

## **FCC Aqualia, S.A.**

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

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

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

### Report on annual accounts

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#### Opinion

We have audited the annual accounts of FCC Aqualia, S.A. (The Company), which include the balance sheet at 31 December 2017, the profit and loss account, the statement of changes in the net equity, the cash flow statement and the report corresponding to the annual period ended at that date.

In our opinion, the attached annual accounts express, in all material respects, a true and fair view of the equity and financial situation of the Company as of 31 December 2017, as well as its results and cash flows corresponding to the financial year ended on that date, in accordance with the regulatory financial reporting framework applicable (identified in note 2.1 of the report), and in particular with the accounting principles and criteria contained therein.

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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 annual accounts* of our report.

We are independent from the Company in accordance with ethical requirements, including independence requirements, which are applicable to our audit of the annual accounts in Spain as required by the regulations governing the accounts auditing activity. 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 annual accounts for the current period. These risks have been dealt with in the context of our audit of the annual financial statements 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 report, one of the Company'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. This is 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 the Company 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 2.4, 4.10 and 11.1 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: Management report**

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

Our audit opinion on the annual accounts does not cover the management report. Our responsibility for the management report, in accordance with the terms of the regulations governing the of accounts auditing activity , is to assess and report on the concordance of the management report with the annual accounts, based on the knowledge of the entity 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 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 management report agrees with that presented in the 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 in relation to the annual accounts**

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

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

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

Our objectives are to obtain reasonable assurance that the 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 annual accounts.

A more detailed description of our responsibilities in relation to the audit of the 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 N° 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 annual accounts.

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### Auditor responsibilities in relation to the audit of the 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 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 the internal control relevant for the audit in order to design audit procedures that are appropriate in accordance with the circumstances, not in order to express an opinion on the effectiveness of the entity'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.
- \* We conclude whether it is appropriate for the 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 Company'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 annual accounts in our audit report, or, if such disclosures are not appropriate, we must express an amended opinion. Our findings are based on the audit evidence obtained up to the date of our audit report. However, future facts or conditions may be cause for the Company ceasing to be considered a going concern.
- \* We evaluate the presentation as a whole, the structure and content of the annual financial statements, including the disclosed information, and whether the annual accounts represent the underlying transactions and facts in a way that conveys a true image.

We communicate with the directors of the 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 entity, we determine which have had the greatest significance in the audit of the 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.**

## **ANNUAL ACCOUNTS AND MANAGEMENT REPORT CORRESPONDING TO THE FINANCIAL YEAR CLOSED AT 31 DECEMBER 2017**

### **➤ ANNUAL ACCOUNTS**

- Financial Statements
  - Balance Sheet
  - Profit and Loss Account
  - Statement of Changes in Equity
  - Statement of Cashflows
- Notes

### **➤ MANAGEMENT REPORT**



FCC Aqualia, S.A.

**BALANCE SHEET AT 31 DECEMBER 2017 AND 2016**

(Thousands of euros)

ASSETS	Explanatory Notes	FY 2017	FY 2016	NET EQUITY AND LIABILITIES	Explanatory Notes	FY 2017	FY 2016
<b>NON-CURRENT ASSETS</b>		<b>1,855,607</b>	<b>1,017,160</b>	<b>NET EQUITY</b>	Note 13	<b>365,879</b>	<b>737,016</b>
Intangible fixed assets	Note 6	581,960	612,718	<i>SHAREHOLDERS EQUITY</i>		360,957	732,192
Development		1,770	1,790	Capital		145,000	145,000
Concessions		498,104	521,412	Issued capital		145,000	145,000
Financial activation concession agreement		15,703	14,918	Share premium		79,481	112,019
Goodwill		66,211	74,487	Reserves		62,470	425,088
Other intangible fixed assets		172	111	Legal and statutory reserves		29,000	29,000
Tangible fixed assets	Note 7	22,914	20,996	Other reserves		33,470	396,088
Land and buildings		1,470	1,519	Profit/Losses for the financial year		74,006	50,085
Technical facilities and other tangible fixed assets		20,891	19,388	Interim dividend			
Fixed assets in progress and advances		553	89				
Long-term investments in Group and associated companies		1,145,941	274,318	<i>GRANTS, DONATIONS AND BEQUESTS</i>	Note 14	4,922	4,824
Equity instruments	Note 8.1	170,687	173,500	Grants, donations and bequests received		4,922	4,824
Loans to companies	Note 8.2 and 9	975,254	100,818				
Long-term financial investments	Note 9	97,936	101,170				
Equity instruments		10		<b>10 NON-CURRENT LIABILITIES</b>		<b>1,462,735</b>	<b>473,751</b>
Loans to third parties		80,585	85,387	Long-term provisions	Note 15	64,424	61,216
Other financial assets	Note 9.3	17,341	15,773	Long-term employee benefits		33	144
Deferred tax assets	Note 17	6,856	7,958	Other provisions		64,391	61,072
				Long-term debts:	Note 16	1,380,042	34,744
				Debtsecurities and other tradeable securities:		1,343,121	-
				Creditors through financial leasing		5	36
				Other financial liabilities		36,916	34,708
<b>CURRENT ASSETS</b>		<b>459,550</b>	<b>689,270</b>	Debits with group and associated companies	Note 16.2	565	363,384
Inventory		24,563	18,272	Deferred tax liabilities	Note 17	13,381	9,897
Commercial		913	723	Long-term accruals/deferrals	Note 18	4,323	4,510
Raw materials and other supplies		9,699	8,873				
Advances to suppliers		13,951	8,676	<b>CURRENT LIABILITIES</b>		<b>486,543</b>	<b>495,663</b>
Trade and other accounts receivables		131,437	139,260	Short-term provisions	Note 15	7,947	11,093
Customer receivables for sales and services	Note 11.1	52,793	69,418	Short-term debts	Note 16	20,184	5,375
Clients, group and associated companies	Note 11.2	42,539	38,408	Interest on debtsecurities, bonds, and other tradeable securities		15,513	-
Personnel		412	147	Creditors through financial leasing		32	41
Sundry debtors		12,953	7,385	Other financial liabilities		4,639	5,334
Current tax assets	Note 17	109	(40)	Current debts with group and associated companies	Note 16.3	130,272	172,819
Other credits with Public Authorities	Note 17	22,631	23,942	Trade and other accounts payable	Note 16	326,311	304,141
Current collection right, concession agreement		-	-	Suppliers		128,668	109,154
Short-term investments in group and associated compa	Note 9	90,070	468,186	Suppliers, group and associated companies	Note 16.4	18,038	19,545
Loans to companies	Note 10.1	87,360	464,736	Sundry creditors		93,816	91,947
Other financial assets	Note 9.3	2,710	3,450	Personnel		2,506	2,687
Short-term financial investments	Note 9	30,342	27,379	Current tax liabilities	Note 17	958	1,991
Loans to third parties	Note 10.2	17,548	18,398	Other debts with Public Authorities	Note 17	70,802	66,640
Other financial assets	Note 9.3	12,794	8,981	Client advances		11,523	12,177
Short-term accruals and deferrals		146	184	Short-term accruals and deferrals		1,829	2,235
Cash and other equivalent liquid assets	Note 12	182,992	35,989				
Liquid assets		182,992	35,989				
<b>TOTAL ASSETS</b>		<b>2,315,157</b>	<b>1,706,430</b>	<b>TOTAL NET EQUITY AND LIABILITIES</b>		<b>2,315,157</b>	<b>1,706,430</b>

Notes 1 to 25 of the attached Report are an integral part of the Annual Accounts corresponding to financial year 2017.





FCC Aqualia, S.A.

**PROFIT AND LOSS ACCOUNT CORRESPONDING TO FINANCIAL YEARS  
CLOSED ON 31 DECEMBER 2017 AND 2016**  
(Thousands of euros)

	Explanatory Notes	FY 2017	FY 2016
<b>ONGOING OPERATIONS</b>			
Net turnover	Note 20.1	703,597	673,069
Sales		703,597	673,069
Changes in stocks of finished goods and in the process of manufacture		(44)	31
Work performed by the company for its assets.		3,869	919
Supplies	Note 20.3	(252,918)	(231,409)
Goods consumed		(93,820)	(86,155)
Raw materials and other materials consumed		(90,956)	(76,397)
Work performed by other companies		(68,142)	(68,857)
Impairment of commodities, raw materials and other supplies		-	-
Other operating income		26,392	19,096
Accessory and other operating revenues		17,416	12,953
Operating grants included in the result for the financial year	Note 14	8,976	6,143
Personnel costs		(179,575)	(173,683)
Wages, salaries, and related costs		(135,851)	(131,923)
Social charges	Note 20.7	(43,724)	(41,760)
Other operating expenses		(142,023)	(136,740)
External services	Note 20.4	(130,303)	(120,198)
Taxes		(3,123)	(4,207)
Losses, impairment and changes of provision from trade operations	Note 20.11	(555)	(7,064)
Other operating expenses	Note 20.12	(8,042)	(5,271)
Depreciation of fixed assets	Notes 6 and 7	(59,051)	(59,658)
Allocation of non financial fixed assets subsidies and others	Note 14	2,398	1,358
Surplus provisions		1,426	3,755
Impairment and profit/loss through disposals of fixed assets		(2)	(572)
Profit/Losses from disposals and others		(2)	(572)
<b>OPERATING PROFIT/LOSS</b>		<b>104,069</b>	<b>96,166</b>
<b>Financial revenue</b>		<b>22,221</b>	<b>10,316</b>
Tradeable securities and other financial instruments		22,221	10,316
- In Group and associated companies	Note 20.2	17,469	6,119
- In third parties		4,752	4,197
Financial expenses	Note 20.8	(26,867)	(30,072)
From debts with Group and associated companies	Notes 16 and 20.1	(6,080)	(23,225)
From debts with third parties	Note 16	(20,059)	(5,646)
From provisions update		(728)	(1,201)
Translation differences	Note 20.9	(125)	(762)
Impairment and profit/losses through disposal of financial instruments	Note 20.10	(1,325)	(4,897)
Impairments and losses		(1,325)	(4,897)
<b>FINANCIAL PROFIT/LOSS</b>		<b>(6,096)</b>	<b>(25,415)</b>
<b>PRE-TAX RESULT</b>		<b>97,973</b>	<b>70,751</b>
Corporate Tax	Note 17	(23,967)	(20,666)
<b>PROFIT/LOSS FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>74,006</b>	<b>50,085</b>
<b>PROFIT/LOSSES FOR THE FINANCIAL YEAR</b>		<b>74,006</b>	<b>50,085</b>

Notes 1 to 25 of the attached Report are an integral part of the Annual Accounts corresponding to financial year 2017.



FCC Aqualia, S.A.

STATEMENT OF CHANGES IN THE NET EQUITY CORRESPONDING  
TO FINANCIAL YEARS CLOSED ON 31 DECEMBER 2017 AND 2016

(in thousand Euros)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSES CORRESPONDING TO FINANCIAL YEARS  
CLOSED ON 31 DECEMBER 2017 AND 2016

	Notes to the Report	2016
<b>A) Profit and loss account</b>		50,085
Revenue and expenditure directly attributed to net equity		
III. Grants, donations and bequests received		539
V. Tax effect		
<b>B) Total Income and expenses directly attributed to net equity</b>		539
Sums transferred to the profit and loss account		
VIII. Grants, donations and bequests received	12	(1,358)
IX. Tax effect		92
<b>C) Transfer to the profit and loss account</b>		(1,266)
<b>TOTAL RECOGNISED INCOME AND EXPENSES (A + B + C)</b>		<b>49,358</b>
		<b>2017</b>
<b>A) Profit and loss account</b>		74,006
Revenue and expenditure directly attributed to net equity		
III. Grants, donations and bequests received	12	2,404
V. Tax effect		
<b>B) Total Income and expenses directly attributed to net equity</b>		2,404
Sums transferred to the profit and loss account		
VIII. Grants, donations and bequests received	12	(2,398)
IX. Tax effect		92
<b>C) Total transfer to the profit and loss account</b>		(2,306)
<b>TOTAL RECOGNISED INCOME AND EXPENSES (A + B + C)</b>		<b>74,104</b>

Notes 1 to 25 of the attached Report are an integral part of the Annual Accounts corresponding to financial year 2017.

FCC Aqualia, S.A.  
STATEMENT OF CHANGES IN THE NET EQUITY CORRESPONDING  
TO FINANCIAL YEARS CLOSED ON 31 DECEMBER 2017 AND 2016  
(IN THOUSANDS EUROS)

**B) TOTAL STATEMENT OF CHANGES IN THE NET EQUITY CORRESPONDING TO FINANCIAL YEARS CLOSED ON 31 DECEMBER 2017 AND 2016**

	CAPITAL (Note 13)	ISSUE PREMIUM (Note 13)	RESERVES (Note 13)	PROFIT/LOSSES FOR THE FINANCIAL YEAR	INTERIM DIVIDEND	TOTAL SHAREHOLDER'S EQUITY	GRANTS (Note 14)	TOTAL
<b>BALANCE AT 31 DECEMBER 2015</b>	<b>145,000</b>	<b>112,019</b>	<b>402,017</b>	<b>53,521</b>	<b>(30,450)</b>	<b>682,107</b>	<b>4,645</b>	<b>686,752</b>
I. Total recognised revenue and expenses	-	-	-	50,085	-	50,085	(727)	49,358
II. Transactions with shareholders or owners.	-	-	-	-	-	-	906	906
4. (-) Distribution of dividends	-	-	-	-	-	-	-	-
6. (+) Increase in equity through business combination	-	-	-	-	-	-	906	906
III. Other changes in net equity.	-	-	23,071	(53,521)	30,450	-	-	-
<b>BALANCE AT 31 December 2016</b>	<b>145,000</b>	<b>112,019</b>	<b>425,088</b>	<b>50,085</b>	<b>-</b>	<b>732,192</b>	<b>4,824</b>	<b>737,016</b>
I. Total recognised revenue and expenses	-	-	-	74,006	-	74,006	98	74,104
II. Transactions with shareholders or owners.	-	(32,538)	(412,703)	-	-	(445,241)	-	(445,241)
2. (-) Return of issue premium	-	(32,538)	-	-	-	(32,538)	-	(32,538)
4. (-) Distribution of dividends	-	-	(413,502)	-	-	(413,502)	-	(413,502)
6. (+) Increase in equity through business combination (note 5)	-	-	799	-	-	799	-	799
III. Other changes in net equity.	-	-	50,085	(50,085)	-	-	-	-
<b>BALANCE AT 31 December 2017</b>	<b>145,000</b>	<b>79,481</b>	<b>62,470</b>	<b>74,006</b>	<b>-</b>	<b>360,957</b>	<b>4,922</b>	<b>365,879</b>

Notes 1 to 25 of the attached Report are an integral part of the Annual Accounts corresponding to financial year 2017.

