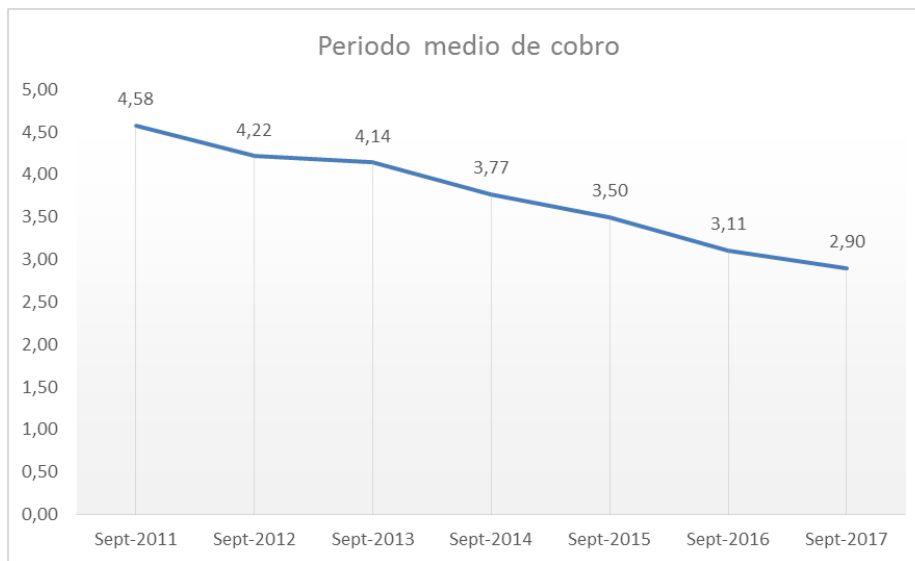
In **Qatar**, although the political and trade blockade by Saudi Arabia and the Emirates have led to a slowdown in investment projects, the expectation for 2018 is that operations will begin at the Al Dhakhira waste water treatment plant, with a capacity of 55,000 m<sup>3</sup>/day, for which Aqualia won the operation and maintenance contract for the next 10 years.

## **CUSTOMER MANAGEMENT AREA 2017**

Aqualia consider it crucial to increase the company's societal commitments, seeking excellence in regards to customer service. The company aims to stand out in the market by developing services which are tailored to the needs of its users. They have continued to move towards strategic orientation aimed at the end customer during 2017, with a particular focus on the quality of our customer interaction channels.

With this in mind, the customer management area has implemented the Balanced Scorecard management tool which allows us to link key strategies and objectives with performance and results. This has allowed us to keep improving our processes, to the point where we have reached an average collection period of 2.90 months, with the following development:





### Days Sales Outstanding September

We've continued with the campaign launched in 2016 to promote the use of e-invoices and begin the progressive replacement of as many paper invoices as possible. This move has seen a 67.7% increase in the number of electronic invoices over the last 9 months, which helps in the effort to protect the environment, reaching 307,464 contracts that receive their invoice in a digital format.

The task of minimising the difference between the water supplied to the grid and actual consumption is a fundamental objective for any company like Aqualia. In order to achieve this, aside from continuously renewing the networks to avoid water leaks, plans have been designed to detect fraudulent use of drinking water; some 6,508 cases of fraud have been detected over these nine months, totalling 2.6 million euros. Alongside these moves, 148,386 meters have also been renewed in different contracts.

The reality is that customers have ever increasing expectations when it comes to the quality of interactions with a company. In response to these increasing demands, Aqualia continues to progress down the route conceived in 2016, aiming to offer all its clients a one-channel experience when dealing with the company.



Face-to-face and online offices, telephone and mobile channels have all been integrated, linking them together in real time. This allows a client who has initiated communications via any of these channels to continue on another, if they so wish, without any change to the customer service experience with the company.

The telephone support service, through the Customer Service Centre (Aqualia Contact), enables users to carry out all their individual elements of administration without having to go into the physical offices, as well as helping to maximise the resolution of faults in the distribution networks. The short customer waiting time for communicating damage (24x7x365 service) makes it possible to start up a protocol of swift effective action in resolving any kind of incident in the network, all of which improves water distribution performance. This customer service, available in six languages (Castilian, Galician, Catalan, English, German and French), has received 589,429 calls over these nine months. In order to measure the levels of satisfaction, 62,570 clients who used Aqualia Contact were surveyed, with 46,237 rating the service as excellent, 9,425 very good, and 4,469 as good, resulting in a positive satisfaction rate of 96.10%.

A third communication channel is the corporate website [www.aqualia.com](http://www.aqualia.com), available in five languages, which provides global company information. Furthermore, the website has links to different local sites and those of municipal water services provided by Aqualia, and offers local and more personalised information about the company's presence in the municipality in question. Both Aqualia's local and corporate web pages provide access to the aqualiaOnline virtual office, where the client can carry out any service-related administration in just the same manner as in person or by phone.

A fourth communication channel is our mobile app, *Smartaqua*. This app allows clients to perform all kinds of tasks related to the services provided by the company whenever and wherever it suits them, in the simplest and most convenient fashion, providing them with an overview of their interactions with the company. This new channel, just like those before it, has real-time links to the computer systems, giving customers an *one-channel* experience in their interactions with the company.

The aqualiaContact and aqualiaOnline channels have been certified under Standard UNE- ISO 27001, "Information Security Management Systems" since 2011, complying with the security targets established by law and emphasising our commitment to the security of our clients' data, as well as to integrity, availability and confidentiality. The Smartaqua channel was included under this certification during 2017.



The efficiency of all our customer services channels means we have a very low claim rate; it was 0.27% to September, with an average response time of 11 days. It should also be highlighted that the average time taken to install a meter from the time receiving application, is six days.

Although the capacity to set tariffs and regulate the provision of services in the integral water cycle in Spain is the exclusive jurisdiction of the Public Authorities, at Aqualia we actively drive social action in terms of tariffs and solidarity funds for the most underprivileged users. We have also improved our coordination with the local authorities' social services to protect clients at risk of social exclusion. Just one example of this is that, as part of its CSR policy, Aqualia signed a partnership agreement with Caritas Española in December 2015 to support the humanitarian organisation's initiatives in Spain.

## **SUSTAINABLE MANAGEMENT**

It is a priority aim for FCC Aqualia to support the company's strategy as regards fulfilment of the Sustainable Development Goals (SDG) of the United Nations, emphasising those that affect our sector and stakeholders:

- N° 3. Promote general well-being.
- N° 6. Water and sustainable sanitation.
- N° 8. Promote sustained economic growth.
- N° 9. Build resilient infrastructure.
- N° 11. Create sustainable cities.
- N° 12. Guarantee sustainable production and consumption.
- N° 13. Adopt urgent measures to combat climate change.
- N° 14. Preserve marine resources sustainably.
- N° 15. Combat desertification and protect biodiversity.

The company also continues the Shared Value Creation strategy, responding to the demands of our Stakeholders and improving the tools that allow us to be aware of and measure our social and environmental impacts, in order to support our economic value creation and increase our competitiveness (calculation of social and environmental footprint). This in mind, we have worked on the following aspects during 2017:



1. **Adaptation of the Management System** to the structure of the new versions of ISO 9001 and ISO 14001, published in 2015, for International Activity. Concepts incorporated into the Management System include: leadership, context, stakeholders, risks, life cycle, biodiversity and climate change.
2. Development of a methodology for the **Management of Assets** we handle in our concession and maintenance contracts.
3. **Increased efficiency in the Audit process**, both internal and external, by integrating audits of Management Systems dealing with Quality, Environment and Energy.
4. **Increased universality of our management certifications**, by including the activity carried out by the Central International Services and European Regions, MENA, LATAM and USA, the Caribbean and Brazil, in the FCC Aqualia, S.A. general certificate for ISO 9001 (Quality Management) and ISO 14001 (Environmental Management) Standards.
5. **Exporting our work approach** to other geographical areas, by exhibiting our Innovation Management Systems, certified by AENOR, to the Chinese accreditation entity (CNCA).
6. Increased scope of the **Energy Management and Climate Change Strategy**.
  - Calculating and verifying the carbon footprint of all FCC Aqualia activity in Spain and Portugal.
  - Registration in the Spanish Climate Change Office's (OECC) Carbon Footprint Log at the Ministry of Agriculture and Fisheries, Food and Environment (MAPAMA), for all FCC Aqualia Activity in Spain.
  - Carbon Footprint Reduction Plan for FCC Aqualia's activity (2017 – 2019).
  - Participation in a CLIMATE project run by the MAPAMA encouraging the use of alternative fuels in cars, a key element to our business.
  - Completion of the project for the Implementation of the Energy Management System throughout Spain, in compliance with Royal Decree 56/2016.
7. Development of the **Continuity of Business** project by adapting the Operational Risk Map to the FCC group's general one, including elements of Critical Infrastructure and Crisis Response Plan.
8. Bringing the general Management System procedures into line with the FCC Group's **Compliance** model, by defining responsibilities and preparing legal and contractual compliance records.
9. Participation in the **Standardisation Committees** of Service Excellence Model, CEN/PC 420, and AEN/CTN 309 Horizontal Service Standards (AENOR) and the AEC's **Customer Experience Committee**.