FCC Aqualia, S.A.  
STATEMENT OF CASH FLOWS CORRESPONDING TO FINANCIAL YEARS ENDED  
ON 31 DECEMBER 2017 AND 2016  
(IN THOUSANDS EUROS)

	Notes to the Report	2017	2016
<b>A) CASH FLOWS FROM OPERATION ACTIVITIES</b>			
1. Results for the financial year before taxes		97,973	70,751
2. Adjustments to result		40,425	59,806
a) Fixed assets amortisation (+)	6 and 7	59,051	59,658
b) Value corrections from impairment (+/-)		1,791	7,064
c) Variation in provisions (+/-)		4,351	1,516
d) Allocation of grants (-)	14	(2,398)	(1,358)
e) Results from withdrawals and disposals of fixed assets (+/-)		62	1,322
f) Results from withdrawals and disposal of financial instruments (+/-)		1	4,897
g) Financial income and dividends (-)		(49,425)	(42,249)
h) Financial expenses (+)	20.8	26,867	30,072
i) Translation differences (+/-)	20.9	125	(762)
j) Changes of fair value in financial instruments (+/-)		-	-
k) Other revenue and expenses		-	(354)
3. Changes in working capital:		36,055	(20,695)
a) Inventories, Debtors and other accounts receivable and current assets (+/-)		12,728	(10,998)
b) Other current assets (+/-)		41	191
c) Creditors and other accounts payable		23,623	(11,520)
d) Other current liabilities (+/-)		(151)	1,818
e) Other non current assets and liabilities (+/-)		(186)	(186)
4. Other cash flows from operating activities		(11,112)	(17,532)
a) Interest payments (-)		(12,142)	(30,072)
b) Collection of dividends (+)		27,159	31,933
c) Collection of interests (+)		7,891	6,119
d) Profit tax collections (payments) (+/-)		(31,645)	(15,055)
e) Other payments (collections) (+/-)		(2,375)	(10,457)
5. Cash flow from operation activities (+/--1+/-2+/-3+/-4)		163,341	92,330
<b>B) CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
6. Payments through investments (-)		(597,518)	(140,045)
a) Group and associated companies		(534,086)	(109,635)
b) Intangible fixed assets and property, plant and equipment		(27,251)	(30,410)
c) Other financial assets		(36,181)	-
7. Collection of divestments (+)		74,561	8,297
a) Group and associated companies		35,682	-
b) Intangible fixed assets and property, plant and equipment		459	-
c) Other financial assets		38,295	8,297
d) Other assets		125	-
8. Cash flows from investment activities (7-6)		(522,957)	(131,748)
<b>C) CASH FLOWS FROM FINANCIAL ACTIVITIES</b>			
9. Equity instruments collections and payments		(30,419)	292
b) Amortisation of equity instruments		(32,538)	-
e) Grants, donations and bequests received (+)		2,119	292
10. Sums received and paid through financial liability instruments		950,667	38,664
a) Issue		1,346,208	38,664
1. Debentures and other tradeable securities (+)		1,343,121	-
2. Debts owed to credit institutions (+)		59	-
3. Debts with group and associated companies (+)		-	32,424
3. Other debts (+)		3,028	6,240
b) Repayment and amortisation of		(395,541)	-
12. Debts with credit institutions (-)		(93)	-
2) Debts with Group and associated companies (-)		(394,921)	-
3. Other debts (-)		(527)	-
11. Payments through dividends and returns on other equity instruments		(413,534)	-
b) Dividends (-)		(413,534)	-
12. Cash flows from financing activities (+/--9+/-10-11)		506,714	38,956
D) EFFECT OF VARIATION IN EXCHANGE RATES		(95)	-
E) NET INCREASE OF CASH OR CASH EQUIVALENTS. (+/--5+/-8+/-12+/-D)		147,003	(462)
Cash or cash equivalents at the beginning of the financial year		35,989	36,451
Cash or cash equivalents at end of financial year		182,992	35,989

## NOTE 1. COMPANY ACTIVITY

FCC Aqualia, S.A. (hereinafter, the Company or FCC Aqualia) is a Company incorporated in Spain in accordance with the Capital Companies Act. It was incorporated in 1980 under the corporate name of Seragua, S.A. In July 2002 it adopted the corporate name Aqualia Gestión Integral del Agua, S.A., and on 2 April 2014, a public deed was executed for the change to the corporate name to FCC Aqualia, S.A.. Its registered office is located in Madrid.

The corporate purpose of the Company is that of engaging in the following activities, both in Spain and abroad:

- The provision and implementation of processing and cleaning services of all kinds for the treatment, recovery, elimination and purification of solid and liquid waste, drinking water for supply and water for industrial process and waste water, both urban and industrial, and all manner of ancillary equipment and works connected therewith.
- The manufacture, sale and purchase, assembly, supply, representation and distribution of machinery, vehicles and mechanical and electrical equipment and all main or ancillary devices required for the treatment and purification of waste and water, in addition to the implementation of all manner of civil engineering works connected with the aforementioned activities, operating and commercially employing patents, models, trademarks and licences.
- 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 sale and purchase of treated, purified or processed drinking water, or that of any other kind.
- The preparation, implementation and consultancy of all manner of reports, studies and projects, in addition to the provision and implementation of all manner of services connected with the aforementioned activities.
- The implementation of any cooperation task inherent in the taxation administration of any public authority not involving the exercise of authority or custodianship of public funds, as assigned by such Public Authorities.
- The supply, pipelining and distribution of any type of combustible gas, in addition to regasification, liquefaction and storage thereof. The realisation, implementation and preservation of all types of civil engineering, infrastructure and facilities connected with such activities.
- The implementation and preservation of all types of civil engineering and building works and installations of any kind, both public and private, on its own account or that of third parties, including the operation of sport facilities, swimming-pools, sport centres and recreation and leisure facilities in general.
- Integrated water cycle management; the capture, transportation, treatment and distribution of water, technical, administrative and information technology tasks for client administration, meter reading, billing, payment collection and administration services, preservation and maintenance of water and drain networks, comprehensive preservation and maintenance of water treatment plants, detection of leaks in networks, hygienic treatment, disinfection and pest control of buildings, commercial premises, countryside and gardens, drains and water networks and treatment plants, maintenance and repair of electrical and electronic installations and equipment, maintenance and repair of plumbing installations and equipment, water and gas pipelines, treatment and incineration of waste, sludge and urban refuse, and cleaning services in general.
- The implementation of any activity connected with the analysis and control of both drinking and waste water, at the company's laboratories and facilities.



The Company may carry out all the mentioned activities on its own or participating in other national or foreign companies of identical or similar purpose. This participation will include the subscription, purchase or acquisition, under any legally valid means, of trade titles or securities that grant a holding in the share capital or in the profits of those companies, and any form of inter-company association. Excluded from the above are all such activities in order to engage in which the law imposes special requirements which are not met by the Company.

- a) The Temporary Joint Ventures (UTE) in which FCC Aqualia participates carry out the same activities and are listed below:

NAME	PARTICIPANT SHAREHOLDERS	REGISTERED AND FISCAL ADDRESS	% STAKE	OPERATING FUND (thousands of euros)
UTE Agua Santo Domingo	FCC Aqualia, S.A. - Agua Energía and MSI SL	C/ San Pedro, 3. Nájera (La Rioja)	70 %	-
UTE Aguas de Alcalá	FCC Aqualia, S.A. – Canal de Isabel II.	C/ Federico Salmón, 13. Madrid	50 %	3
UTE Aguas del Doramás	FCC Aqualia, S.A. – Eicoh Explot. S.L. – E. Maspalomas, S.A.	C/ Bentago Semidán, 2 Gáldar (Gran Canaria)	50 %	3
UTE Aigües els Poblets	FCC Aqualia, S.A. –Hidrosal, S.A.	C/ Federico Salmón, 13. Madrid	95 %	-
UTE Alcantarillado Burgos	FCC Aqualia, S.A. - FCC, S.A.	C/ Fernando Dancausa S/N. Poligono industrial Gamonal-Villimar. Burgos	40 %	-
UTE Alkhorayef	FCC Aqualia, S.A. - Alkhorayef	Al Riyadh C Al Yarmook C. Riyadh. Saudi Arabia	51 %	-
UTE Aqualia Infilco	FCC Aqualia, S.A. – Acciona Agua, S.A.	C/ Rrez. de Arellano, 15 Madrid.	50 %	3
UTE Aqualia Inima (Depuración poniente almeriense)	FCC Aqualia, S.A. – Inima, S.A.	C/ Rrez. de Arellano, 15 Madrid	75 %	7
UTE Aqualia Riofabar Piloña	FCC Aqualia, S.A.	C/ Muñoz Degrain, 4-6. Oviedo	100 %	6
UTE Bombeo Zona Sur	FCC Aqualia, S.A. - FCC, S.A.	Camino Hormigueras 131. Madrid	99 %	-
UTE C.H. Talave	FCC Aqualia, S.A. - Soc. Española de Aguas Filtradas, S.A.	C/Balmes, 36 Barcelona	50 %	3
UTE Cangas	FCC Aqualia, S.A. - FCC, S.A.	C/ Cantabria, s/n Vigo (Pontevedra)	50 %	3
UTE Centro Deportivo Granadilla de Abona	FCC Aqualia, S.A. - FCC, S.A.	C/ Federico Salmón, 13. Madrid	99 %	-
UTE Consorcio Louro	FCC Aqualia, S.A. - Cavis Global, S.L.	C/Puerto Rico, 18-20 Of.7 Vigo (Pontevedra)	99 %	6
UTE Costa Tropical	FCC Aqualia, S.A. - Acciona Agua, S.A.	C/ Nueva, 4. Motril (Granada)	51 %	-
Ute Costa Tropical II	FCC Aqualia, S.A. - Acciona Agua, S.A.	C/ Nueva, 4. Motril (Granada)	51 %	-
Ute Costa Tropical III	FCC Aqualia, S.A. - Acciona Agua, S.A.	C/ Nueva, 4. Motril (Granada)	51 %	-
UTE Denia	FCC Aqualia, S.A.	C/ José Luis Goyoaga, 36 Erandio (Vizcaya)	100 %	6
UTE EDAM Bajo Almanzora	FCC Aqualia, S.A. – Aqualia Intech, S.A. – FCC Construcción, S.A. - BEFESA	C/ Ulises, 18. Madrid	10 %	1
UTE EDAM Santa Eulalia	FCC Aqualia, S.A. – Aqualia Intech, S.A.	C/ Gral. Ramírez de Madrid, 8. Madrid.	99 %	1
UTE EDAR A Guarda	FCC Aqualia, S.A. – Depuración, Mantenimiento e Instalaciones, S.L.	C/Puerto Rico, 18-20 Of.7 Vigo (Pontevedra)	50 %	-
UTE EDAR Albuñol	FCC Aqualia, S.A. - FCC Construcción, S.A.	C/Hilera, 10. Albuñol. Granada.	50 %	3
UTE EDAR Cuerva	FCC Aqualia, S.A. - FCC, S.A.	C/ Cardenal Marcelo Spínola, 42 Madrid	95 %	6
UTE EDAR La Ramilla	FCC Aqualia, S.A. – Aqualia Intech – FCC, S.A.	C/Balmes, 36 Barcelona	50 %	6
UTE EDAR Reinosa	FCC Aqualia, S.A. – FCC, S.A.	C/ Federico Salmón, 13. Madrid	99 %	-
UTE EDAR San Vicente de la Barquera	FCC Aqualia, S.A. – FCC, S.A.	C/ Federico Salmón, 13. Madrid	99 %	-
UTE EDAR Valdepeñas	FCC Aqualia, S.A. – Aqualia Intech – FCC Construcción, S.A.	C/ Ulises, 18. Madrid	50 %	3
UTE ETAPS Este	FCC Aqualia, S.A. - Iragez Watin, S.A.	Pº Campo Volantín, 24-5-3 Bilbao	65 %	4





NAME	PARTICIPANT SHAREHOLDERS	REGISTERED AND FISCAL ADDRESS	% STAKE	OPERATING FUND (thousands of euros)
UTE Explotación ITAM Tordera	FCC Aqualia, S.A. – Acciona Agua, S.A.	C/ Berlín, 38-48. Barcelona	50 %	3
UTE Explotación Piscinas Vigo	FCC Aqualia, S.A. – Idónea CYS, S.L.	C/ Puerto Rico, 18-20 Of.7 (Pontevedra) Vigo	50 %	3
UTE Gestión Cangas	FCC Aqualia, S.A. - Civis Global, S.L.	C/ Puerto Rico, 18-20-of.7 (Pontevedra) Vigo	70 %	4
UTE Gestión Piscinas Vigo	FCC Aqualia, S.A. - Idónea Cys, S.L.	C/ Puerto Rico, 18-20-of.7 (Pontevedra) Vigo	50 %	3
UTE Groupement Solidaire Jerba	FCC Aqualia, S.A. – Aqualia Intech – Inima	C/ Federico Salmón, 13. Madrid	20 %	1
UTE Guadiana	FCC Aqualia, S.A. - FCC, S.A.	C/ Cardenal Marcelo Spínola, 42 Madrid	80 %	-
UTE HIDC-HIDR-INV. do centr. ACE	FCC Aqualia, S.A. - Lena Ambiente-Gestao de Residuos, S.A.	Urb. Dos Plátanos-lote 2D-loja B Fregueria de Alferrarede - Concelho de Abrantes. Portugal.	50 %	-
UTE Ibiza	FCC Aqualia, S.A. – Acciona Agua, S.A.	C/ Berlín, 38-48. Barcelona	50 %	-
UTE Idam Janubio	FCC Aqualia, S.A. – Aqualia Intech, S.A.	C/Hermano Pedro, 15. Adeje. (Santa Cruz de Tenerife)	99 %	-
UTE IDAM Sant Antoni	FCC Aqualia, S.A. – Acciona Agua, S.A.	C/ Berlín, 38-48. Barcelona	50 %	5
UTE IDAM Sant Antoni II	FCC Aqualia, S.A. – Acciona Agua, S.A.	C/ Berlín, 38-48. Barcelona	50 %	5
Ute IDAM Santa Eulalia	FCC Aqualia, S.A. – Acciona Agua, S.A.	C/ Nápoles S/N. Santa Eulalia. Balearic Islands.	50 %	3
UTE Louro	FCC Aqualia, S.A. - Movex Vial, S.L.	C/ Puerto Rico, 18-20-of.7 (Pontevedra) Vigo	65 %	4
UTE Mancomunidad de Órbigo	FCC Aqualia, S.A. - FCC, S.A.	C/ Federico Salmón, 13. Madrid	99 %	-
UTE Mérida	FCC Aqualia, S.A. - FCC, S.A.	C/ Federico Salmón, 13. Madrid	99 %	-
UTE Nigrán	FCC Aqualia, S.A. - FCC, S.A.	C/ Doctor Esquerdo, 59. Madrid	99 %	6
UTE Oviedo	FCC Aqualia, S.A. - Soc. Española de Aguas Filtradas, S.A.	Plaza América, 10. Oviedo	95 %	6
UTE OYM Cap Djinet	FCC Aqualia, S.A. – Inima	C/ Ulises, 18. Madrid	50 %	3
UTE OYM Mostaganem	FCC Aqualia, S.A. – Inima	C/ Gobelas, 35-37. Madrid	50 %	3
UTE Redes CABB	FCC Aqualia, S.A. - Iragaz Watin, S.A.	Pº Campo Volantín, 24-5-3 Bilbao	65 %	4
UTE Redondela	FCC Aqualia, S.A. - FCC, S.A.	C/ Doctor Esquerdo, 59. Madrid	99 %	6
UTE Reparaciones Lote 9	FCC Aqualia, S.A.	Camino Hormigueras 131. Madrid	100 %	-
UTE Salamanca	FCC Aqualia, S.A. - FCC, S.A.	C/ Ancha, 8 Salamanca	95 %	6
UTE Saneamiento Canet y L'Almardà	FCC Aqualia, S.A. – Aqualia Intech, s.a. – FCC Construcción	Avda. Blasco Ibáñez, 25. Valencia	50 %	1
UTE Santomera	FCC Aqualia, S.A. - FCC, S.A.	C/ Doctor Esquerdo, 59. Madrid	40 %	2
UTE Sollanoko Ura	FCC Aqualia, S.A. – Iragaz Wating S.A.	C/ Gregorio de Revilla, 27. Bilbao	50 %	3
UTE Ussa A	FCC Aqualia, S.A. - Iragaz Watin, S.A.	Pº Campo Volantín, 24-5-3 Bilbao	65 %	4
UTE Ussa A 17	FCC Aqualia, S.A. - Iragaz Watin, S.A.	Pº Campo Volantín, 24-5-3 Bilbao	65 %	4
UTE Vigo	FCC Aqualia, S.A. - FCC, S.A.	C/ Federico Salmón, 13. Madrid	99 %	28,691
UTE Vigo Piscinas	FCC Aqualia, S.A. - Idonea Cys, S.L.	C/ Puerto Rico, 18-20-of.7 (Pontevedra) Vigo	50 %	-

b) The Company also participates in Groups of Economic Interest (A.I.E.), stake details being set out below:

- A.I.E. ITAM Delta de la Tordera. Its corporate purpose consists of the construction and operation of a desalination plant in Gerona. The most relevant data are the following:

Address:	Travesía de Gracia, 58. Barcelona	
Shareholders:	FCC Aqualia, S.A.	49.9%
	FCC Construcción, S.A.	0.1%
	Aqualia Intech, S.A.	0.1%



- Acciona Agua, S.A. 49.9%

    - A.I.E. Gestión de Servicios Hidráulicos de Ciudad Real. It holds a stake in the capital stock of the company which carries out the drinking water supply to several municipalities in the province of Ciudad Real. The most relevant data are the following:  
  
Address: C/ Ramirez de Arellano, 15. Madrid.  
Shareholders: FCC Aqualia, S.A. 75.00%  
Acciona Agua, S.A. 25.00 %
    - A.I.E. Costa Tropical de Granada. Its main activity consists of the construction and operation of installations of treatment and purification of drinking water, as well as its supply to the Municipalities of Granada's Costa Tropical.  
  
Address: Plaza de la Aurora, s/n. Motril (Granada).  
Shareholders: FCC Aqualia, S.A. 51.00%  
Acciona Agua, S.A. 49.00 %
    - A.I.E. SOREA - Aqualia (previously A.I.E. Aquagest Medioambiente, S.A. – Aqualia). Its activity consists of the participation in the shareholding of Empresa mixta de la Costa Brava, S.A.  
  
Address: Condado de Jaruco, s/n. Lloret de Mar (Gerona)  
Shareholders: Aquagest Medioambiente, S.A. 62.50%  
FCC Aqualia, S.A. 37.50%
    - A.I.E. Costa Brava Abastament Aqualia – Sorea. Incorporated on 14 October 2009, it holds a stake in the capital stock of a company which carries out water services management within the territorial scope of Consorcio de la Costa Brava.  
  
Address: C/ Sector Carlit, s/n. Castelló d'Empuries (Gerona)  
Shareholders: FCC Aqualia, S.A. 50.00 %  
Sorea, S.A. 50.00%
- c) Likewise, FCC Aqualia has holdings in companies that have a similar corporate purpose and activities. The detail of Group companies and affiliates is shown in Note 8.

The Company voluntarily prepares consolidated annual accounts and management report as parent company of the group of dependent companies listed in this Report according to the provisions of article 42.6 of the Code of Commerce. It does this despite the fact that it is exempt from the obligation to do this in accordance with the applicable legislation, article 43 of the Spanish Code of Commerce and article 7 of the Accounting Preparation Standards for Consolidated Annual Accounts of Royal Decree 1159/2010, of 17 September, since it depends on the FCC Group, whose parent company is Fomento de Construcciones y Contratas, S.A., with registered address in calle Balmes, 36, Barcelona 08007, Spain, and whose shares trade officially in the four Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia). The consolidated annual accounts and management report of Fomento de Construcciones y Contratas, S.A. are deposited in the Trade Registry of Barcelona.

The consolidated annual accounts of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRS-EU), pursuant to the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, as well as any other enabling provisions and interpretations.



The consolidated annual accounts of the Company corresponding to financial year 2017 have been prepared by the Directors and will be likewise submitted to the General Shareholders' Meeting for approval, and they are expected to be approved without any amendments.

The consolidated annual accounts prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union show assets for an amount of 2,907,621 thousand euros (2,287,547 thousand euros at 31 December 2016) and Net Equity attributed to shareholders of the Company amounting to 430,515 thousand euros (798,641 thousand euros at 31 December 2016). Likewise, consolidated sales and the attributable profit/loss, respectively, amount to 1,035,210 and 92,133 thousand euros (991,242 and 71,251 thousand euros to 31 December 2016).

## **NOTE 2. BASIS OF PRESENTATION OF THE ANNUAL ACCOUNTS**

### **2.1. Regulatory financial reporting framework applicable to the Company**

These annual accounts have been drawn up by Directors in accordance with the regulatory financial reporting framework applicable to the Company, as laid down in:

- The Spanish Code of Commerce and other mercantile legislation.
- The Spanish General Chart of Accounts approved by Royal Decree 1514/2007 and amended by Royal Decree 602/2016 and its sectoral adaptations and in particular the sectoral adaptation of the general chart of accounts to public infrastructure concession companies approved by Order EHA/3362/2010.
- The mandatory standards approved by the Institute of Accounting and Accounts Auditing, in furtherance of the Spanish General Chart of Accounts and supplementary regulations.
- All other applicable Spanish accounting regulations.

### **2.2. True and fair view.**

The annual accounts are based on the Company's accounting records and presented in accordance with the regulatory financial reporting framework applicable to it, and in particular the accounting criteria and principles set out therein, so as to present a true and fair view of the equity, the financial situation, the results of the Company and the cash flows occurring during the corresponding financial year.

These annual financial statements, which have been prepared by the Directors of the Company, will be submitted to the Ordinary General Shareholders' Meeting for approval, and they are expected to be approved without any amendments. Meanwhile, the annual financial statements corresponding to financial year 2016 were approved by the General Shareholders' Meeting held on 12 May 2017.

The balance sheet, profit and loss account and cash flow statements of the Temporal Joint Ventures in which the Company has a stake have been incorporated applying a proportional integration method based upon the stake percentage in them.

The integration of Temporary Joint Ventures has taken place once the temporal and value homogenisation, the necessary conciliations and reclassifications and the appropriate withdrawals, both of assets and liabilities balances, and the reciprocal income and expenses have been carried out. The breakdown of amounts corresponding to Temporary Joint Ventures has been included in the Notes to this report if relevant.

Furthermore, the Company incorporates in its annual accounts the result of the Economic Interest Groupings in which it participates, under the sub-account “Income through equity holdings” under the heading “Net turnover” of the attached Profit and Loss Account (see note 20.1).

### **2.3. Non-mandatory accounting principles applied**

No non-mandatory accounting principles were applied. Additionally, the Directors have formulated these annual accounts taking into consideration all the compulsory accounting principles and standards with a relevant effect in the annual accounts, that is, all compulsory accounting principles have been applied.

### **2.4. Critical valuation aspects**

The preparation of the enclosed annual financial statements involved estimates made by the Company Directors in order to value certain assets, liabilities, revenue, expenditure and commitments recorded in the accounts. These estimates essentially refer to:

- The evaluation of possible losses from impairment of certain assets (see Note 6, 7, 8 and 9).
- The service life of tangible and intangible assets (see Notes 6 and 7).
- The calculation of certain provisions (see Note 15).
- Recognition of assets by deferred tax (see Note 17)
- The estimated calculation of foreign exchange risk, interest rates, solvency and liquidity (see Note 24).
- 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 (see note 17).
- Progress of construction activities (see Note 4.10).
- Estimation of the cubic metres consumption supplied to subscribers between the dates of the last meter reading and the accounting close date (note 4.10)
- The fair value of certain financial assets including group companies (see Note 4.5.1)

In spite of the fact that these estimations are based on the best available information, at 2017 year close, future events might make it necessary to modify them in subsequent years, what would be done in a prospective way.

### **2.5. Comparison of information**

The annual accounts present, for comparative purposes, with each item of the balance sheet, the profit and loss account, the statement of changes in the net equity, the statement of cash flow and the report, together with the figures corresponding to financial year 2017, those corresponding to the previous year, which were part of the annual accounts of financial year 2016.

### **2.6. Consolidation of entries**

Certain items of the balance sheet, profit and loss account, statement of changes in the net equity and statement of cash flows, are grouped in order to streamline their understanding, though, as far as it is relevant, the information has been included individually in the corresponding Notes to the report.

## 2.7. Correction of errors

During the 2017 financial year there have been no significant changes in accounting criteria with regard to the criteria applied in the 2016 financial year.

No significant error leading to a re-expression of the sums included in the annual accounts for financial year 2016 was uncovered in the preparation of the theses annual accounts.

## 2.8 Going concern principle

Despite having a negative working capital amounting to 26,993 thousand euros at 31 December 2017, essentially generated by the evolution of balances with the Group (see notes 10.1 and 16.3), the Company Directors have prepared these annual accounts using the going concern principle, given that in accordance with the Company's best estimates, the Company's cash flow generation capacity has sufficient clearances to allow the Company to reverse the aforementioned situation in 2018. (Note 24)

## NOTE 3. DISTRIBUTION OF RESULTS

The proposal of distribution of results of 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>	
<b>Profit for the Year</b>	<b>74,006</b>
<b>Distribution:</b>	
<b>To Voluntary reserves"</b>	<b>74,006</b>

## NOTE 4. RECORDING AND VALUATION STANDARDS

The main recording and valuation standards used by the Company in preparing the annual accounts for financial year 2017 in accordance with those established in the General Chart of Accounts, have been the following:

### 4.1. Intangible fixed assets

As a general rule, intangible fixed assets are valued initially at their acquisition price or production cost. Subsequently, they are valued at their cost reduced of the corresponding accumulated amortisation and, if applicable, of the loss from impairment experienced.

a) Intangible assets for concession agreements.

The Company records as administrative 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 sewerage services concessions.

Amortisation is carried out applying the straight-line method during the period of each concession, having a duration between 5 and 50 years.

Concession contracts imply agreements between a public entity and the Company to provide public services

concerning water distribution, construction and operation 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 monopoly 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 Order of the Ministry of Economy and Finance EHA/3362/2010 of 23 December, approving the standards to adapt the General Chart of Accounts to public infrastructure concessionary companies.

Included under the heading “Intangible assets through concession agreements”, are the set of infrastructures constructed, improved or acquired by the Company in its capacity as concessionaire to provide a public service linked to a concession contract. The recognition of an intangible asset takes place when the Company is entitled to charge certain rates to users of the public service, depending on the use made of said service, the concession holder assuming, therefore, the demand risk. Since the concession holder controls the physical use that must be given to the infrastructure, as well as the way in which the service must be provided and its price, the infrastructure is recorded as an intangible fixed asset and not as a tangible fixed asset.

Their initial valuation is carried out by the fair value of the service rendered, equivalent to the acquisition or production cost plus the margin of the infrastructure construction, said value being recovered during the life of the contract through the right to charge the service users the corresponding rates depending on the level of use.

Provisions for dismantling, removal or refurbishment provisions, as well as improvement or capacity enlargement actions the income of which is scheduled in the initial contract will also be recorded as the highest asset value and both the amortisation of said assets and the financial updating of the abovementioned provisions will be recorded as results during the life of the contract. On the other hand, provisions to account for the restoration and repair of infrastructures are systematically recorded as results when the obligation is created.

For any items under this heading requiring a period longer than one year, the Company activates the financial expenses accrued prior to commissioning of the asset and charged by the supplier or relating to loans or other external financing, whether specific or generic, directly attributable to the acquisition or production of the relevant item.

Depreciation takes place during the concession period in a linear way, there being no significant differences between the recorded amount in this way and that obtained depending on the cubic meters of water produced in the contracts operated by the Company.