In addition to all of the above, the strategy with the company's Stakeholders has been maintained, consisting of incorporating the handling of Aqualia's Stakeholders into the Management System, as required by the new Standards and as a way of supporting other company departments in their day-to-day work (Clients, RSC, Communication,...).

1. Employees.
2. Shareholders.
3. Clients.
4. NGOs.
5. Universities.
6. Research Centres.
7. Certifying and Accreditation Bodies.
8. Public Authorities
9. Associations.
10. Other.

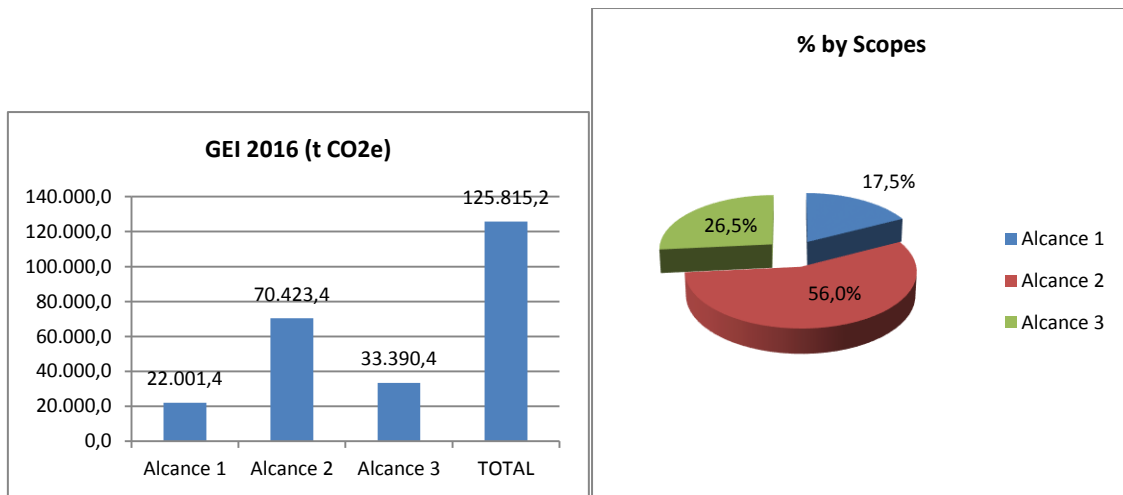
## **ENERGY MANAGEMENT**

During the 2017 financial year FCC Aqualia continued to address Energy Management from three perspectives which, when brought together, guarantee the solidity and sustainability of the measures carried out. These three perspectives go in search of the following goals:

- Respect for and protection of the environment.
- Efficiency in managing energy resources.
- Economic efficiency in the application of energy.

From an environmental point of view, the measures implemented by FCC Aqualia have been aimed at fulfilling the conditions of the Carbon Footprint Reduction, in accordance with the commitments undertaken following registration on the Carbon Footprint Register of the Ministry of Agriculture and Fisheries, Food and Environment (MAPAMA) in August 2016.

According to the latest report for Spain (2016) on greenhouse gas production (GHG), the summary of which is set out in the table below, emissions from electric energy consumption (corresponding to scope number 2) represent 56% of the verified total, a figure well above other emission factors.



## Scope

Therefore, in this scenario it is absolutely necessary to prioritise the efficient management of the energy resource in order to identify real opportunities for reducing and/or offsetting the carbon footprint. Participating in GHG voluntary programmes is also crucial, and ultimately, improving the company's position on this target in relation to its stakeholder groups.

On the other hand, of the energy audits carried out on different contracts managed by FCC Aqualia during this financial year, for which overall consumption amounts to 85% of the company total (which has allowed us to certify the entire organisation under ISO 50001 Standard in response to the entry into force in February of Royal Decree 56/2016 on Energy Efficiency), it follows that, a first target towards increasing energy efficiency requires a set of investments in excess of €4.5 M, bringing an estimated energy saving of around 6%.

The average estimated recovery period for this type of investment is around five years, meaning it would be necessary to identify external finance sources designed specifically for this type of action. This in mind, a Plan for the Selection of Energy Efficiency Projects has been launched, eligible for some form of public funding. This will provide the company's production line and FCC Aqualia's customers with consultancy both in preparing the grant requests, as well as presenting, managing and monitoring them with national or regional public bodies.

The third aspect relevant to energy management is cost control. In Spain alone, FCC Aqualia manages more than 2,850 electrical supply points (CUPS), with annual consumption exceeding



478 GWH. Taking into account the high economic cost of electrical energy and the increasing complexity of tariffs, we must provide tools beyond simply training to users, which permit management and control.

In this regard, during 2017 a new computer application was launched, designed jointly with a technology partner for the control of electricity bills, which, among other functions, serves to centralise for the different levels of the organisation the adjustment of contracted power ratings, control of reactive energy consumption, analysis of offers, and automatic checks on the adjustment of electricity bills issued by the reseller, with regard to the contracted terms. Likewise, various tools are being launched (Creara and MC2 Companies) which facilitate statistical monitoring of operating periods, taking into account the time market, which will allow the user (contract holder) to adjust their production needs to the most economical periods, as well as permitting continued supervision of the power requested in relation to the contracted party and the unwanted consumption of reactive energy.

## **TECHNICAL MANAGEMENT IMPROVEMENT PROJECTS**

During 2017, several projects have been developed to optimise the company's technical management. The ones which have had the most relevant impact on the organisation are as follows:

- Reorganisation of the laboratory network
- New corporate GIS platform
- Work order mobility project
- Intelligent network management platforms

### **REORGANISATION OF THE LABORATORY NETWORK**

The project started in 2016, with the aim, on the one hand, of optimising the company's resources to carry out the water analyses required by health regulations and, on the other, adapting to the new European Directive for the implementation of these analyses, which should be transposed into Spanish regulation in 2018.

This directive requires the analyses to be performed under standard UNE EN 17025 and audited by an authorised National Entity. At this moment in time, of the 27 laboratories that make up the FCC Aqualia network in Spain, only 5 are accredited under said standard. The other 22 work under Quality Management UNE EN 9001 and Environmental Management UNE EN



14001. In the Czech Republic, there are a further 2 accredited laboratories, while the laboratory accreditation process in Italy will start in 2018.

The implementation of the analysis under Standard UNE EN 17025 is far more complex from an administrative perspective and requires a more restrictive level of accuracy. Addressing this transformation in all existing laboratories will therefore entail an excessive cost. On the other hand, it is about exploiting synergies and optimizing current water analysis costs.

As a result, the previous network of 27 laboratories in Spain was replaced with a more concentrated arrangement of 7 accredited and 2 certified laboratories, with a significantly higher output capacity than at present, and a greater scope of accreditation, which will be capable of performing analytical techniques that currently need to be conducted at external laboratories. The new laboratory network in Spain will be fully operational by the second half of 2018, following the incorporation of the laboratories in Badajoz and Vigo.

With the new configuration, a total of 24,388 samples were analysed during 2017 across all laboratories currently accredited in accordance with the details set out in the table below:

| Laboratory           | No. of samples analysed |
|----------------------|-------------------------|
| AVILA                | 3,020                   |
| ADEJE                | 3,422                   |
| JEREZ                | 6,149                   |
| LLEIDA               | 5,991                   |
| OVIEDO               | 5,806                   |
| <b>Total general</b> | <b>24,388</b>           |

## NEW CORPORATE GIS PLATFORM

Having a Geographical Information System (GIS) is essential for achieving efficient management of water and sewerage networks, both in terms of operation and planning. Indeed, it has long been part of what FCC Aqualia offers, irrespective of the characteristics and size of the contracts.

The vast differences between contracts have seen the company forced to develop a corporate tool, since those that exist in the market generally fail to provide an adequate response, on a technical and financial level, to the wide range of cases.

This in mind, in 2005 FCC Aqualia developed its first corporate GIS tool, which has been providing adequate service so far. However, over the years, the technology used has proved





insufficient for the new needs of the company in terms of size, agility, connectivity, new technologies, etc.