At the close of the financial year, the indications of value impairment identified in certain intangible Assets included under this heading have been adjusted, the Administrators estimating that the Company's remaining assets have a recoverable value greater than their book value.

As of the commissioning, financial expenses for the financial year are attributed to results on a proportional basis, to forecast income according to the Company's Financial Plan.

With regard to forecast revenue, the proportion represented for each financial year of revenue out of the total is established. This proportion is applied to the total financial expenses forecast during the concession period in order to establish the sum thereof to be apportioned in each financial year as the financial expense for the financial year. In the event that the actual revenue for that financial year exceeds the forecast, the ratio shall be calculated between the actual revenue and the total forecast revenue.

The difference between the total financial expenses corresponding to the financial year and the financial expenses apportioned to the income statement is assetised as deferred financial expenses.

b) Goodwill.

Under this heading, the Company records goodwill arisen in financial year 2002 from the merger by takeover on the part of the Company with several of its subsidiaries.

Following its initial recognition, goodwill is valued at its acquisition price less the cumulative depreciation and, where applicable, the accumulated amount of recognised impairment valuation corrections. In accordance with the applicable regulations, the useful life of goodwill has been established at 10 years and its depreciation is linear.

In addition, its value impairment is checked on an annual basis or before, if there is evidence of a potential value impairment of the asset. For these purposes, goodwill resulting from the aforementioned joint business, is attributed to the Company as a whole as cash generating unit, which is expected to benefit from combination synergies.

Up until the financial year ending on 31 December 2015, in accordance with the Capital Companies Act then in force, in applying each financial year's result, the Company had to endow a non-transferable reserve equivalent to the goodwill included in the assets on the balance sheet, for which purpose there was a profit figure representing at least five per cent of the amount of said goodwill. In the case there was no profit, or it was insufficient, freely available reserves were used.

In accordance with the amendments made to the Capital Companies 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 and the amount must be reclassified as voluntary reserves; the amount exceeding goodwill recorded in the assets on the balance sheet will be available from this financial year. No amount has been reclassified as Voluntary Reserves in 2016 or 2017.

c) Computer applications:

Computer applications include the costs incurred in the acquisition of computer programs, which are depreciated in a maximum period of five years. Maintenance costs are recorded in the profit and loss account of the year in which they are incurred.

d) Development and research expenses:

They are valued initially at their acquisition price or production cost when the Company has carried out research and development works. They are registered by projects individually and are activated only when there are grounded reasons to expect technical success and economic cost-effectiveness from the project.

It is amortised under the straight-line method during the useful life of the project and, in any case, within a

maximum of 5 years.

#### **4.2. Tangible fixed assets**

Property, plant and equipment is valued initially at their acquisition price or production cost when the Company has carried out works for its own fixed assets, and subsequently reduced of the corresponding accumulated depreciation and impairment losses, if applicable. At year end, there is no evidence of value impairment in any of the Property, Plant and Equipment of the Company. The Directors of the Company consider that the recoverable value of the assets exceeds their book value, and therefore no losses from value impairment have been recorded.

Conservation and maintenance costs of the different elements that compose Property, Plant and Equipment are recorded in the 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 .

Works carried out by the Company for its own fixed assets are recorded as the accumulated cost resulting from the addition of internal costs to external costs, determined in function of own materials consumption, direct workforce and general manufacture costs calculated on the basis of absorption rates similar to those applied to inventories valuation.

The Company depreciates its tangible fixed assets applying the straight-line method, using annual depreciation percentages calculated on the basis of estimated useful life of the respective assets, according to the detail set out below:

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<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

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#### **4.3. Impairment losses of non-financial assets**

The Company applies the method of evaluation of evidence revealing the potential value impairment of non-financial assets subject to amortisation or depreciation, in order to check if the accounting value of said assets exceeds their recoverable value, understood as the highest fair value, reduced of sale costs and useful value.

Losses from impairment are recorded in the profit and loss account under the caption “Impairment and result through disposal of fixed assets”.

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 UGE which, in general, use five-year periods, except when the characteristics of the business advise for higher 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.

The Company evaluates at closing date if there is any evidence that loss from value impairment recorded in previous years does not exist any longer or that it has reduced. Losses from value impairment corresponding to goodwill are not reversible. Losses from value impairment for the rest of the assets only revert if the estimations used to determine the asset recoverable value had changed.

The reversion of loss from value impairment is recorded in the profit and loss account. However, loss reversion cannot increase the accounting value of the asset in excess of the accounting value it would have, net of amortisations, if the impairment had not been recorded.

After value adjustment from impairment or reversion, amortisations of subsequent years are adjusted taking into account the new accounting value.

Notwithstanding the above, if the specific circumstances of assets entail an irreversible loss, this will be directly recorded as losses from impairment in the profit and loss account.

#### **4.4. Lease**

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. At December 31, 2017, the Company has two such contracts, and the Directors do not consider their impact to be significant in the Company's attached financial statements.

##### **Operating leases**

Expenses arising from operating leasing agreements are attributed to the 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.

## 4.5. Financial instruments

Financial instruments are classified at their initial recognition as a financial asset, a financial liability or an equity instrument, according to the economic fund of the contractual agreement and the definitions of financial asset, financial liability or equity instrument.

### 4.5.1 Financial assets

#### Classification

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

- Loans and items receivable: financial assets originating from asset disposals or in services from the 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 in the equity of Group, associated and multi-group companies: group companies are those tied to the Company through a controlling relationship, and associated companies those over which the Company exerts significant influence. Additionally, those companies over which, pursuant to an agreement, one or more shareholders exert joint control, are included in the category of multigroup companies.
- Financial assets held for trading: Those acquired with the objective of short-term sale or those forming part of a portfolio which shows evidence of recent actions for this purpose.

#### Initial valuation

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

From 1 January 2010 onwards, in the case of investments in the net worth of group companies granting control over the subsidiary, the fees paid to legal advisers or other professionals connected with acquisition of the investment are directly attributed to the income statement.

In concession contracts, the consideration perceived by the Company will imply the recording of a financial asset, if there exists an unconditional right to perceive a certain amount in exchange for the services rendered, that is, when the Company does not assume the demand risk and, therefore, income does not depend on the use made by users of the public service.

#### Subsequent valuation

- Loans, items receivable and investments held to maturity are valued at their amortised cost.
- Investments in group, associated and multi-group companies are valued at their cost, with any applicable cumulative sum of valuation corrections through impairment deducted. Said adjustments are calculated as the difference between their book value and the recoverable amount, this being understood as the highest amount between their fair value reduced of the sale costs and the current value of future



cash flows arising from the investment. Unless there is a better evidence of the recoverable amount, the net equity of the participated entity corrected with the tacit capital gains existing as at the valuation date is taken into account.

- Financial assets held for trading are valued at fair value, and the result of variations in said fair value is recorded in the profit and loss account.
- 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 profit and loss account.
- In particular, with regard to the valuation corrections relating to trade and other accounts receivable, the 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.

#### **4.5.2 Withdrawal of financial assets.**

The Company will withdraw 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 credit nor interest risk, the sale of financial assets with a buyback agreement at their fair value.

Meanwhile, the Company 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 or some other form of guarantees which would substantially absorb all expected losses.

#### **4.5.3 Financial liabilities**

Financial liabilities are those debits and accounts payable of the Company originated in the acquisition of assets and services from trade operations of the company and those which, not having a commercial origin, cannot be considered as derivative financial instruments.

Debts and items payable are initially valued at the fair value of the consideration received, adjusted in accordance with the directly attributable costs of the transaction. These liabilities are subsequently valued in compliance with their amortised cost.

The Company withdraws financial liabilities when the obligations generating them are extinguished.

#### **4.6. Stock**

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 Company carries out the appropriate value adjustments, recording them as expenses in the profit and loss account when the net realisable value of inventories is below the acquisition price or production cost.

#### **4.7. Foreign currency transactions**

The functional currency used by the Company is the euro. Therefore, operations in currencies other than euro are considered as formulated in foreign currency and are registered applying the exchange rates in force as at the dates of the operations.

At the close of the financial year, monetary assets and liabilities denominated in foreign currency are converted by applying the exchange rate on the date of the consolidated balance sheet. Any profits or losses which may come to light are directly attributed to the profit and loss account for the financial year when they occur.

Likewise, financial instruments in equity of group companies in foreign currency which acquisition has been financed with loans in the same currency have been converted at the change rate at year end.

#### **4.8. Profits Tax**

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 sum which the Company pays as a result of tax settlements for the profits tax for a financial year. Said tax settlements take into account permanent differences between the tax base and the accounting result. 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 through deferred taxes correspond to the acknowledgement and cancellation of assets and liabilities through deferred taxes. 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.

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.

Meanwhile, deferred tax assets are recognised only to the extent that it is viewed as likely that the Company will have future taxable profits against which these could be applied.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

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, on each balance date any deferred tax assets not recognised in the balance sheet are assessed and these are recognised insofar as they have become likely to be recovered against future taxable profits.

Assets and liabilities by deferred tax are recorded in the balance sheet as non current assets and liabilities, independently from the scheduled date of realisation or liquidation.

The Company forms part of the tax consolidation group 18/89 headed by FCC and pays taxes, regarding income tax, according to the Tax Consolidation Special Scheme, provided in article 64 and following of the Revised Text of Royal Legislative Decree 4/2004 of 5 March.

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:

- Interim and permanent differences produced as a consequence of the elimination of results from operations between the companies of the 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 Group which have been compensated by the rest of the companies of the consolidated Group, a reciprocal credit and debit arises between their corresponding companies and the companies compensating them. In case there is a negative tax result which cannot be compensated by the rest of companies of the consolidated Group, these tax credits for tax loss carry forwards are recorded as assets for deferred tax according to the criteria established for their recording, considering the tax group as a taxpayer.
- The Parent company of the Group records the total payable (to be returned) amount for consolidated corporate tax chargeable to (payment) Credits (debts) with tax group companies.
- The amount of the debt (credit) corresponding to depending companies is recorded as payment (charge) to Debts (credits) with group and associated companies.

#### **4.9. Provisions and contingencies**

When formulating the annual accounts, the Administrators of the Company differentiate between:

- 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.

- Contingent liabilities: these are possible obligations arising as a result of past events, the materialisation of which is conditional upon future events beyond the control of the Company, 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 annual financial statements, although information in this regard is provided in the explanatory notes, to the extent that they are not viewed 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.

#### **4.10. Revenue and expenses**

Income from sales is recorded at the moment of transfer to the purchaser of relevant risks and benefits attached to the property of the sold good, without keeping current management on said good, or retaining the effective control thereon.

Regarding income from provision of services, these are recorded taking into account the degree of performance of the provision at the time of update of the balance sheet, provided that the result of the transaction may be reliably estimated.

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, interest and dividends on financial assets accrued subsequent to the time of acquisition are recognised as revenue in the profit and loss account.

Turnover consists mainly of the following concepts:

- In water supply contracts, the Company 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 Company takes periodic readings of its subscribers consumption. At each accounting close, the Company assesses the unbilled water supply revenue for the registration of the "Production executed and pending certification" under the heading "Customer through sales and services" of the current assets section of the balance sheet as at 31 December 2017. For quantification, consider 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.

- Sale of works and services. It includes the amount corresponding to construction works and activities the Company carries out regarding the provision of the integral water cycle management in the Municipalities where it has been awarded the contract. The sale value is calculated applying the criterion of degree of development, which consists of valuating at sale 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 production amount and the invoiced amount up to the date of the balance sheet is recorded as "Production executed pending invoicing", under the heading "Customers through sales and services" or "Production certified in advance" under the heading



"Trade and other accounts payable".

- Dividends obtained from equity instruments in group companies and joint and associated businesses. By the application of Consultation 2 of the Boletín de Contabilidad y Auditoría de Cuentas No 79, dividends obtained from equity instruments in group and associated companies are considered to form part of the net turnover, since the holding of shares is part of normal activity for the Company.

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

#### **4.11. Compensation for redundancy**

According to current legislation, the Company is obliged to pay indemnities to the employees whose work contracts are terminated under certain conditions. Therefore, severance payments susceptible of reasonable quantification are accounted for as expense of the year in which the dismissal decision is adopted. The attached annual accounts do not include provisions for this concept, since situations of this nature have not been foreseen.

#### **4.12. Subsidies**

The Company applies the following criteria to account for grants received:

##### a) Non-reintegrable grants:

They are recorded as Net Equity and are valued at the fair value of the amount or asset granted, depending if they have monetary nature or not, and they are attributed to results proportionately to the endowment for amortisation carried out during the period for granted elements or, if applicable, when their sale or value adjustment from impairment takes place, excepting those received from shareholders or owners, in which case they are directly recorded in shareholder's equity and do not represent any income.

##### b) Operating grants:

These are credited to results at the time when they are granted, unless they are intended to finance operating deficits from future financial years, in which case they will be allocated to those financial years. If they are granted to finance specific costs, they will be allocated as the costs financed accrue.

#### **4.13. Joint businesses**

The Company accounts for the contracts jointly operated with Temporary Joint Ventures (UTE) recording their balance in the corresponding proportional part, basing upon their stake percentage, o jointly controlled assets and jointly incurred liabilities. Likewise, the part corresponding to income generated and expenses incurred by the contract jointly operated are accounted for in the profit and loss account. Similarly, the proportional part of the value of corresponding items of the joint contract is integrated in the Net Equity and Statement of Cash Flows.

Figures provided by UTEs to the balance sheet and profit and loss account of the Company are recorded in each of the Notes of this report.

#### **4.14. Transactions with related companies**

The Company carries out all its operations with related companies at market value. In addition, the prices of transfer are borne appropriately, and the Company Directors do not therefore believe there are any significant risks in this regard of any substantial liabilities arising in the future.

In merger and split-up of a business, the elements comprising the acquired business will be appraised, in general, by the corresponding amounts, once the operation has been carried out, in the consolidated annual accounts. Differences originated are recorded under reserves.

#### **4.15. Company actions with impact on the environment**

The Company carries out operations whose main purpose is to prevent, reduce or repair potential damages caused to environment as a result of its activities.

Expenses arising from environmental activities are recorded as operating expenses in the financial year they are accrued.

Elements subject of incorporation to the Equity of the Company, in order to be used in an enduring way in its activity and whose main purpose consists of minimising the environmental impact and the protection and improvement of the environment, are accounted for as tangible fixed assets.

On the other hand, the Company creates provisions for environmental actions when the existence of expenses generated during the current or previous years is known, with a clear specification of their nature, but undetermined regarding their amount or date. Said provisions are created basing upon the best estimation of necessary expenditure to face the obligation, taking into account the financial event in case it is relevant.

#### **4.16. Classification of assets and liabilities as current and non-current**

The Company presents the balance sheet classifying assets and liabilities as current and non-current. To these purposes, current assets and liabilities are those which comply with the following criteria:

- Assets are classified as current assets when they are expected to be realised, sold or consumed during the normal operating cycle of the Company, they are maintained basically for negotiation, they are expected to be realised within the period of twelve months after the closing date or they are cash or other cash equivalents, except in those cases in which they cannot be exchanged or used to cancel liabilities, at least in twelve months following the closing date.
- Liabilities are classified as current when they are expected to be liquidated during the normal operating cycle of the Company, they are maintained basically for negotiation, they must be paid within the period of twelve months after the closing date or the Company has not an unconditional right to delay the cancellation of liabilities during at least twelve months following the closing date.

#### **4.17. Cash flow statement**

On the cash flow statement, the following expressions are used:

- Cash flows – cash inflows and outflows and cash equivalents.

- Cash flows from operating activities: payments and collections of the organisation's standard activities, along with other activities which cannot be classified as investment or financing activities.
- Cash flows from investment activities: payments and collections originating from acquisitions and disposals of non-current assets.
- Cash flows from financing activities: payments and collections from the placement and cancellation of financial liabilities, equity instruments or dividends.

#### **NOTE 5. BUSINESS COMBINATIONS – MERGERS**

On 30 August 2017 the Shareholders Meetings of FCC Aqualia, S.A. and Aquacartaya, S.L. approved the merger by takeover of the latter by absorption. Prior to this operation, the Company directly controlled 95% and, indirectly through its investee Tratamiento Industrial de Aguas, S.A., the remaining 5% of the shares in Aquacartaya, S.L., an entity dedicated to the provision of drinking water, sewage sanitation, reuse of purified water and in general, providing all manner of services concerned with the treatment and distribution of drinking water in the municipality of Cartaya, in the province of Huelva (Spain).

The of merger by takeover was recorded in the Trade Registry on 13 December 2017, and has led to the dissolution without liquidation of the absorbed company, from that date on, and hence the block transfer of the equity of Aquacartaya, S.L. in favour of FCC Aqualia, S.A., the company being subrogated to all the rights and obligations of the absorbed company.

Being an operation of merger between companies of the group, the date of accounting effects of the operation was January 1st 2017, and the equity items acquired were valued according to pre-existing accounting values.

Furthermore, the simplified procedure has been followed in accordance with Article 49 of the Structural Modifications Act, given that the absorbing company is indirectly a sole partner of the absorbed company and no independent experts have been involved in the merger process.

The transaction has been subject to the tax neutrality regime regulated by Chapter VII of Title VII of Act 27/2014, of 27 November, on Corporate Tax. Both the transmitting company and the Company belong to the same tax consolidation group which is Fomento Construcciones y Contratas, S.A. and therefore there are no tax benefits transmitted from the extinguished company to the Company.

The book value of Aquacartaya, S.L.'s assets and liabilities incorporated on the date of the merger, on 1 January 2017, was as follows:

<b>(Euros)</b>	<b>Accounting value</b>
Intangible fixed assets (Note 6)	8,439
Property, plant and equipment (Note 7)	51
Long-term financial investments	32
Deferred tax assets	31
Stock	26
Trade and other accounts receivables	1,183
Cash and other equivalent liquid assets	658
Long-term provisions	(54)
Long-term debts	(53)
Group companies and associates – non-current payables	(7,050)
Short-term debts	(1,450)
Trade and other accounts payable	(1,011)
<b>Net total</b>	<b>802</b>
<b>Cost of the stake</b>	<b>(3)</b>
<b>Difference accounted for in Reserves (note 13)</b>	<b>799</b>

The last balance sheet closed by the transmitting company corresponds to 31 December 2016 and is shown below:

<b>ASSETS</b>	<b>2016</b>	<b>LIABILITIES</b>	<b>2016</b>
<b>NON-CURRENT ASSETS</b>	<b>8,553</b>	<b>NET EQUITY</b>	<b>802</b>
Intangible fixed assets	8,439	Shareholder Equity	802
Tangible fixed assets	51	Share capital	3
Long-term financial investments	32	Reserves	1
Deferred tax assets	31	Result for the financial year	798
		<b>NON-CURRENT LIABILITIES</b>	<b>7,157</b>
		Long-term provisions	54
		Other long-term debts:	53
		Long-term debts with group and associated companies	7,050
<b>CURRENT ASSETS</b>	<b>1,867</b>	<b>CURRENT LIABILITIES</b>	<b>2,461</b>
Stock	26	Short-term debts with group companies and associated	1,450
Trade and other accounts receivables	1,183	Trade and other accounts payable	1,011
Cash and Cash Equivalents	658		
<b>TOTAL ASSETS</b>	<b>10,420</b>		<b>10,420</b>

## NOTE 6. INTANGIBLE FIXED ASSETS

### 6.1. Variation

- a) Amounts and variations in the intangible fixed assets during financial year 2017 were the following:



<b>INTANGIBLE FIXED ASSETS</b>						
<i>(Amounts in thousands euros)</i>						
<i>Variation between 31 December 2016 and 2017</i>						
	<b>BALANCE</b>	(+)	(-)	(+/-)	(+/-)	<b>BALANCE</b>
	<b>31/12/2016</b>	<b>ADDITIONS</b>	<b>WITHDRAWALS</b>	<b>TRANSF.</b>	<b>Additions for business combination</b>	<b>31/12/2017</b>
Research and development costs	2,689	2,380	-	(17)	-	5,052
Administrative concessions	562,755	7,891	(4,271)	-	8,521	574,896
Goodwill	82,763	-	-	-	-	82,763
Computer applications	1,094	59	(11)	-	-	1,142
Other intangible fixed assets	11	-	-	17	27	55
Advances for concession agreement	308	2,538	-	-	-	2,846
Financial activation concession agreement	14,918	24	-	-	761	15,703
Concession agreement, regulated assets	509,978	4,302	(1,159)	-	176	513,297
<b>TOTAL COST</b>	<b>1,174,516</b>	<b>17,194</b>	<b>(5,441)</b>	<b>-</b>	<b>9,485</b>	<b>1,195,754</b>
Research and development costs	(899)	(2,383)	-	-	-	(3,282)
Administrative concessions	(268,488)	(22,336)	2,529	-	(973)	(289,268)
Goodwill	(8,276)	(8,276)	-	-	-	(16,552)
Computer applications	(994)	(27)	1	-	-	(1,020)
Other Intangible Fixed Assets	-	(1)	-	-	(3)	(4)
Concession agreement, regulated assets	(267,819)	(21,967)	719	-	(70)	(289,137)
<b>TOTAL ACCUMULATED AMORTISATION</b>	<b>(546,476)</b>	<b>(54,991)</b>	<b>3,249</b>	<b>-</b>	<b>(1,046)</b>	<b>(599,264)</b>
Administrative concessions	(15,191)	(1,680)	2,467	-	-	(14,404)
Concession agreement, regulated assets	(131)	-	5	-	-	(126)
<b>TOTAL IMPAIRMENTS</b>	<b>(15,322)</b>	<b>(1,680)</b>	<b>2,472</b>	<b>-</b>	<b>-</b>	<b>(14,530)</b>
<b>NET TOTAL</b>	<b>612,718</b>	<b>(39,477)</b>	<b>280</b>	<b>-</b>	<b>8,439</b>	<b>581,960</b>

Variation in every item under this heading is explained below:

- Research and development costs.

Under this heading, the Company has capitalised the R&D expenses incurred, mainly, in four two projects:

- ALL-GAS project. This project is framed within the “Algae to Biofuel” initiative of the European Union Framework Programme 7. It began in May 2011 and is carried out at the Chiclana Waste Water Treatment Plant (Cádiz), and the Company heads a consortium of European companies that conduct studies for the exploitation of waste water in the cultivation of micro-algae and subsequent conversion to energy products. The capitalized amount is 4,648 thousand euros in terms of cost and 2,951 thousand euros of accumulated amortization at 31 December 2017 (2,362 and 585 thousand euros, respectively, at 31 December 2016).

- The ITACA project, which researches the technology for treatment, reuse and control for the sustainability of water purification. This project is being carried out in collaboration with Alcalá de Henares University (Madrid). The capitalized amount is 242 thousand euros in terms of cost and 242 thousand euros of accumulated amortization at 31 December 2017 (242 and 242 thousand euros respectively, at 31 December 2016).
- INNPRONTA-IISIS Project for Energy Improvements of Resources and Research, Equipment and Systems for the integrated water cycle. The capitalized amount is 29 thousand euros in terms of cost and 29 thousand euros of accumulated amortization at 31 December 2017 (29 and 10 thousand euros respectively at 31 December 2016).
- ININTERCONECTA SMARICT- Extremadura project for the development of the “Real Time Water Monitoring System with Intelligent Technology”. The capitalized amount is 30 thousand euros in terms of cost and 30 thousand euros of accumulated amortization at 31 December 2017 (30 and 30 thousand euros respectively at 31 December 2016).
- Other minor projects initiated in 2016 and 2017 with 103 thousand euros capitalized and 30 thousand in accumulated amortisation at 31 December 2017.
  - Administrative concessions

In 2017, the Company recognised the amount of 7,891 thousand euros, which correspond to the activity performed in Spain, mainly in the following contracts:

- Joint Municipal Confederation 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, as well as low pressure water supply to the municipalities which are managed by said association. The Company has provided continuous service to this Joint Municipal Confederation 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.

Also in the 2017 financial year, the Company registered cancellations of administrative concessions amounting to 4,271 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 in a judgement favourable to FCC Aqualia acknowledging an amount receivable of 5,432 thousand euros as compensation for damages for lost profits and interest accrued so far, of which 4,657 thousand euros are classified as “Sundry debtors” in the current assets section of the balance sheet as at 31 December 2017.

- Advances for concession agreement

Additions for the year 2017 amount to 2,538 thousand euros, having been fully connected in Guijuelo (Salamanca) in the construction of a water infrastructure in the municipality.

- Intangible assets for concession agreement

The amount of 4,302 thousand euros was recognised in 2017 and the most important ones correspond to the following contracts:

- Salamanca (Salamanca) for an amount of 1,049 thousand euros corresponding to measures carried out on the network during the 2017 financial year for an active pressure management system.
- Other Spanish municipalities with additions under this heading are Villanueva de Alcardete (Toledo) for an amount of 650 thousand euros and Benalup (Cadiz) for an amount of 525 thousand euros for the investment commitments made in the water supply and sewerage networks in both municipalities.

- Impairments.

During the financial year, the Company has made allowances for impairment amounting to 1,680 thousand euros, corresponding to two concessions in Murcia. The Company has estimated that the cash flows pending receipt for both of these will not be sufficient for the recovery of the investment made.

The reduction in the impairment made in previous years is explained by the amortisation in the year of concessions deteriorated in previous years, but in which the Company continues to serve, as well as the aforementioned withdrawal in Monovar (Alicante).

b) Amounts and variations in the intangible fixed assets during financial year 2016 were the following:

<b>INTANGIBLE FIXED ASSETS</b>					
<i>(Amounts in thousands euros)</i>					
<i>Variation between 31 December 2015 and 2016</i>					
	<b>BALANCE</b>	(+)	(-)	(+/-)	<b>BALANCE</b>
	<b>31/12/2015</b>	<b>ADDITIONS</b>	<b>WITHDRAWALS</b>	<b>TRANSF.</b>	<b>31/12/2016</b>
Research and development costs	730	1,959	-	-	2,689
Administrative concessions	535,729	20,859	(962)	7,129	562,755
Goodwill	82,763	-	-	-	82,763
Computer applications	1,126	36	(68)	-	1,094
Other intangible fixed assets	281	-	(270)	-	11
Advances for concession agreement	337	294	(323)	-	308
Financial activation concession agreement	15,192	303	(577)	-	14,918
Concession agreement, regulated assets	424,604	86,037	(663)	-	509,978
<b>TOTAL COST</b>	<b>1,060,762</b>	<b>109,488</b>	<b>(2,863)</b>	<b>7,129</b>	<b>1,174,516</b>
Research and development costs	(464)	(435)	-	-	(899)
Administrative concessions	(231,788)	(37,299)	599	-	(268,488)
Goodwill	-	(8,276)	-	-	(8,276)
Computer applications	(1,031)	(31)	68	-	(994)
Concession agreement, regulated assets	(187,676)	(80,800)	657	-	(267,819)
<b>TOTAL ACCUMULATED AMORTISATION</b>	<b>(420,959)</b>	<b>(126,841)</b>	<b>1,324</b>	<b>-</b>	<b>(546,476)</b>
Administrative concessions	(11,670)	(1,877)	596	(2,240)	(15,191)
Concession agreement, regulated assets	(135)	-	4	-	(131)
<b>TOTAL IMPAIRMENTS</b>	<b>(11,805)</b>	<b>(1,877)</b>	<b>600</b>	<b>(2,240)</b>	<b>(15,322)</b>
<b>NET TOTAL</b>	<b>627,998</b>	<b>(19,230)</b>	<b>(939)</b>	<b>4,889</b>	<b>612,718</b>

- Research and development costs.

Under this heading, the Company had capitalised the R&D expenses incurred in four projects:

- ALL-GAS project. This project is framed within the “Algae to Biofuel” initiative of the European Union Framework Programme 7. It began in May 2011 and is carried out at the Chiclana Waste Water Treatment Plant (Cádiz), since the company heads a consortium of European companies that conduct studies for the exploitation of waste water in the cultivation of micro-algae and subsequent conversion to energy products. The capitalized amount is 2,362 thousand euros in terms of cost and 585 thousand euros of accumulated amortization at 31 December 2016 (430 and 164 thousand euros, respectively, at 31 December 2016).
- The ITACA project, which researches the technology for treatment, reuse and control for the sustainability of water purification. This project is being carried out in collaboration with Alcalá de Henares University (Madrid). The capitalized amount is 242 thousand euros in terms of cost and 242 thousand euros of accumulated amortization at 31 December 2016 (242 and 242 thousand euros respectively, at 31 December 2015).
- INNPRONTA-IISIS Project for Energy Improvements of Resources and Research, Equipment and Systems for the Integrated Water Cycle. The capitalized amount is 29 thousand euros in terms of cost and 29 thousand euros of accumulated amortization at 31 December 2016 (29 and 10 thousand euros respectively at 31 December 2015).
- INNTERCONNECTA SMARICT- Extremadura project for the development of the “Real Time Water Monitoring System with Intelligent Technology”. The capitalized amount is 30 thousand euros in terms of cost and 30 thousand euros of accumulated amortization at 31 December 2016 (30 and 30 thousand euros respectively at 31 December 2015).
- Other minor projects initiated in 2016 with 26 thousand euros capitalized and 13 thousand in accumulated amortisation at 31 December 2016.