As a response to this situation, in conjunction with a specialist technology partner and the collaboration of the IT and Operations departments, as well as a large group of experts from within the company itself, a new higher performance GIS tool has been developed, perfectly adapted to managing the business-specific assets and providing a clear competitive advantage over that which currently exists in the market.

A summary of its main characteristics is as follows:

- ✓ greater accessibility, both from the desktop and web, as well as on tablets
- ✓ greater connectivity and integration with other corporate or external tools, and compatibility with other market standard GIS (ArcInfo, SmallWorld,...)
- ✓ mobility, fieldwork
- ✓ user profile management, with centralized management capability, according to the company's organisational structure
- ✓ multi-language
- ✓ configurable data model
- ✓ enhanced CAD editing
- ✓ system-integrated mathematical network modelling
- ✓ automatic connection generation
- ✓ includes information from land cadastre and other sources
- ✓ editing historical versions of infrastructure
- ✓ on-line connection with Web Map Services (WMS)
- ✓ powerful report generator

All of this without additional license costs, facilitating its use regardless of the size or economic capacity of the contractor. In 2017, it has been implemented across the 68 largest contracts, with global implementation expected during 2018.

### WORK ORDER MOBILITY PROJECT

This project, the first version of which was launched in 2017, is an evolution of the purchase order tool, included in the Aqualia GESRED platform. It aims to provide field operators with mobile connectivity to the work order management centres.



Also integrated with the GIS tool, it facilitates faster and more efficient management of field work resolutions, both in terms of Clients and Operations areas. Among other features, the system offers the following:

- ✓ geo-reference crew positioning
- ✓ timing control
- ✓ action priority classification
- ✓ reduce administrative handling times for work and warehouse orders
- ✓ avoiding unnecessary movement of personnel
- ✓ online work status monitoring

The first pilot test is being carried out on the Salamanca contract, awaiting definitive implementation in appropriate contracts throughout 2018.

### INTELLIGENT NETWORK MANAGEMENT PLATFORMS

Currently, a large number of contracts have facilities manageable via remote control systems. So far, the supervision and analysis of the data is carried out manually by contract staff which entails a time cost not always worthwhile in regards to the results obtained.

On the other hand, remote control systems produce a vast amount of data which, when managed on a manual bases, cannot be properly taken advantage of. New data management technologies allow a much greater use of the data at an affordable cost, providing results which are difficult to match with manual management, regardless of the time dedicated to it

In 2016, a LIFE project began the implementation of the TAKADU platform, the most advanced available at the time for intelligent management of the supply network. TaKaDu is an integrated events system, which improves management by using a system to analyse data from the water network in pursuit of the following basic aims:

- ✓ Reduction of water losses
- ✓ Increased network visibility and control
- ✓ Optimisation of operation efficiency and network management processes
- ✓ Improved customer service via the implementation of smart-city services

TaKaDu detects events (incidents) in the water distribution network using predictive models and data analysis from a wide range of sources



- ✓ Water loss
- ✓ Malfunctioning sensors
- ✓ Telemetry problems
- ✓ Water quality
- ✓ Other (pressure, deposits, undue operation)
- ✓ It identifies the incident and informs the appropriate user

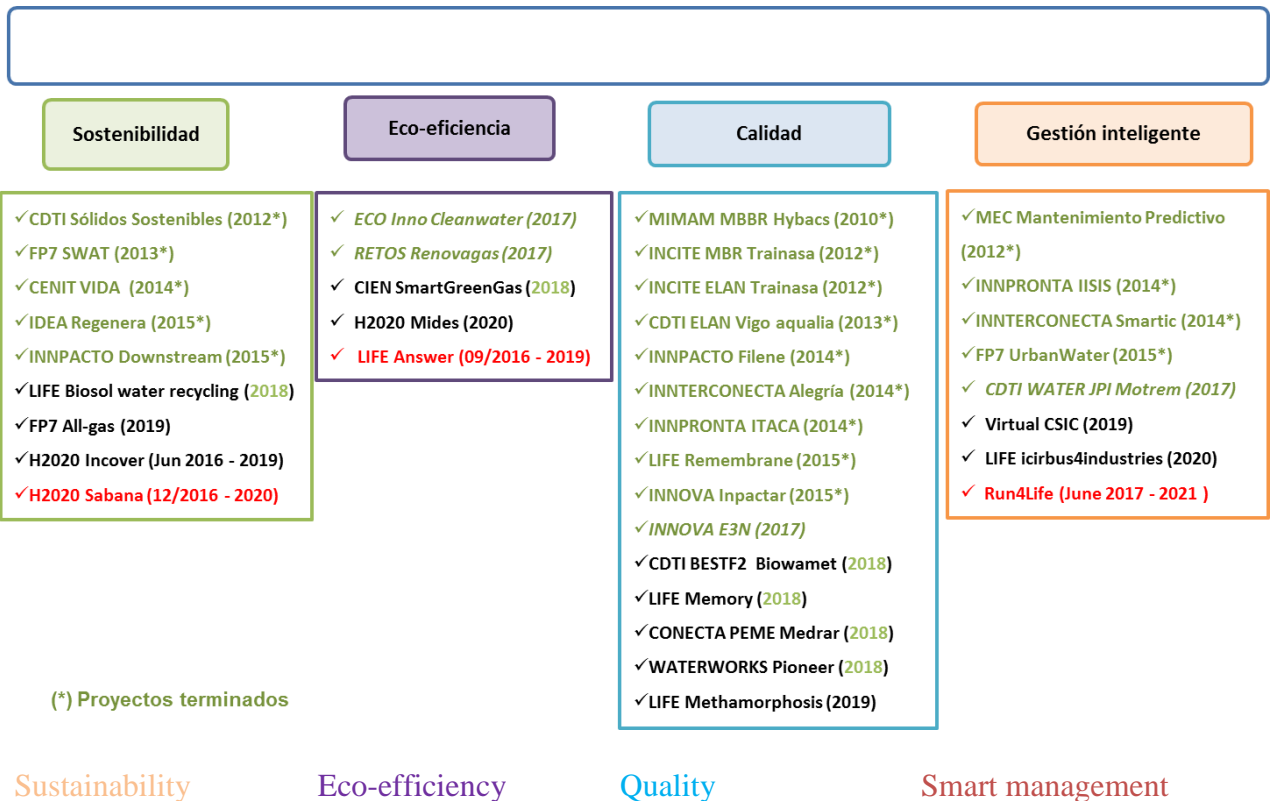
It was first implemented across the contracts in Almería and the Joint Municipal Confederation of Bajo Andarax and, subsequently, on the Níjar (Almería) and Sant Josep (Ibiza) contracts throughout 2017.

It is still too early to evaluate economic performance, though all signs so far are positive. However, on an operational level, we can say there has been a noticeable increase in leaks found per km of circuit, as well as monitoring incidents on the network (low pressure, abnormal flow, etc.).

During 2017, another similar tool was launched, although with different hydraulic characteristics which are cheaper and require less sectioning of the network, called the LakeFinder. This tool, which produces event reports similar to TAKDU, is capable of generating virtual sectors, which makes it suitable for highly complex networks. It is still in the testing period on the Alcalá de Henares contract, but the results look quite encouraging.

## **INNOVATION AND TECHNOLOGY**

In accordance with the established strategic approaches, FCC Aqualia's innovation activities were expanded during the 2017 financial year, to collaborate in the development of the company's technological proposal. The following table sets out the projects undertaken in each of the four operational strands (Sustainability, Eco-Efficiency, Quality and Smart Management) into which the organisation of the Innovation and Technology Department is divided. Of the 15 projects currently in progress, 10 correspond to European Union programs, one to the FP 7 framework programme, four to the H2020 programme, and 5 to the Life programme, which marked its 25th anniversary in 2017.



(\*) Completed projects

2017 saw the conclusion of four projects which obtained the following results:

1. **Renovagas**, co-financed by the Mineco Innfacto programme and led by Enagas, operated a catalytic reactor prototype developed by Tecnalia at the Jerez WWTP. Using novel in-line instrumentation, it has been shown that the quality of the enriched methane allows it to be used as a biofuel, use being made of the CO<sub>2</sub> from the biogas and the hydrogen produced, with renewable electricity.
2. **CleanWater**, subsidised by the EU Eco-innovation programme, trialled a new way of producing hypochlorite on site for the disinfection of water treatment plants, avoiding the



risks involved in the use and transportation of chlorine gas, at the facilities of both the Almeria Water Service (reuse of waste water) and the Denia Water Service (pre-oxidation at the dissemination plant). A third device was installed at Nigrán at the start of 2017.