- Administrative concessions.

In 2016, the Company recognised the amount of 20,859 thousand euros, which correspond to the activity performed in Spain, mainly in the following contracts:

- Vigo (Pontevedra) for an amount of 16,026 thousand euros, due to the 49% modification of the stake held by the Company in the UTE managing the service in this financial, having been 50% until 1 January 2016. This contract had been provided by the UTE FCC Aqualia – FCCSA since 1991.
- Mérida (Badajoz) for an amount of 1,564 thousand euros for the 9% modification of the stake held by the Company in the UTE managing the integral water cycle in said municipality since 2000 and which until 1 January 2016 was 90%. The other UTE partner is Fomento de Construcciones y Contratas, S.A.
- Rota (Cadiz) for an amount of 1,866 thousand euros for the extension granted by said Municipality for the management of the municipal water supply service for a period of 4 years.

In the 2016 financial year, the Company also transferred an amount of 7,000 thousand euros from non-current financial assets to administrative concessions, corresponding to the advance fee in the

municipality of Gáldar (Gran Canaria) for the management of the public drinking water supply service in for 25 years. Until January 1, 2016, this advance fee was accruing interest on behalf of the Company.

- Advances for concession agreement

The additions for the 2016 financial year amounted to 294 thousand euros, principally from the connections in Guijuelo (Salamanca) amounting to 221 thousand euros for the construction of a water infrastructure in the municipality.

- Intangible assets for concession agreement

The registrations for the 2016 financial year amounted to 86,037 thousand euros, the most significant coming in the following contracts:

- Vigo (Pontevedra) for an amount of 69,586 thousand euros corresponding to the additional integration of a 49% stake in the UTE managing the service. Until 1 January 2016, FCC Aqualia held a 50% stake, and from this date onwards 99%.
- Almansa (Albacete) for an amount of 3,443 thousand euros for the commitment to invest in the municipality's water supply and sewerage networks.
- Municipal associations of Campo de Gibraltar (Cádiz) for an amount of 2,534 thousand euros for the investment commitment in water drainage networks.

- Impairments.

During the financial year, the Company made provisions for impairment amounting to 1,877 thousand euros, corresponding to the concession of Monovar (Alicante) as a result of the municipality retracting the concession in previous years, which was taken to judicial appeal by the Company.

The reduction in the impairment made in previous years is due to the amortisation in the year of concessions deteriorated in previous years, but in which the Company continues to serve.

The transfer recorded under this heading corresponds to the depreciation of interest accrued in previous years by the advance fee to the municipality of Gáldar (Gran Canaria) and which until 31 December 2015 was recorded as Impairment of non-current financial assets.

## **6.2. Balances from UTEs (Temporary Joint Venture) integration**

Balances contributed by UTEs at 31 December 2017 include 266,893 thousand euros corresponding to cost, 198,038 thousand euros corresponding to accumulated depreciation and 125 thousand euros corresponding to impairment. (266,496 thousand euros corresponding to cost, 188,466 thousand euros corresponding to accumulated amortisation and 130 thousand euros corresponding to impairment at 31 December 2016).

## **6.3 Totally amortised elements**

The detail of this heading is the following:

<b>FULLY DEPRECIATED INTANGIBLE FIXED ASSETS</b>		
<i>(Amounts in thousands euros)</i>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
Administrative concessions	30,634	30,658
Computer applications	901	906
Concession agreement, regulated assets	13,438	11,781
<b>TOTAL</b>	<b>44,973</b>	<b>43,345</b>

#### **6.4 Elements located outside the Spanish territory**

At 31 December 2017, the elements of intangible fixed assets outside the Spanish territory amount to 112 thousand euros in cost and 55 in accumulated amortisation (87 thousand euros in cost and 50 in accumulated amortisation at 31 December 2016).

#### **6.5 Intangible assets through concession agreement**

Concession agreements recorded under Intangible Assets at 31 December 2017 are detailed as follows, under accumulated cost and amortisation (amounts in thousand euros):

2017

CONTRACT	Administrative concessions			Asset Intangible Adm.Concess.			Advances for A.I.A.C.	Financial A.C.Asset	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	-	-	868	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	-	-	1,133	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	-	-	735	40 years
La Nucia (Alicante)	29	-29	-	22,899	-9,605	-	-	-	30 years
La Solana (Ciudad Real)	3,461	-1,355	-	2,052	-772	-	-	753	35 years
Llanera (Asturias)	1,248	-1,222	-3,596	12,513	-3,906	-	-	-	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	-	-	597	20 years
Mun. Conf. El Sunasol (Toledo)	3,689	-2,361	-	4,166	-1,923	-	-	700	25 years
Mun. Conf. River 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	-	-	6,788	50 years
Salamanca (Salamanca)	6,961	-2,903	-	1,092	-28	-	-	826	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	-	-	342	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
Rest	183,257	-102,666	-5,599	111,640	-59,841	-126	2,846	2,961	5 - 50 years
	<b>574,896</b>	<b>-289,268</b>	<b>-14,404</b>	<b>513,297</b>	<b>-289,137</b>	<b>-126</b>	<b>2,846</b>	<b>15,703</b>	

2016

CONTRACT	Administrative concessions			Asset Intangible Adm.Concess.			Advances for A.I.A.C.	A.C.Asset A.C.Asset	Duration
	Cost	Acc. Amort.	Impairment	Cost	Acc. Amort.	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	-	-	1,182	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	-	-	782	40 years
La Nucia (Alicante)	29	-29	-	21,804	-8,651	-	-	-	30 years
La Solana (C.Real)	3,461	-1,256	-	2,052	-712	-	-	753	35 years
Llanera (Asturias)	1,248	-1,220	-3,727	8,296	-2,836	-	-	-	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	-	-	667	20 years
Mun. Conf. El Girasol (Cuenca)	3,689	-2,214	-	4,166	-1,652	-	-	700	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	-	6,519	50 years
Salamanca (Salamanca)	6,961	-2,452	-	43	-15	-	-	826	25 years
San Lorenzo de El Escorial	2,543	-450	-	3,968	-1,050	-	-	-	30 years
Sanlúcar de Barrameda (Cádiz)	17,268	-4,297	-	-	-	-	-	0	40 years
Sant Feliu (Gerona)	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	-	-	342	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	-	-	-	25 years
Rest	185,727	-96,642	-5,882	116,077	-56,272	-1	308	3,148	5 – 50 years
	<b>562,755</b>	<b>-268,488</b>	<b>-15,191</b>	<b>509,978</b>	<b>-267,819</b>	<b>-131</b>	<b>308</b>	<b>14,918</b>	



By virtue of these contracts, the Company carries out the integral water cycle management, covering all phases thereof:

- Capture from hydrographic basins or wells.
- Purification and treatment in drinking water treatment installations.
- Supply through water network to all customers.
- Collection and transportation of waste water through sewerage networks to treatment plants, where it is treated and returned to the natural environment.

Administrative concessions are defined in the Spanish legal system by Act13/2003, of 23 May, as those by virtue of the Public Administration or publicly authorised grantor company granting concession-holders for a period of time, the construction or operation, or only the operation of works subject to operation and necessary for the provision of public services of an 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.

From the above it ensues that the concession agreements require the existence of an infrastructure controlled by the Public Administration, which is operated by the Company, within the framework of the regulations applied by said Administration and which establish aspects as important as the necessary rate for the recovery of the investment made by the concession holder.

The definition of infrastructure encompasses both the works and facilities built by the Company with its own means and those acquired from third parties, as long as they are devoted to the provision of public services under the conditions of the concession agreement.

The recognition of intangible assets mentioned under this Note takes place when the Company is entitled to charge certain rates to users of the public service, depending on the use made of said service, the concession holder assuming, therefore, the demand risk.

Likewise, in these contracts the lending company controls the physical use of the infrastructure, the way to provide the service and its price.

The balance under the heading "Concession agreement - Financial Activation" corresponds in its entirety to the deferred financial charge derived from the financing instrument associated with the construction of the concessions. (See Note 4.1.a)

As it has been previously indicated, the rates to be charged to users of the public services by the Company are regulated by the lending company. However, these contracts include clauses that permit the Company to apply for the revision of the rates, in case a new economic balance is needed.

Likewise, at the beginning of each concession the Company records, as Intangible Asset the amount of investment committed to each contract that involves improvement work on the network and infrastructures and which is recovered through invoicing the subscribers from the start of the concession. Until the investment itself is made, the Company records these amounts under the heading "Provisions for actions on the infrastructure" which is included under the heading "Other provisions for risks and expenses" (See note 15).

## **6.6 Capitalization of financial expenses**

During the 2017 financial year, the Company has not capitalised financial expenses under item “Advances through concession agreement” (1 thousand euros in 2016), bringing an amount of 3,836 thousand euros to origin (3,836 thousand euros accumulated at 31 December 2016).

Meanwhile, under the heading “Financial activation concession agreements”, the Company has capitalized a net amount of 24 thousand euros in fiscal year 2017 (274 thousand euros of net balance reversion as at 31 December 2016). The remaining variation in the balance of 761 thousand euros corresponds to the combined business combination.

## **6.7 Property acquisition commitments**

At 31 December 2017, there are no commitments other than those already under the heading “Provisions for actions on infrastructure” (see Note 15).

## **6.8 Insurance Policies**

It is the policy of the Company to contract all insurance policies necessary to give coverage to possible risks that could affect the elements of intangible assets.

## **NOTE 7. PROPERTY, PLANT AND EQUIPMENT**

### **7.1. Variation**

The flows occurred during financial year in the different accounts of Tangible Fixed Assets and their relevant accumulated depreciations have been as follows:

a) Variation in 2017.

<b>PROPERTY, PLANT AND EQUIPMENT</b>						
<i>(Amounts in thousands euros)</i>						
<b>Variation between 31 December 2016 and 2017</b>						
	<b>BALANCE</b>	<b>(+)</b>	<b>(-)</b>	<b>(+)(-)</b>	<b>(+)</b>	<b>BALANCE</b>
	<b>31/12/2016</b>	<b>ADDITIONS</b>	<b>WITHDRAWALS</b>	<b>TRANSF.</b>	<b>Additions for business combination</b>	<b>31/12/2017</b>
Land and buildings	3,571	14	-	-	-	3,585
Technical facilities and other tangible fixed assets	83,720	5,630	(499)	-	51	88,902
Ongoing fixed assets	89	454	-	-	10	553
<b>TOTAL COST</b>	<b>87,380</b>	<b>6,098</b>	<b>(499)</b>	<b>-</b>	<b>61</b>	<b>93,040</b>
Buildings	(2,052)	(63)	-	-	-	(2,115)
Technical facilities and other tangible fixed assets	(64,332)	(3,998)	329	-	(10)	(68,011)
<b>TOTAL ACC. AMORT.</b>	<b>(66,384)</b>	<b>(4,061)</b>	<b>329</b>	<b>-</b>	<b>(10)</b>	<b>(70,126)</b>
<b>NET TOTAL</b>	<b>20,996</b>	<b>2,037</b>	<b>(170)</b>	<b>-</b>	<b>51</b>	<b>22,914</b>

- Additions. The Company has recorded additions in property, plant and equipment for an amount of 6,098 thousand euros, corresponding to the assets used in the contracts performed by the Company and which are not concession contracts, as well as those acquired for those which, though they are concession contracts, are not charged back to the granting bodies.

- Withdrawals. These correspond mainly to fully amortised elements that are de-recognised.

b) Variation in 2016.

<b>PROPERTY, PLANT AND EQUIPMENT</b>						
<i>(Amounts in thousands euros)</i>						
<b>Variation between 31 December 2015 and 2016</b>						
	<b>BALANCE</b>	<b>(+)</b>	<b>(-)</b>	<b>(+)(-)</b>	<b>BALANCE</b>	
	<b>31/12/2015</b>	<b>ADDITIONS</b>	<b>WITHDRAWALS</b>	<b>TRANSF.</b>	<b>31/12/2016</b>	
Land and buildings	3,287	289	(5)	-	3,571	
Technical facilities and other tangible fixed assets	90,055	4,430	(10,767)	2	83,720	
Ongoing fixed assets	56	35	-	(2)	89	
<b>TOTAL COST</b>	<b>93,398</b>	<b>4,754</b>	<b>(10,772)</b>	<b>-</b>	<b>87,380</b>	
Buildings	(2,001)	(56)	5	-	(2,052)	
Technical facilities and other tangible fixed assets	(68,951)	(5,658)	10,277	-	(64,332)	
<b>TOTAL ACC. AMORT.</b>	<b>(70,952)</b>	<b>(5,714)</b>	<b>10,282</b>	<b>-</b>	<b>(66,384)</b>	
<b>NET TOTAL</b>	<b>22,446</b>	<b>(960)</b>	<b>(490)</b>	<b>-</b>	<b>20,996</b>	

- Additions. The Company has recorded additions in property, plant and equipment for an amount of 3,489 thousand euros, corresponding to the assets used in the contracts performed by the Company and which are not concession contracts, as well as those acquired for those which, though they are concession contracts, are not charged back to the granting bodies.

- Withdrawals. These correspond mainly to fully amortised elements that are withdrawn.

## **7.2 Land and buildings**

At 31 December 2017, lands represent an amount of 318 thousand euros in cost (318 thousand euros in cost at 31 December 2016).

## **7.3 Balances from UTEs (Temporary Joint Ventures) integration**

Balances as at 31 December 2017 include 6,937 and 5,033 thousand euros corresponding to the cost and accumulated amortisation contributed by UTEs, respectively (6,143 and 4,777 thousand euros respectively, at 31 December 2016).