3. **Motrem**, supported by the [WATER JPI](#) initiative, is a project led by Rey Juan Carlos University in Madrid, alongside three other Universities in Finland, Italy and Germany. The project has evaluated new technologies for the control and treatment of emerging contaminants (EC) at urban waste water reuse plants.

4. **Innova E3N** (energy-efficient elimination of nitrogen) marked the continuation of the Innova Impactar project financed by the regional government of Cantabria, aiming to optimise the pilot membrane aeration plant installed at the San Claudio WWTP in Asturias, with the aim of using this as a small-scale, compact treatment facility for waste water at peripheral installations.

In addition to the two projects in the European H2020 programme begun in the first half of 2016 (Mides and Incover), FCC Aqualia became involved in 2017 in another two new consortia funded under the same European Union programme:

1. **Sabana**, led by Almeria University, involves FCC Aqualia as the lead industrial partner, along with Westfalia (Germany) and the Italian food industry group Veronesi as a consortium of 11 bodies from 5 countries (including the Czech Republic and Hungary). The project aims initially to construct an installation covering an area of one hectare for the culture of micro-algae, with the aim of trialling the production of new bio-fertilisers and bio-pesticides, in order subsequently to continue by constructing a five-hectare bio-refinery, capable of manufacturing alternative products based on micro-algae as a model of more environmentally and consumer-friendly aquaculture.

2. **Run4Life**, led by FCC Aqualia, has partners in place in seven different countries, with the aim of implementing new concepts for the recovery of nutrients through the separation of grey and foul water, at four demonstration sites (Sneek, Netherlands; Ghent, Belgium; Helsingborg, Sweden, and Vigo, Spain). New methods for the exploitation of the link between water and energy, and the control of decentralised management systems, will be developed in parallel.



In 2017, six projects entered their final development phase, and are scheduled for conclusion over the coming year:

1. **Life Memory** Life Memory demonstrated, at a 50 m<sup>3</sup> reactor in Alcázar de San Juan (Ciudad Real), the technical and economic viability of an innovative technology, the AnMBR (Anaerobic Membrane Bio-reactor). This new technology allows the direct conversion of the organic matter contained in the wastewater into biogas, without the conventional stages of primary settling and secondary aerobic treatment. This produces disinfected water for reuse that is rich in fertilisers, reducing energy consumption and CO<sub>2</sub> emissions by up to 80%, and reducing the space required by around 25%, while also cutting the output of sludge by some 50%.
2. **Biowamet BESTF2** is being developed as part of the European ERANET programme, and involves Southampton and Delft Universities. In synergy with the Life Memory project dealing with anaerobic membrane reactors, this project is based on the implementation of an AnMBR at a small WWTP in the Baix Ebre district, to obtain bio-energy and water for reuse.
3. **Life Biosol** (Biosolar water reuse and energy recovery), led by the French SME Heliopur, is working on solar disinfection of recycled water, also recovering the organic waste produced in the process. Following an initial demonstration stage at the facilities of the Centa Foundation in Seville, a large-scale installation is being implemented at the Toyo waste water treatment plant in Almeria.
4. **Pioneer**, part of the European programme ERA-NET Cofund Water Works in the [WATER JPI](#) initiative, led by the USC, brings together FCC Aqualia with a network of prestigious universities (Verona/Italia, DTU/Denmark and KTH/Sweden) in search of processes which improve the elimination of micro-pollutants. In parallel, ELAN and struvite precipitation technologies at plants managed by FCC Aqualia are also being optimised, to reduce the environmental impact of the waste water treatment process
5. **Medrar**, co-funded by the Conecta Peme programme in Galicia, with the assistance of the European Regional Development Fund (ERDF), has the aim of improving treatment in small towns. Together with two Galicia SMEs and led by Santiago de Compostela University, compact, automated modules for waste water treatment integrated within the rural environment are being developed, with a low cost of installation and maintenance, and minimal environmental impact.



6. In **Smart Green Gas**, a programme of the CIEN (National Enterprise Research Consortia), with the support of the CDTI, FCC Aqualia is leading a consortium made up of another five companies (Gas Natural Fenosa, Naturgas/EDP, Ecobiogas, Diagnostiqa, Dimasa Group). As part of the project, various new methodologies have been implemented to increase the production and quality of bio-methane at waste water treatment plants managed by FCC Aqualia, such as those in Seville, Jerez and Aranda del Duero, to improve electricity generation or power vehicles, with the expectation that conditions allowing for grid feed-in will also be achieved.

During 2017, two projects were extended to allow the installations built to continue operating at full performance levels for a longer time period after their launch:

1. The FP 7 **All-gas** project has entered its final large-scale demonstration phase, with completion of the construction of 2 hectares of algae culture and a 2,700 m<sup>3</sup> digester, the world's first algae bio-fuel plant. Following operational start-up, up to 2,000 m<sup>3</sup>/day of municipal effluent will be transformed into water for reuse and algae biomass, generating enough bio-methane to power up to 20 vehicles/ha, with a positive energy balance. The entire process chain will be validated for one year, and the bio-fuel will supply various vehicles, to confirm its quality and the initial observations of the first car powered by the 1,000 m<sup>2</sup> prototype, which has already covered 40,000 km.
2. **Life Methamorphosis** is a project awarded to a consortium comprising six bodies (Barcelona Metropolitan Area, FCC SA, Gas Natural, Icaen and Seat) and led by FCC Aqualia, which is completing the construction of a large-scale demonstration at the Besós Ecoparque facility managed by the FCC Group. The process incorporates three technologies recently developed by FCC Aqualia (AnMBR, ELAN (autotrophic nitrogen elimination) and bio-gas washing) to convert the leachates from urban waste into bio-methane. The fuel will be tested for injection into the natural gas network and for cars.

Another 4 European projects, two as part of the Life programme and others belonging to the H2020 programme, have now reached cruising speed:



1. **Life Icirbus** (Innovative circular business) led by the Intromac technology centre, brings together eight companies to demonstrate the reuse of treatment plant waste for construction materials and the generation of bio-fertilisers, at a plant managed by FCC Aqualia in Extremadura.
2. **Life Answer**, led by Mahou, installs microbial cell treatment technology (fluidised MFC - developed by FCC Aqualia together with Alcalá de Henares University on a previous project) at the consortium leader's brewery in Guadalajara. The main aim of the project is to save energy in the process, and to recycle the aluminium present in the treated flow through a combination of the process with pre-treatment based on electro-coagulation.
3. **H2020 Incover** is a project led by the Aimen technology centre, with FCC Aqualia as the leading company in a consortium of 18 organisations from seven different countries, based on the know-how acquired on the All-gas project. The use of algae biomass in higher value products, such as bio-fertilisers and bio-plastics has been extended, while also improving the output of water for reuse.
4. **H2020 Mides** is intended to reduce the energy cost of desalination by a factor of ten compared with conventional reverse osmosis. The technology used, the MDC microbial desalination cell, was developed with Imdea Agua (a previous IISIS project), allowing residual organic matter (from effluent) to be used to activate bacteria that displace salts through membranes, without any external energy input. The project involves 11 partners in seven countries to implement the technology and set up the demonstration units on three continents (in Spain, Africa and America), beginning at the FCC Aqualia plant of the Denia Water Service.

Over the course of 2017, the European patent was granted for the production and refinery of bio-methane (EP 15382087.3 - washing of bio-gas and elimination of H<sub>2</sub>S and CO<sub>2</sub>) along with the corresponding ABAD (Bio-energy Absorption-Adsorption) trade mark.

Likewise, together with Valladolid University, and thanks to SDG funding, an application has been filed for EP 17382699.1 for pressurised digestion to obtain methane-enriched bio-gas.





As for publications and participation in scientific and professional conventions and events, in addition to some 20 events Spain, Aqualia was invited in 2017 to take part in a number of international events:

|  |                               |
|--|-------------------------------|
| <b>1. World Water-Tech Innovation Summit</b>                         | <b>London (UK)</b>            |
| <b>2. European Algae Industry Summit (ACI)</b>                       | <b>Nice (FRANCE)</b>          |
| <b>3. SWAN 7th Annual Conference</b>                                 | <b>London (UK)</b>            |
| <b>4. REGATEC 2017</b>   | <b>Verona (ITALY)</b>         |
| <b>5. Global Water Summit</b>  | <b>Madrid (SPAIN)</b>         |
| <b>6. IWA Leading Edge Technologies 2017</b>                         | <b>Florianopolis (BRAZIL)</b> |
| <b>7. WATEC 2017</b>   | <b>Palermo (ITALY)</b>        |
| <b>8. The BIG Phosphorus Conference - Removal &amp; Recovery</b>     | <b>Manchester (UK)</b>        |
| <b>9. IWA Membranes for Water &amp; WW Treatment</b>                 | <b>SINGAPUR</b>               |
| <b>10. EIP Water Conference</b>                                      | <b>Porto (PORTUGAL)</b>       |
| <b>11. World Congress of Chemical Engineering</b>                    | <b>Barcelona (SPAIN)</b>      |
| <b>12. IDA 2017 World Congress on Water Reuse &amp; Desalination</b> | <b>São Paulo (BRAZIL)</b>     |
| <b>13. European Nutrient Event ESPP</b>                              | <b>Basel (SUIZA)</b>          |
| <b>14. Future of Biogas Europe 2017 (ACI)</b>                        | <b>London (UK)</b>            |
| <b>15. ENEG 2017</b>   | <b>Évora (PORTUGAL)</b>       |
| <b>16. AlgaEurope 2017</b>   | <b>Berlin (GERMANY)</b>       |



## **COLLECTIVE BARGAINING AND PERSONNEL MANAGEMENT**

### Collective Bargaining and Industrial Relations

In terms of collective bargaining, the stability of the sector has continued with the widespread application of the Fifth State Water Agreement throughout 2017. This has continued to reduce conflict in establishments where it applies, by consolidating and standardising a set of conventional, extensive and consistent regulations. Measures taken by area Human Resources managers throughout 2017 have sought to extend the application of the Fifth State Water Agreement, incorporating relevant groups such as personnel from the Ciudad Real Province, who have been incorporated into the Fifth State Water Agreement instead of the Provincial Agreement of Ciudad Real. Other groups include those with company or work centre agreements, now incorporated under the regulation of the Fifth State Water Agreement, such as the work centres in Martos, Cádiz (province), Cártama and Ronda.

With regard to labour lawsuits which have ended in trials, as well as the corresponding labour conciliations, in 2017, the number of disputes resulting in lawsuits has been reduced by 43% compared with 2016, indicating a notable improvement in labour disputes in the area.

The number of supported strike days increased during 2017. In 2016 there were 2 official strikes called, while 2017 saw that number rise to 6, mainly affected by the situation in Catalonia (2), a dispute arising from collective bargaining in Vélez Málaga (2), and a dispute arising from a telephone operator sectoral strike (2), ongoing since 2016 and equally supported by a minority of employees (5 centre employees, including the syndicate member (RLT)) arising from sector negotiations over the agreement to be applied.

### Staff Administration

In this field, a number of measures have been put in place aiming to continue with the previously initiated decentralisation and optimisation of administrative processes, reducing the time staff at the work centres have to spend on these tasks, minimising the overall workload arising from staff administration.

In terms of Social Security, fantastic results have been obtained from the change to the new “Cret@” contribution system. This change to the contribution standards and the system has been carried out with a minimal error percentage (less than 1%), reflecting a successful transition to the newly required contribution system,



Over the course of 2017 a detailed role-based classification of the workers group has been compiled. This results in better identification of the tasks completed by the staff, providing an improvement on existing information and a better analysis of the current area personnel. It also is better adapted to the social security contribution framework as established in the applicable regulations, which reduces the risk of sanctions and contribution penalties.

A mass update and purge of worker information has been carried out, both contact and personal details have been updated, as well as academic qualifications.

Lastly, we should highlight the continued analysis of contribution errors not detected in previous years which has resulted in the recovery of some €178,223 across a total of 88 cases. This analysis has been carried out over the course of 2016 and 2017, with 9 disputes with Social Security still ongoing.

## **SELECTION – TRAINING – DEVELOPMENT AND EQUALITY**

In 2017 FCC Aqualia continued to implement its second Equality Plan (for the period 2015-2018) in which both the company and the majority unions on a national level reiterated their commitment to equal opportunities for men and women.

FCC Aqualia continues with its Distinguished “Equality within the Company”, being granted the recognition for the second time in 2017, for a three-year period. This award represents the Ministry of Health, Social Services and Equality recognition of the company’s commitment to diversity and equal opportunities for men and women.

It should be highlighted that in 2017 Aqualia, along with the FCC group, signed a General Protocol for the Design, Implementation and Assessment of an Anonymous Curriculum Vitae project for staff selection. The purpose of this protocol is to establish a general cooperation framework with the Secretariat of State for Social Services and Equality to promote the implementation of a depersonalised selection processes for management in order to avoid potential gender biases in the recruitment process and, where appropriate, professional promotion.

Likewise, the selection processes at Aqualia continue to be performed under the competency recruitment model, based on which the interview questions are prepared, following an analysis of the role and the same questions are asked to all candidates. This method permits direct comparison, ensuring equality and avoiding discrimination.



Likewise, Aqualia has continued its training on equal employee opportunities, as part of the specific work place risks training.

Another edition of the Management Development Programme - Women with High Potential led by the School of Industrial (EOI) was held in 2017, with the participation of three members of Aqualia's workforce. Participation in this program is part of the Equal Opportunities for Men and Women policy promoted by the company.

Aqualia has also launched the book "Women in First Person", which gathers the experiences of 60 women; both employees of the company in various municipalities and representatives of the Public Administration, in the day-to-day management of the integrated water cycle.

The 2017 edition of the Promoting Programme, provided by ESADE and supported by the CEOE and the Ministry of Health, Social Affairs and Equality, boasted the participation of an Aqualia executive. The aim of this programme is to improve women's access to management posts, Management Committees and Boards of Directors, and to continue moving towards the creation of shared leadership.

Meanwhile, the Second Mentoring Programme came to a close. It's designed to encourage female talent in order to continue promoting the presence, visibility and participation of women in the management of the company and thus facilitate their career development. The Third Edition of the Mentoring Programme then began in September, aimed at enhancing and facilitating the development of professional talent. This edition sees Aqualia expand the program so that, in addition to promoting female talent, it also seeks to facilitate active integration of newly recruited Service Leaders.

The Programme aims to aid the rapid integration of new service leaders by facilitating relationships with people who they can learn from and who will help them to expand their network of contacts within the company. The aim is to take advantage of generational synergies by making the appropriate tools and resources available which allow them to be productive in an effective and simple manner.

Furthermore, as part of its commitment to creating a working environment that contributes to the development of the company's professionals, in November Aqualia successfully completed the Fundación Más Familia EFR certification process, endorsed by the external, independent entity AENOR, in order to consolidate the management of labour conciliation.



This sees Aqualia become the first national water services operator at national level to obtain the EFR certification. Among the measures to raise awareness among executives and managers regarding the issue of conciliation, Aqualia has organised three course days on “the importance of conciliation and the efr model” for the second year in a row. The company continues to show its commitment against gender-based violence, with the implementation of several campaigns designed to raise awareness.

Aqualia has also participated in diversity-related activities including:

- Adecco Foundation Family Plan aimed at employees' children with a certified disability greater than or equal to 33%,
- Permanent inclusion of people with intellectual disabilities in working teams through the Down Syndrome Foundation.

With regard to training, it should be noted that Aqualia’s aims are linked to the company’s strategic objectives, to improving employee performance and ensuring their occupational health and safety. Work is also carried out on developing training itineraries for specific and critical groups within the organisation (service leaders, laboratory staff and client management).

The company continues to place an emphasis on training and its employees' professional development. In 2017, 574 courses were organised and 3,858 employees have received 61,591 hours of training. It should be highlighted that 57% of male employees and 63% of female employees have received training. Attendance at training courses was 87% (7,343 participants in 2017), highlighting the commitment and involvement of employees in this endeavour.

Meanwhile, 2017 saw the organisation of the fourth edition of the Otto Walter Cycle, a program aimed at middle management with the aim of continuing the transformation of Aqualia’s leadership style, moving towards a management style which is more participative and stimulates talent, reinforcing the cohesion of the team and supported by shared language.

Furthermore, as part of Aqualia’s commitment to integrating young, specialized talent in the water sector, during 2017 it has incorporated trainees who have completed Master’s Degrees in Engineering and Water at EOI (Escuela de Organización Industrial), with which FCC Aqualia has a collaboration agreement running since the end of 2016.

In 2017 Aqualia maintained its adherence to the Alliance for Dual Vocational Training. This partnership sees the company maintain their collaboration agreements signed in previous years.



## OCCUPATIONAL HEALTH AND SAFETY

In 2017, a reorganisation of the company's health and safety department has been carried out in order to improve the alignment with production areas in the pursuit of greater functional efficiency. As a result, Aqualia's Articles of Association and the Operation Manual of the Joint Prevention Service have been revised.