## **7.4 Totally amortised elements**

As at 31 December 2017, items under heading “Technical facilities and other tangible fixed assets” are fully depreciated, but still in use, with a book value of 49,506 thousand euros (45,624 thousand euros as of 31 December 2016).

## **7.5 Acquisition of fixed assets from Group companies**

During financial years 2017 and 2016, no acquisitions of property, plant and equipment from group companies have been recorded.

## **7.6 Insurance policies**

It is the policy of the Company to contract all insurance policies deemed necessary to give coverage to possible risks that could affect the elements of property, plant and equipment.

## **7.7 Fixed assets located outside the Spanish territory**

As at 31 December 2017, the Company has fixed assets out of the Spanish territory amounting to 483 thousand euros in cost and 335 thousand euros of accumulated depreciation (509 and 279 thousand euros, respectively, as of 31 December 2016).

## **7.8 Property acquisition commitments**

There are no tangible fixed assets acquisition commitments at the close of the 2017 and 2016 financial years.

## **7.9 Assets under warranty**

There are no tangible assets assigned under guarantee for the Company's undertakings.

## NOTE 8. LONG TERM INVESTMENTS IN GROUP AND ASSOCIATED COMPANIES

### 8.1 Equity Instruments

The detail of movements under this heading is as follows:

a) Variation in 2017.

	EQUITY INSTRUMENTS (Amounts in thousands euros)					BALANCE 31/12/2017
	Variation between 31 December 2016 and 2017					
	BALANCE 31/12/2016	(+) ADDI- TIONS	(-) WITHDRAWALS	(-) WITHDRAWALS THROUGH LIQUIDATION		
Equity Instruments in Group Companies	164,299	-	-	(967)	163,332	
Pending disbursements on shares of Group companies	(27)	-	-	-	(27)	
Equity Instruments in Associated Companies	28,466	-	-	(59)	28,407	
Pending disbursements on shares of Associated companies	(185)	-	-	-	(185)	
<b>Total</b>	<b>192,553</b>	<b>-</b>	<b>-</b>	<b>(1,026)</b>	<b>191,527</b>	
Impairments	(19,053)	(2,221)	434	-	(20,840)	
<b>NET TOTAL</b>	<b>173,500</b>	<b>(2,221)</b>	<b>434</b>	<b>(1,026)</b>	<b>170,687</b>	

Regarding items, the most important movements recorded in 2017 are shown below:

- Equity instruments in Group Companies.
  - Withdrawals amounting to 964 thousand euros for the liquidation of Colaboración, Gestión y Asistencia, S.A.. At 31 May 2017, the Extraordinary General Meeting agreed the winding up and simultaneous liquidation of said company.
  - Withdrawal of the amount of 3 thousand euros corresponding to the stake of Aquacartaya S.L. according to the business combination described in note 5 with FCC Aqualia, the latter taking on the rights and obligations of the terminated company.
- Equity instruments in Associated Companies.
  - Withdrawals amounting to 59 thousand euros in the stake of Aguas de Ubrique, a company liquidated in the 2017 financial year upon the conclusion of its duration established by contract. The new provider of the service is Empresa mixta de Aguas de Ubrique, S.A.
- Impairments
  - Impairment applied to the amount of 1,768 thousand euros in relation to the company Aqualia New Europe, B.V. and equivalent to the loss incurred by the company in the year by the percentage stake held by the Company.

b) Variation in 2016.

<b>EQUITY INSTRUMENTS</b>						
<i>(Amounts in thousands euros)</i>						
<i>Variation between 31 December 2015 and 2016</i>						
	BALANCE	(+)	(-)	(+/-)	(+/-)	BALANCE
	31/12/2015	ADDITIONS	WITH-DRAWALS	WITH-DRAWALS FOR LIQUIDATION	TRANSFERS	31/12/2016
Equity Instruments in Group Companies	170,328	-	-	(6,044)	15	164,299
Pending disbursements on shares of Group companies	(4,561)	-	-	4,534	-	(27)
Equity Instruments in Associated Companies	28,481	-	-	-	(15)	28,466
Pending disbursements on shares of Associated companies	(191)	-	6	-	-	(185)
<b>Total</b>	<b>194,057</b>	<b>-</b>	<b>6</b>	<b>(1,510)</b>	<b>-</b>	<b>192,553</b>
Impairments	(17,570)	(1,941)	458	-	-	(19,053)
<b>NET TOTAL</b>	<b>176,487</b>	<b>(1,941)</b>	<b>464</b>	<b>(1,510)</b>	<b>-</b>	<b>173,500</b>

Regarding items, the most important movements recorded in 2016 are shown below:

- Equity instruments in Group Companies.
    - Withdrawals amounting to 6,044 thousand euros for the liquidation of Deputbebo, S.A., a company whose capital was pending disbursement at 4,534 thousand euros, and which was incorporated in 2008 but had not yet begun its activity.
    - Transfers. It included the reclassification of 15 thousand euros from “Equity Instruments in Associated Companies” to “Group Companies” for the transfer of the stake held by the Company at Aqualia Mace, L.L.P. This transfer came through the agreement reached by the Company in 2016 with the other shareholders of the subsidiary to have the majority of members on the Board of Directors and 51% in the allocation of the company's profits.
  - Equity instruments in Associated Companies.
    - Withdrawals amounting to 6 thousand euros in “Pending disbursements on shares in associated companies” corresponding to the company Orasqualia O&M for the depreciation of the Egyptian pound against the euro at the end of the year.
- c) The detail of pending disbursements on shares of Group and associated companies in the balance sheet at 31 December 2017 and 2016 is shown below:

<b>PENDING DISBURSEMENTS OF GROUP COMPANIES</b>			
<i>(Amounts in thousands euros)</i>			
	31/12/2017	31/12/2016	
Compañía Onubense de Aguas, S.A.	27	27	27
<b>TOTAL</b>	<b>27</b>	<b>27</b>	<b>27</b>

<b>PENDING DISBURSEMENTS OF ASSOCIATED COMPANIES</b>			
<i>(Amounts in thousands euros)</i>			
	31/12/2017	31/12/2016	
Aigües del Segarra Garrigues, S.A.	150	150	150
Sera Q.A. Duitama ESP., S.A.	27	27	27
Orasqualia O & M	5	5	5
AIE ITAM Delta de la Tordera	3	3	3
<b>TOTAL</b>	<b>185</b>	<b>185</b>	<b>185</b>

d) Detail of Equity Instruments in Group Companies. The detail of the balance as of 31 December 2017 and 31 December 2016 is shown below:

<b>EQUITY INSTRUMENTS IN GROUP COMPANIES 2017</b>				
<i>(Amounts in thousands euros)</i>				
<b>COMPANIES</b>	<b>ACTIVITY</b>	<b>INVESTMENT</b>	<b>PROVISION</b>	<b>NET COST</b>
<b>FCC Aqualia América, S.A.U.</b> C/ Uruguay, 11 – Vigo (PONTEVEDRA)	Water cycle management	601	(282)	319
<b>Aquajerez, S.L.</b> Pol.Ind.Ronda Oeste, 24 Jerez de la Frontera (CADIZ)	Water cycle management	2	-	2
<b>Aqua Campiña, S.A.</b> C/Blas Infante, 6 – Écija (SEVILLE)	Water cycle management	541	-	541
<b>Acque di Caltanissetta, S. p.a.</b> Viale Sicilia 176 93100 Caltanissetta - ITALIA	Water cycle management	18,809	(15,152)	3,657
<b>Aquaelvas – Aguas de Elvas, S.A.</b> Rua Paco Bandeira, 14 – Assunção Elvas - PORTUGAL	Water cycle management	402	-	402
<b>Aquafundalia -Agua Do Fundão, S.A.</b> Rua Fernando Pessoa, 195 - Fundão PORTUGAL	Water cycle management	510	-	510
<b>Aguas de Alcázar Empresa Mixta, S.A.</b> C/ Rondilla Cruz Verde, 1 - Alcázar de San Juan (CIUDAD REAL)	Water cycle management	1,142	-	1,142
<b>Aguas de las Galeras, S.L.</b> Avda. Camino de Santiago, 40 – MADRID	Water cycle management	2	-	2
<b>Compañía Onubense de Aguas, S.A.</b> C/Martín Alonso Pinzón, 8 – HUELVA	Water cycle management	36	(9)	27
<b>Depurplan 11, S.A.U.</b> C/ San Miguel, 1 – ZARAGOZA	Water treatment and purification	4,700	-	4,700
<b>Empresa Mixta de Butarque, S.A.</b> C/Princesa, 3 - (MADRID)	Water cycle management	84	(84)	0
<b>Inversora Riutort, S.L.</b> C/ Alfonso XIII – Sabadell (BARCELONA)	Portfolio company	3	-	3
<b>Sociedad Ibérica del Agua, S.A.U.</b> C/Federico Salmón, 13 – MADRID	Water cycle management	60	-	60
<b>Tratamiento Industrial del Agua, S.A.</b> C/Federico Salmón, 13 – MADRID	Water sanitation and purification	652	-	652
<b>Hidrotec Tecnología del Agua, S.L.U.</b> C/Pinzel, 25 – SEVILLE	Services to water companies	32	-	32
<b>Empresa Gestora de Aguas Linenses, S.L.</b> C/Federico Salmón, 13 – MADRID	Water cycle management	2	-	2
<b>Entemanser, S.A.</b> C/Castillo, 13 – ADEJE (SANTA CRUZ DE TENERIFE)	Water cycle management	63,953	-	63,953
<b>Infraestructuras y Distribución General de Agua, S.L.</b> C/La Presa, 14 – Tijoco Bajo-ADEJE (S.C.TENERIFE)	Participation and execution of works	8,665	-	8,665
<b>Sociedad Española de Aguas Filtradas, S.A.</b> Avda. Camino de Santiago, 40 – MADRID	Water purification	1,436	-	1,436
<b>Aqualia Intech, S.A.</b> Avda. Camino de Santiago, 40 – MADRID	Construction of specialised water works	10,745	-	10,745
<b>Aqualia México, S.A. de C.V.</b> C/ Carrizal, 33 – Santiago de Querétaro - MÉXICO	Water treatment and purification	1	-	1
<b>Aqualia Czech, S.L.U.</b> Avda. Camino de Santiago, 40 – MADRID	Portfolio company	35,344	-	35,344
<b>Aqualia MACE LLC</b> P.O Box 105547 Abu Dhabi (United Arab Emirates)	Operation and Maintenance	15	-	15
<b>Aqualia New Europe B.V.</b> C/Calude Debussylann, 24 – Amsterdam (NETHERLANDS)	Water cycle management	8,160	(3,614)	4,546
<b>Aigües de Vallirana, S.A.</b> C/ Conca de Tremp, 14 – Vallirana (BARCELONA)	Water cycle management	3,702	-	3,702
<b>Aquamaior – Aguas de Campo Maior, S.A.</b> Rua Mayor Talaya, 28 – Campo Maior – PORTUGAL	Water cycle management	875	(588)	287
<b>Abrantaqua, S.A.</b> Parque Lena – Alferrarede Abrantes – PORTUGAL	Water cycle management	190	-	190
<b>Conservación y Sistemas, S.A.</b> C/ Federico Salmón, 13 Madrid	Maintenance Infrastructure	1,558	-	1,558
<b>Cartagua, Aguas Do Cartaxo, S.A.</b> Z. Z. Industrial do Cartaxo, lote 20 – CARTAXO (PORTUGAL)	Water treatment and purification	1,110	-	1,110
<b>TOTAL</b>		<b>163,332</b>	<b>(19,729)</b>	<b>143,603</b>

**EQUITY INSTRUMENTS IN GROUP COMPANIES 2016**
*(Amounts in thousands euros)*

COMPANIES	ACTIVITY	INVESTMENT	PROVISION	NET COST
<b>FCC Aqualia América, S.A.U.</b> C/ Uruguay, 11 – Vigo (PONTEVEDRA)	Water cycle management	601	(282)	319
<b>Aquajerez, S.L.</b> Pol.Ind.Ronda Oeste, 24 Jerez de la Frontera (CADIZ)	Water cycle management	2	-	2
<b>Aquacartaya, S.L.</b> Av.San Fco.Javier,15- SEVILLE	Water cycle management	3	-	3
<b>Aqua Campiña, S.A.</b> C/Blas Infante, 6 – Écija (SEVILLE)	Water cycle management	541	(51)	490
<b>Acque di Caltanissetta, S. p.a.</b> Viale Sicilia 176 93100 Caltanissetta - ITALIA	Water cycle management	18,809	(15,152)	3,657
<b>Aquaelvas – Aguas de Elvas, S.A.</b> Rua Paco Bandeira, 14 – Assunção Elvas - PORTUGAL	Water cycle management	402	-	402
<b>Aquafundalia -Agua Do Fundão, S.A.</b> Rua Fernando Pessoa, 195 - Fundão PORTUGAL	Water cycle management	510	-	510
<b>Aguas de Alcázar Empresa Mixta, S.A.</b> C/ Rondilla Cruz Verde, 1 - Alcázar de San Juan (CIUDAD REAL)	Water cycle management	1,142	-	1,142
<b>Aguas de las Galeras, S.L.</b> Avda. Camino de Santiago, 40 – MADRID	Water cycle management	2	-	2
<b>Colaboración, Gestión y Asistencia, S.A.</b> C/ Federico Salmón, 13 – MADRID	Collection management	964	(130)	834
<b>Compañía Onubense de Aguas, S.A.</b> C/Martin Alonso Pinzón, 8 – HUELVA	Water cycle management	36	(9)	27
<b>Depurplan 11, S.A.U.</b> C/ San Miguel, 1 – ZARAGOZA	Water treatment and purification	4,700	-	4,700
<b>Empresa Mixta de Butarque, S.A.</b> C/Princesa, 3 - (MADRID)	Water cycle management	84	(84)	-
<b>Inversora Riutort, S.L.</b> C/ Alfonso XIII – Sabadell (BARCELONA)	Portfolio company	3	-	3
<b>Sociedad Ibérica del Agua, S.A.U.</b> C/Federico Salmón, 13 – MADRID	Water cycle management	60	-	60
<b>Tratamiento Industrial del Agua, S.A.</b> C/Federico Salmón, 13 – MADRID	Water sanitation and purification	652	-	652
<b>Hidrotec Tecnología del Agua, S.L.U.</b> C/Pinzel, 25 – SEVILLE	Services to water companies	32	-	32
<b>Empresa Gestora de Aguas Linenses, S.L.</b> C/Federico Salmón, 13 – MADRID	Water cycle management	2	-	2
<b>Entemanser, S.A.</b> C/Castillo, 13 – ADEJE (SANTA CRUZ DE TENERIFE)	Water cycle management	63,953	-	63,953
<b>Infraestructuras y Distribución General de Agua, S.L.</b> C/La Presa, 14 – Tijoco Bajo-ADEJE (S.C.TENERIFE)	Participation and execution of works	8,665	-	8,665
<b>Sociedad Española de Aguas Filtradas, S.A.</b> Avda. Camino de Santiago, 40 – MADRID	Water purification	1,436	-	1,436
<b>Aqualia Intech, S.A.</b> Avda. Camino de Santiago, 40 – MADRID	Construction of specialised water works	10,745	-	10,745
<b>Aqualia Infraestructuras de México, S.A. de C.V.</b> C/ Carrizal, 33 – Santiago de Querétaro - MÉXICO	Water treatment and purification	1	-	1
<b>Aqualia Czech, S.L.U.</b> Avda. Camino de Santiago, 40 – MADRID	Portfolio company	35,344	-	35,344
<b>Aqualia MACE LLC</b> P.O Box 105547 Abu Dhabi (United Arab Emirates)	Operation and Maintenance	15	-	15
<b>Aqualia New Europe B.V.</b> C/Calude Debussylann, 24 – Amsterdam (NETHERLANDS)	Water cycle management	8,160	(1,846)	6,314
<b>Aigües de Vallirana, S.A.</b> C/ Conca de Tremp, 14 – Vallirana (BARCELONA)	Water cycle management	3,702	-	3,702
<b>Aquamaior – Aguas de Campo Maior, S.A.</b> Rua Mayor Talaya, 28 – Campo Maior – PORTUGAL	Water cycle management	875	(764)	111
<b>Abrantaqua, S.A.</b> Parque Lena – Alferrarede Abrantes – PORTUGAL	Water cycle management	190	-	190
<b>Conservación y Sistemas, S.A.</b> C/ Federico Salmón, 13 Madrid	Maintenance Infrastructure	1,558	-	1,558
<b>Cartagua, Aguas Do Cartaxo, S.A.</b> Z. Z. Industrial do Cartaxo, lote 20 – CARTAXO (PORTUGAL)	Water treatment and purification	1,110	-	1,110
<b>TOTAL</b>		<b>164,299</b>	<b>(18,318)</b>	<b>145,981</b>