The pillars supporting the reorganisation of the Department are as follows:

1. Department Management is hierarchically dependent on HR Management. The Department is organized into three areas: support for health and safety activity on a global level, Joint Prevention Service as a national legal structure, and a team for international activity.
2. The main objective of the support area is to develop and integrate corporate policies and working procedures on a general level, as well as to provide advice and support to the other parts of the department.
3. The Joint Prevention Service, functionally dependent on Health and Safety Department Management, comprises a set of prevention technicians organized into teams and integrated into each Area's production structures. There is a Prevention Coordinator as part of the hierarchy of each Area Management. Similarly, there is a Coordinator present in the Department of National Works.
4. Another team, dependent on International Management and integrated of part of its structure, will be responsible for technical health and safety support on international contracts.
5. The teams adapt their resources to the Areas' production structures (nationally) and those of the areas (international level).

The Joint Prevention Service has developed the activity corresponding to this type of organization and it includes the following:

- A. Risk Assessment: initial assessments, reviews and updates for all work centres.
- B. Prevention planning: all contracts have an Annual Prevention Plan which includes all preventive measures taken to eliminate or reduce occupational risks.



- C. Training and information: an ambitious and informative training programme is carried out for the whole group.
- D. Consultation and participation of employee representatives: the employees representative participates where appropriate in all work centres on an ongoing basis.
- E. Coordination of business activities: all subcontractor companies are informed about the risks presented by our activities and installations, and proper prevention management is verified.
- F. Installations, machines and equipment: studies and adaptation of work equipment, maintenance programmes and official reviews.
- G. Emergency planning: preparation and implementation of emergency plans in the workplace and execution of the corresponding drills.
- H. Monitoring and control: periodic inspections, accident investigation, monitoring of preventive activity.
- I. Health Surveillance: medical examinations and health promotion activities.

From the health and safety department itself, in compliance with the annual Management objectives, a further series of projects and transversal programmes are also carried out with the participation of the entire organisation. These include:

A. In line with reduction of the accident rate:

- 1. In addition to workplace accidents, around 400 incidents that have not resulted in personal injury have also been investigated.
- 2. There have been 18 visits to contracts with high accident rates (15 national and 3 international) in order to provide and implement specific lines of action.

B. In line with the Preventive Culture Improvement Plan:

- 1. Safety Walks have been carried out by the Company's Executives.
- 2. The "Safety Conversations" tool has been widely implemented across all contracts.
- 3. The new training methodology known as "refresher training" has continued for all staff.
- 4. The "Safety Observations" tool continues to be implemented.
- 5. New positive prevention indicators have been designed.
- 6. A workshop has been given on new accident investigation methodology and achievement recognition systems.



C. In line with the road safety campaign, informative and accessible material has been prepared and issued to all contracts.

D. In line with the Psychosocial Risk Assessment project; risk assessment questionnaires have been completed across the workforce.

E. Systems Certification:

1. Review of the Corporate Management System to standardise procedures to be implemented in different countries and integrated with other systems.
2. Review of the Prevention Management System on a national level.
3. The Occupational Health and Safety Management System has been renewed once more, on general, national and international levels until November 2018.

F. Occupational Health Charter

During 2017 work has also continued on the development of the Aqualia Health Charter, through which representatives from the largest trade unions and the Company Management collaborate in improving safety conditions through dialogue and the design of good practices on a global level. The following amendments have been included this year:

- Area HR managers have been included as members of the forum.
- Sessions have been divided into working and plenary sessions. In the first of these, three representatives from each union and members of the prevention service work together on proposals and solutions to specific technical issues. The plenary session is joined by the remaining members, proposals are summarised and decisions made.

The accident rate in 2017 has reached a frequency rate of 14.73 (national activity data to November) meaning the index has remained at constant level with respect to 2016. As for international activity, the index was 6.11 (data to November). Overall, indices have remained stable compared to 2016.





## COMMUNICATION, MARKETING AND CSR

### Communication Area

In accordance with the annual Communication Plan (PCom), five strategic lines have been proposed in 2017 in terms of Communications. These have had an impact on the company's different users (end client, institutional client, media and internal client).

These lines are as follows:

1. Ensuring citizens perceive Aqualia as a company that brings value to its municipality/country.
2. Ensuring institutions are satisfied when working with Aqualia.
3. Expanding the Company's influence on local media and new communication channels.
4. Making the Company a benchmark for the industry in terms of technology, innovation, sustainability and communication.
5. Encouraging a sense of pride among employees by showing appreciation for their daily work, how they carry it out and the positive impact it has on society through values of progress, environmental issues and wealth creation in the territories concerned.

Perhaps the most important initiative developed during 2017 was directly focused on the media from two perspectives: as informants/prescribers and as citizens who make use of the public services provided by Aqualia. During 2017, efforts have focused on adapting information to new formats such as branded content and linked to specific occasions (e.g. [eldiario.es for World Water Day](#) which reached over 6,000 hits); to special publications in different publishing groups (e.g. [Special "New Technologies" of Editorial Prensa Ibérica](#)); or as an additional tool in the dissemination of our own campaigns (e.g. ["Real Water Information" campaign in Ciudad Sostenible magazine](#)).

A special mention should be made of the efforts to use video as a platform by which to inform journalists of our message. In this respect, the [Aqualia YouTube Channel](#), which has offered about 170,000 minutes of views and 219 new subscribers in 2017, mainly from Spain, Mexico, Peru, Colombia, Argentina, Chile, the United States, Ecuador, Venezuela and Bolivia, among other countries.

Some of the most prominent pieces produced during the last twelve months are:



- [Integrated water cycle management as you've never seen it before](#), which has reached 9000 views and earned the “Best Video of the Year” award at the 2017 iAgua Awards.
- [Bilbao's Tap Water Promotion Campaign](#) brings together local action and has hit more than 13,000 views.
- The three pieces linked to the campaign "Real water information" (False myths nº 1, 3 and 11)
- The video produced for the [opening of the demo phase of the All-gas innovation project](#), which in less than a month has been viewed around 600 times.

Furthermore, with the aim of bringing production representatives into contact with the media in each territory, local *ad hoc* events have been organized: meetings with journalists at our facilities, team building days, open days, etc.

Aqualia’s commitment to set the benchmark for technology, innovation, sustainability and communication has come into being through the company’s participation in various sessions and working groups organized by sector representatives in order to establish clear, ongoing and tight-knit policies that facilitate the transmission of the water management sector's messages to its three main target audiences: prescribers, Administration and citizens. Different Aqualia representatives have therefore placed an emphasis on the vast potential for public-private partnerships, both domestically and internationally, in their involvement at various forums organised by iAgua Magazine, the AEAS XXXIV Technical Seminars and the “IV Encounter on Sustainability in Cities” organised by Menéndez Pelayo International University (UIMP). Aqualia's digital transformation has also been a key element of various sessions and conferences, such as the Smart Water Summit forum, organised by iAgua, and the debate on “Digitalization in the water management sector” organized by the Expansión newspaper.

Alongside most common practices (press conferences, notes, articles, interviews, reports, etc.), and in order to reinforce relationships with information professionals who help to transmit the importance of the integral water cycle management for municipalities well-being to society at large, the company has launched **the second Aqualia “Water management in the municipalities” Journalism Award**. The result will be unveiled in the first half of 2018.

At the same time, the external communication with the end customer has been improved through the publication of [34 local websites](#), 31 of which correspond to Spanish municipal water services, and three to services in Portugal. Aqualia has strengthened its network positioning by adapting its pages to a new end-customer-oriented model, centring around greater visual content and compatibility with all mobile devices. All the websites, AENOR



accessible and certified, offer Service-adapted content and are available in the official languages of each territory.

After a range of updates to [www.aqualia.com](http://www.aqualia.com), in 2017 the corporate website has registered a total of 1.3 million visits, mainly related to Customer Service management (exceeding 40% of interaction). The average connection duration exceeded 2 minutes, with 85% coming from Spain.

Internal communication has been broadened in 2017 with increased use of emailing. Aqualia's Communication email mailbox allows the company to communicate a range of information of interest to employees, reinforcing the main internal communication channel, flash information. Over the course of the year, 133 information pieces have been launched in relation to daily production activity, the business and the different areas that make up the company (R&D, Occupational Risks Prevention, HR, etc.). There have also been several activities and campaigns driven by the Communication and Marketing team and those undertaken in the field of CSR.

Aqualia's Communication efforts in the Pitiusas Islands have been recognised by the social responsibility association of companies and professionals, Forética. The 2015-2020 Communication Plan for Ibiza and Formentera was selected to form part of the "Sustainable Life in Cities" initiative under the "Communication and Awareness" category, as good practice for cooperation between private companies and Public Authorities. On a national level, Aqualia has closed 2017 heading annual rankings prepared by iAgua, the leading sectoral publication in Spain and Latin America, which has recognized Aqualia as the most influential communication organisation with the "Best Entity 2017" award. The company has also got its hands on three further awards for arousing interest among readers of the digital publication in the following categories: Best Video, Best Advertising Campaign and Best Presentation.

## **Marketing Area**

Among the main objectives included in the 2017 Communication Plan (PCom), are to ensure citizens consider us a company that brings value to their territories and that institutions are satisfied to work with Aqualia as a benchmark in technical matters, innovation, sustainability and communication. As an attempt to achieve this, the company put itself into the minds of citizens from a very different point of view to where the competition is working: people themselves.



On a very local level, hoping to encourage an appreciation of tap water on the 50th anniversary of the Consorcio de Aguas de Bilbao Bizkaia (CABB), one of Aqualia's main clients in northern Spain, we organised an event in which the citizens of Bilbao were invited to participate in an interesting challenge: more than 2,000 Bilbao locals were asked to differentiate their city's tap water from others kinds of water. The activity played an important role in emphasising the advantages of consuming tap water, not only because of its quality, but also due to environmental and economic benefits.

Another example is the responsible use campaign in Ibiza and Formentera which fell under the umbrella of the Alliance for Sustainable Water Management, an organisation formed of representatives of public institutions, private bodies, civil society and the agricultural sector. Their main objective is to promote integral fresh water management in the Pitiuses islands. During 2017 the Forética Association has recognized the campaign, including it as part of the "Sustainable Life in Cities" initiative under the "Communication and Awareness" category.

The XV edition of the International Digital Children's Drawing Contest, presented on World Water Day, 22 March, is another example of the activities carried out in relation to the strategic objectives. Just like in previous years, with the aim of fostering children's ability to use new technologies and contributing to sustainable development by avoiding the use of paper, the competition was developed with the microsite [www.misiondepuracion.es](http://www.misiondepuracion.es). Children were able to learn about the path that water follows from its use in the household, until its treatment and return to the environment, as well as how waste water can be reused for various uses. This year as part of emphasising the educational nature of the contest, a video and educational comic were developed.

This edition helped spread the message to more than 160,000 people among our target audiences: 150,000 students, 6,800 teachers, 2,000 employees, 1,000 municipalities and 850 media outlets.

This training and educational activity also gets our employees' families involved. About 100 children, grandchildren and nephews of Aqualia employees took part in the eighth edition of Young Artists, another completely online activity.

During 2017, various campaigns have been developed for commercial and awareness-raising objectives that have supported communication with the aim of ensuring citizens understand and appreciate the business. The "Change to e-invoice" campaign for the promotion of electronic



invoices via the Aqualia APP “Smartaqua” and the “Don’t flush” campaign for informing and raising awareness about good toilet use, are some clear examples of this.

The year 2017 was a year marked by water shortages in many parts of Spain. A campaign has been developed with the aim of promoting responsible consumption and raising awareness. It is made up of several elements including an educational video, “Thirteen ways they've never told you to care for water”.

In light of attacks by public water management platforms which have proved particularly negative towards companies like Aqualia, an informative campaign has been developed throughout 2017. It is designed to explain certain truths which deconstruct societal myths surrounding management of the integral water cycle and the role of the operators.

The campaign revolves around the website [www.informacionrealdelagua.com](http://www.informacionrealdelagua.com) and the approach has been reflected across all channels, starting with the 2017 calendar: press releases, banner, advertising graphics, social media, videos. Some 12 falsehoods have been exposed relating to the management of the integral water cycle, before being deconstructed. The aim of this campaign is to spread among the various audiences – company, administration, citizens and media – that, beyond an ideological and political debate on the water management models, what citizens are most concerned with is having access to an excellent, high-quality service for all, regardless of who provides that service.

This campaign has been awarded a prize for the Best Advertising Campaign in the latest edition of the iAgua magazine, the sector's most respected publication.

Likewise, during 2017 we have been working on strengthening the perception of Aqualia as a global company (global management with strong local commitment), a close-knit organisation that boasts both local and international values and can adapt to new cultures. During the year 2017, Aqualia has increased its presence at numerous events and strategic forums of international scale in order to position itself as a sector benchmark for innovative solutions, addressing future challenges or responding to new models of public-private collaboration. We attended, for example:

The first edition of the Innovative Solutions for Water Management (SIGA) event held in Madrid; Saudi Water Environmental Forum, held in Saudi Arabia; Global Water Summit, this year held in Madrid; Oman Water And Expo; AEAS Technical Seminars held in Tarragona; AEDYR Days on the Reuse of Water in the Industry: Technologies, regulations and success



cases; Watec Italy, held in Palermo; the 11th Conagua&energía International Fair in Las Palmas, Gran Canaria; the Oman Water & waste water conference, held in Muscate, Oman; ENEG, Figure National of Water and Sanitation Management Entities, held in Évora, Portugal; Annual Convention and Expo Aneas, Puebla, Mexico and the American Water Summit, this year held in Austin, USA.

Aqualia has also participated in technical seminars, such as the one held in the Canary Islands, “Technology at the service of water in the Canaries” and conferences organized together with UGT “Water driving employment and social sustainability” held in Mérida, Toledo and Benalmádena.

In conclusion, 2017 has been a year that's seen Aqualia's activity awarded time and again thanks to their efforts on a "glocal" scale. The media reference points for the water sector in Spain and Latin America, iAgua, has recognised Aqualia's good practice in the field of communication. The company has received six awards: Best Spanish Company in the Water Sector, Best App (“Smart aqua”), Best advertising campaign (#informacionrealdelagua”), Best presentation (M<sup>a</sup> Ángeles Vicente, director of IT), Best video (“Integrated water cycle management as you've never seen it before”) and Best contract (Abu Rawash WWTP).

The work Aqualia has carried out on an international level with the New Cairo treatment plant project in Egypt has been highly appreciated by the prestigious Financial Times and the International Finance Corporation (entity dependent on the World Bank) at the Transformational Business Awards, held in London. Aqualia was a finalist in the Achievement in Sustainable Development, with a focus on Food, Water and Land category.

Furthermore, the company was a finalist in the Portuguese “Tubos de Ouro” awards presented by APDA in ENEG, sponsored by the Sector Regulator Entity in Portugal – ERSAR, for their children's drawing competition.

### **Corporate Social Responsibility (CSR) Area**

Aqualia sees CSR as just another element of its business model, in such a way that economic profitability and competitiveness combine with social and environmental factors, vitally important for our business's future and our contribution to sustainable development.

As part of measures to raise awareness and commitment to the communities we serve, in 2017 the company carried out a range of awareness activities against gender violence and on the



integration of disabled people and equality in the work place. Furthermore, in conjunction with our daily operations, Aqualia has launched several initiatives to raise awareness about the responsible use of water and caring for our environment.

With regard to the PPP For Cities project, the UN initiative hosted by the IESE business school in Spain, Aqualia has, since April, carried out the dissemination of the New Cairo treatment plant (Egypt) case study, accepted by the UN as an international benchmark in public-private partnership for the water management sector.

**Gender Violence and Equality.** The Ministry of Health, Social Services and Equality (MSSSI) has acknowledged Aqualia's work on equality with the renewal of the "Equality at Company (DIE)" distinction for the next three years. The Ministry has ruled favourably on the company's extension request to prolong the distinction granted by the public body in 2010 in recognition of Aqualia's commitment to standardising the work of men and women.

Notable in this regard are the awareness campaigns developed as part of the celebration of International Women's Day on 8 March, the creation of the website, [www.aqualiaiguequ.com](http://www.aqualiaiguequ.com), the fight against breast cancer and the fight against gender violence on 25 November, as well as implementing training activities on equality. Particularly important are the measures aimed at increasing the presence of women in positions of responsibility, such as the Management Development Programme - Women with High Potential, the Mentoring Program for the promotion of female talent which seeks to contribute to a cultural change in the company geared towards gender equality, guiding and facilitating the careers of female employees with potential.

The seminars held on the day against Gender Violence once again proved a successful internal movement for Aqualia's employees. The initiative revolved around the website [www.aqualiacontigo.com](http://www.aqualiacontigo.com). On this occasion, Public Administration employees and collaborators (mayors, deputy mayors, town councillors) in the municipalities where Aqualia serves, were invited to provide messages in support of the Campaign in the form of a video as a show of solidarity against this social problem.

Hundreds of Aqualia employees, both from central services and different business units and Municipal Services have joined this initiative, as well as a number of representatives from the local administration. All these videos were put together to make a spot which was broadcast on our YouTube channel, twitter, local and sector media etc.



Aqualia employees from across the different services also gathered in front of company offices at the same time to read a manifesto condemning any kind of violence towards women and expressing solidarity with victims.

Aqualia reinforces its commitment to the fight against inequality by participating in forums discussing the main challenges faced by companies in achieving gender balance. As such, Aqualia participated in the WomenIn entrepreneurship programme, led by the Tenerife Municipality, the Industrial Organisation School (EOI) and the Association of Young Entrepreneurs of Tenerife (AJE) to promote business ideas on the island and give greater visibility to the figure of the woman in the fields of entrepreneurship, management and positions of responsibility.

**Sustainability and awareness-raising.** Aqualia consider the efficient management of natural resources, especially water, to be essential. Over the course of the year, responsible consumption campaigns have been developed for both drinking water and the appropriate use of the sanitation network.

With regard to innovation, 2017 closed with the European Commissioner for Action on Climate and Energy, Miguel Arias Cañete, visiting the facilities of the All-gas project at the El Acerca treatment plant in Chiclana (Cádiz). The Commissioner inaugurated the new demo phase of the project, which investigates the industrial production of micro-algae to create automotive-friendly biogas.

During the year, in recognition of the company's work in environmental policies which help in the fight against climate change, the Spanish Climate Change Office of the Ministry of Agriculture and Fisheries, Food and Environment (MAPAMA) has validated the Aqualia Carbon Footprint registration certificate for all its activities in 2016. The company is a pioneer in the water management sector in terms of global emissions calculations.

Aqualia played a prominent role in organising a range of awareness-raising initiatives as part of the 22nd of March, with this year's theme being waste water and local areas. A total of 42 open days were organised at the WWTPs operated by the company across a selection of Spanish municipalities. Some of the most notable were Cudillero (Asturias), La Bañeza (León), Cangas de Morrazo (Pontevedra), Toledo, Medina del Campo (Valladolid), El Burgo de Osma (Soria), Ávila, Aranda de Duero (Burgos), Hellín (Albacete), Alcázar de San Juan (Ciudad Real), Lleida (Albacete), Alcázar de San Juan (Ciudad Real), Lleida, Mérida (Jaén), Barbate (Cádiz) and Jaén. The facilities have been opened to a range of audiences, from school groups to women's,





neighbour's or disabled people's associations. These educational visits guided by Aqualia's staff allowed the groups to gain a very practical view of the functioning of the purification systems and their environmental importance.

More municipality-specific activities were also carried out, as is the case in Jerez de la Frontera, where Aquajerez -the Aqualia company which manages the city's water service- organised a fantastic event.

In Sant Antoni, Ibiza, Aqualia organised an education day for some 200 pupils in their third year of primary school. Under the slogan “caring for water together to build a better world,” children completed workshops and a magic show informing them about the desalination process, a fundamental element of providing water resources to the island.

Other notable events took place in Caltaqua (Italy) and SmVaK (Czech Republic).

Over 100 seminars were also held in 2017 aimed at different groups (housewives, retired people, journalists), as well as more than 50 visits from 15,000 school students. Visitors have been informed of how the integral water cycle management is carried out at a company like Aqualia and have been trained in proper use of resources: responsible consumption, toilet use, oil management etc. in order to take care of the surrounding area as part of a clear environmental commitment.

Aqualia is aware of the importance of spreading knowledge about water management at universities and sectoral associations. In this regard they participated in the Fourth City Sustainability Conference “The Management of Environmental Assets and their Impact on Cities' Resilience”, organised by Menéndez Pelayo International University in Santander as well as the XVIII summer course by the University of Almería, “Water in Almería, analysis, problems and solutions”.

Elsewhere, Aqualia always aims to ensure a safe and healthy working environment for its employees and raising awareness is absolutely essential, in achieving that. During 2017 the company has continued with its Preventative Culture Improvement Plan 2015-2018, led by the Health and Safety Service, which aims to improve the organization's preventative climate. Part of its continued measures are the “Safety Walks”, an initiative habitually employed by top-level companies in the area of preventive management which aims to give greater visibility to the management's commitment to preventative measures. It is not designed as monitoring or



inspection but is rather part of a strategic approach towards safety culture and preventative leadership.

Furthermore, as part of the Healthy Company program, a group of workers from Lleida participated in the First Voluntary Blood Donation Day in collaboration with Catalan hospitals.

As part of its commitment to creating a work environment that contributes to the development of the company's professionals, Aqualia has successfully completed the Fundación Másfamilia's Family-responsible company certification (EFR) endorsed by the external, independent entity AENOR, to consolidate work balance and the management of the area. Aqualia becomes the first national water services operator at national level to obtain the EFR seal. The matter has been heavily promoted among employees throughout the year, via email, flash information, Tu Flash, and the designation of a specific conciliation area on the Intranet.

**Society.** Aqualia's efforts during 2017 have been geared towards an increased contribution to the well-being of people who have trusted us as their water company. This has materialized in a range of measures.

Aqualia has renewed their agreement with Caritas Española which sees us undertake to assist people in vulnerable situations or at risk of exclusion in matters related to the water cycle, all through the Municipal Social Services. It also includes an annual donation equivalent to the sum of water services provided to Caritas centres in the cities served by Aqualia.

Several further initiatives have been launched during 2017 to ensure access to drinking water services and sanitation for citizens unable to cover the water bill for economic reasons or due to social exclusion. 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 which Aqualia intends to expand to cover almost all their service towns. The aim is to ensure that no citizen is deprived of the domestic water service for economic reasons. The initiative is always carried out in collaboration with the service holder (City Council) and its social services.

Under actions for Christmas 2017, the company made a donation to the Asociación Messeros por la Paz (which was awarded the Príncipe de Asturias award for Concorde in 1994) to help provide vulnerable families in Asturias and the Community of Madrid with a good dinner on Christmas Eve.



As a company dedicated to the management of a public good such as water, Aqualia has added societal responsibility. That's why this year it has contributed to a range of social and labour integration measures for disabled people. An example of this is the Barbate (Cadiz) service's participation in the "Yo me preparo" programme, promoted by the association Down Barbate A.Si.Qui.Pu for the labour placement of young people with intellectual disabilities, through the provision of internships within the company.

In 2017, Aqualia was presented with an award granted by the Fundación Síndrome de Down de Madrid (Down Madrid) in recognition of the company's commitment to employing workers with intellectual disabilities. The 2017 Stela Award was presented by Camino Martínez de la Riva, a member of the Human Resources Department (HR) Training Area, who joined the company a few months ago.

As part of its societal commitments, there should also be special mention for the more than one hundred cultural, sports and environmental collaborations. These reflect the company's efforts to be acknowledged as an agent for change and for their involvement in the territories, establishing relationships with citizens in pursuit of a fairer society.

### **Publications.**

Aqualia has published the XI edition of its Corporate Social Responsibility Report (CSR) which summarizes the main economic, social and environmental milestones developed by the company throughout 2016 in a very visual way and reflects the key aspects of the company's relationship with its public stakeholders: employees, citizens, media and public administrations, among others. The Report is available on the Aqualia website ([www.aqualia.com](http://www.aqualia.com)).

Furthermore, during 2017 Aqualia also launched the book "Women in First Person", which gathers the experiences of 60 women; both employees of the company in various municipalities and representatives of the Public Administration, in the day-to-day management of the integrated water cycle, as well as their perspectives from their roles in several municipalities.

The aim of the publication is to give greater visibility to the role women play in the water management sector.



## **ADDITIONAL INFORMATION**

As for the Company's exposure to financial risks, these are detailed in the attached Explanatory Note 24.

As detailed in Explanatory Note 25.2, the Company has exceeded the maximum average supplier payment period. The Company has established measures intended to adjust this maximum period, such as:

- Review of internal procedures regarding the processing of payments (receipt of invoices and internal approval processes).
- Optimisation of the management of operating capital, shortening average collection and payment periods.
- Study and, where applicable, implementation of electronic invoicing processes.

As regards treasury stock operations, the Company did not purchase any of its own stock, and has no plans to do so in the future.

The possible events occurring after 31 December 2017 are described in the attached Explanatory Note 25.1.



The Annual Accounts and Management Report of the Company FCC Aqualia, S.A., corresponding to financial year closed at 31 December 2017, have been formulated by the Directors of the Company, on 27 February 2018, and are identified as issued on both sides of 80 sheets of State paper of series 0L numbers 4175720 to 4175799 both included, being signed, in State paper series 0L, number 4175800.

**Vice-president**

**Member of the Board**

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Mr. Félix Parra Mediavilla

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Mr. Isidoro Marbán Fernández

**Secretary**

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Ms Cristina López Barranco