Equity balances of these companies at 31 December 2017 and 2016 presented the equity data shown below: None of them is listed or has generated results from discontinued operations.



**EQUITY DATA OF GROUP COMPANIES 2017**

(Amounts in thousands euros)

COMPANIES	CAPITAL	Reserves and other items of the Net equity	2017 Profit/Loss			% STAKE
			Operating profit/loss	Profit/loss from continuing operations	Result	
Abrantaqua, S.A.	500	892	668	348	348	60.00 %
Acque di Caltanissetta, S.p.a.	3,500	3,776	2,844	757	757	98.48 %
Aguas de Alcázar Empresa Mixta, S.A.	126	611	577	320	320	52.38 %
Aguas de las Galeras, S.L.	3	353	1,110	306	306	51.00 %
Aigües de Vallirana, S.A. (*)	102	3,108	294	238	238	100.00 %
Aqua Campiña, S.A.	601	114	322	170	170	90.00 %
Aqualvas - Aguas de Elvas, S.A.	50	383	156	55	55	100.00 %
Aquafundalia - Agua do Fundão, S.A.	510	193	298	169	169	100.00 %
Aquajerez, S.L.	3	2,896	5,546	2,261	2,261	51.00 %
Aqualia Czech, S.L.	69,302	13,757	(113)	10,696	10,696	51.00 %
Aqualia México, S.A. de C.V.	5,832	6,524	433	627	627	0.01 %
Aqualia Intech, S.A.	1,200	20,303	5,228	3,230	3,230	99.99 %
Aqualia MACE	34	1,275	5,293	5,434	5,434	51.00 %
Aqualia New Europe B.V.	16,000	(7,086)	(263)	(3,467)	(3,467)	51.00 %
Aquamaior - Aguas de Campo Maior, S.A.	50	182	201	85	85	100.00 %
Cartagua, Aguas do Cartaxo, S.A.	1,850	263	456	145	145	60.00 %
Compañía Onubense de Aguas, S.A. (*)	33	(45)	-	-	-	60.00 %
Conservación y Sistemas, S.A.	300	2,406	1,054	885	885	99.99 %
Depurplan 11, S.A.U.	4,700	371	938	683	683	100.00 %
Empresa Gestora de Aguas Linenses, S.L.	3	273	896	145	145	52.33 %
Empresa Mixta de Butarque, S.A. (*)	120	(120)	-	-	-	70.00 %
Entemanser, S.A.	2,137	18,801	7,546	5,525	5,525	97.00 %
FCC Aqualia América, S.A.U.	601	(280)	(1)	-	-	100.00 %
Hidrotec Tecnología del Agua, S.L.U. (*)	3	14,392	4,218	3,274	3,274	100.00 %
Infraestructuras y Dist. General del Agua, S.L. (*)	63	4,020	207	156	156	100.00 %
Inversora Riutort, S.L. (*)	3	287	-	-	-	100.00 %
Sociedad Española de Aguas Filtradas, S.A.	1,087	4,295	1,133	821	821	99.99 %
Sociedad Ibérica del Agua, S.A.U. (*)	60	191	95	75	75	100.00 %
Tratamiento Industrial de Aguas, S.A.	656	25,131	10,073	8,245	8,245	99.99 %

(\*) Non-audited data as of 31 December 2017.

## EQUITY DATA OF GROUP COMPANIES 2016

(Amounts in thousands euros)

COMPANIES	CAPITAL	Reserves and other items of the Net equity	2016 Profit/Loss			% STAKE
			Operating profit/loss	Profit/loss from continuing operations	Result	
Abrantaqua, S.A.	500	545	573	278	278	60.00 %
Acque di Caltanissetta, S.p.a.	3,500	3,019	4,612	2,805	2,805	98.48 %
Aguas de Alcázar Empresa Mixta, S.A.	126	350	554	271	271	52.38 %
Aguas de las Galeras, S.L.	3	297	1,242	250	250	51.00 %
Aigües de Vallirana, S.A. (*)	102	2,870	211	237	237	100.00 %
Aqua Campiña, S.A.	601	(56)	108	11	11	90.00 %
Aquacartaya, S.L.	3	799	1,490	798	798	95.00 %
Aquaervas – Aguas de Elvas, S.A.	50	328	404	243	243	100.00 %
Aquafundalia – Agua do Fundão, S.A.	510	24	182	57	57	100.00 %
Aquajerez, S.L.	3	1,481	5,164	1,357	1,357	51.00 %
Aqualia Czech, S.L.	69,302	13,292	(202)	12,143	12,143	51.00 %
Aqualia México, S.A. de C.V.	6,286	6,418	1,181	792	792	0.01 %
Aqualia Intech, S.A.	1,200	17,074	4,134	3,641	3,641	99.99 %
Aqualia MACE	39	4,489	6,279	6,392	6,392	51.00 %
Aqualia New Europe B.V.	16,000	(3,619)	(242)	(3,532)	(3,532)	51.00 %
Aquamaior – Aguas de Campo Maior, S.A.	50	97	189	134	134	100.00 %
Cartagua, Aguas do Cartaxo, S.A.	1,850	118	392	79	79	60.00 %
Colaboración, Gestión y Asistencia, S.A. (*)	480	753	(1)	482	482	99.99 %
Compañía Onubense de Aguas, S.A. (*)	33	(72)	0	0	0	60.00 %
Conservación y Sistemas, S.A.	300	1,704	86	183	183	99.99 %
Depurplan 11, S.A.U.	4,700	(332)	892	(505)	(505)	100.00 %
Empresa Gestora de Aguas Linenses, S.L.	3	128	797	62	62	52.33 %
Empresa Mixta de Butarque, S.A. (*)	120	(120)	0	0	0	70.00 %
Entemanser, S.A.	2,137	18,314	6,851	5,038	5,038	97.00 %
FCC Aqualia América, S.A.U.	601	(280)	(1)	(1)	(1)	100.00 %
Hidrotec Tecnología del Agua, S.L.U.	3	11,117	6,079	4,750	4,750	100.00 %
Infraestructuras y Dist. General del Agua, S.L. (*)	63	4,088	298	224	224	100.00 %
Inversora Riutort, S.L. (*)	3	288	(2)	(1)	(1)	100.00 %
Sociedad Española de Aguas Filtradas, S.A.	1,087	3,473	(26)	77	77	99.99 %
Sociedad Ibérica del Agua, S.A.U. (*)	60	116	109	85	85	100.00 %
Tratamiento Industrial de Aguas, S.A.	656	26,775	11,286	9,888	9,888	99.99 %

(\*) Non-audited data as of 31 December 2016.

- Equity instruments in associated companies. Detail of the balance at 31 December 2017 and 2016.

<b>EQUITY INSTRUMENTS IN ASSOCIATED COMPANIES 2017</b>				
<i>(Amounts in thousands euros)</i>				
<b>COMPANIES</b>	<b>ACTIVITY</b>	<b>INVESTMENT</b>	<b>PROVISION</b>	<b>NET RESULT</b>
<b>Aguas de Denia, S.A.</b> Pedro Esteve, 17 - Denia (ALICANTE)	Water cycle management	400	-	400
<b>Aguas de Archidona, S.L.</b> Pza. Ochavada, 1 - Archidona (MÁLAGA)	Water cycle management	72	-	72
<b>Aguas de Ubrique, S.A.</b> Avenida España, 9 - Ubrique (CÁDIZ)	Water cycle management	-	-	-
<b>Aigües del Tomoví, S.A.</b> c/ Vella, 1 - El Vendrell (TARRAGONA)	Water cycle management	490	-	490
<b>Aguas de Narixa, S.A.</b> C/Málaga, 11 - Nerja (MÁLAGA)	Water cycle management	300	-	300
<b>Concesionaria de Desalación de Ibiza, S.A.</b> Rotonda de Sta. Eulalia, s/n - Ibiza (BALEARES)	Operation of desalination plants	1,082	-	1,082
<b>AIE Costa Tropical de Granada</b> Plaza Aurora, s/n - Motril (GRANADA)	Water cycle management	828	-	828
<b>AIE ITAM Delta de la Tordera</b> Travesera de Gracia, 58 - BARCELONA	Construction and operation. Desalination plant	3	-	3
<b>Compañía de Servicios Medioambientales do Atlántico, S.A.</b> Carretera de Cedeira, km 1 - Narón (LA CORUÑA)	Water cycle management	294	-	294
<b>EMANAGUA - Empresa Municipal de Aguas de Níjar, S.A.</b> Plaza de la Glorieta, 1 - Níjar (ALMERÍA)	Water cycle management	221	-	221
<b>Empresa Municipal Aguas de Algeciras, S.A.</b> C/Virgen del Carmen, s/n - Algeciras (CÁDIZ)	Water cycle management	442	(234)	208
<b>Empresa Municipal de Aguas de Linares, S.A.</b> C/ Cid Campeador, 7 - Linares (JAEN)	Water cycle management	147	-	147
<b>Empresa Municipal Aguas de Benalmádena, S.A.</b> Oper. Ap.Tivoli, s/n - Arroyo de la Miel (MÁLAGA)	Water cycle management	1,310	-	1,310
<b>Empresa Municipal Aguas de Toxiria, S.A.</b> Plaza de la Constitución - Torredonjimeno (JAÉN)	Water cycle management	118	(40)	78
<b>Aigües del Segarra Garrigues, S.A.</b> C/Santa Clara, 4 - Tárrega (LÉRIDA)	Irrigation construction and operation	309	-	309
<b>Girona, S.A.</b> Travesía del Carril, 2 - GERONA	Water cycle management	365	-	365
<b>Nueva Sociedad de Aguas de Ibiza, S.A.</b> C/Bartolomé Rosselló, 18 - (IBIZA)	Water cycle management	28	-	28
<b>Orasqualia O-M</b> Nile City Towers - Cairo (EGYPT)	WWTP maintenance	1,508	(452)	1,056
<b>Aguos El Realito, S.A. de C.V.</b> B.Manuel Avila Camacho, n°36 - piso5 - Col. Lomas de Chapultepec México	Conduction and potabilisation of water	5,127	-	5,127
<b>Sera.Q.A. Duitama, S.A.</b> (COLOMBIA)	Water cycle management	94	(67)	27
<b>Suministros aguas de Querétaro, S.A. de C.V.</b> Santiago de Querétaro - Querétaro Arteaga (MEXICO)	Water cycle management	182	-	182
<b>AIE Aquagest Medioambiente-aqualia</b> C/Condado de Jaruco, s.n. - Lloret de Mar (GERONA)	Shareholding and performance of studies	240	-	240
<b>Shariket Thalya Miyah Mostaganem</b> Cité Abdoni Ilot, 36 - Dar el Beida (ALGERIA)	Desalination plants construction and operation	8,308	-	8,308
<b>Shariket Miyeh Ras Djinet</b> Cité Abdoni Ilot, 36 - Dar el Beida (ALGERIA)	Desalination plants construction and operation	5,188	-	5,188
<b>Aguas de Langreo, S.L.</b> C/Alonso del Riesgo, 3 - Langreo (ASTURIAS)	Water cycle management	882	-	882
<b>A.I.E. Costa Brava Abastament Aqualia - Sorea.</b> Sector Carlit, s/n° - 17487 EMPURIABRAVA (GERONA)	Water supply	78	-	78
<b>Aguas de Priego, S.L.</b> Pz. De La Constitución, 3 - 14800 PRIEGO DE CÓRDOBA (CÓRDOBA)	Water cycle management	245	(245)	-
<b>Empresa mixta de Aguas de Jódar, S.A.</b> Pz. De España, 1 - 23500 JÓDAR (JAEN)	Water cycle management	73	(73)	-
<b>Empresa Mixta de Aguas de Ubrique, S.A.</b> C/JUZGADO S/N - 11600 - UBRIQUE (CÁDIZ)	Water cycle management	73	-	73
<b>TOTAL</b>		<b>28,407</b>	<b>(1,111)</b>	<b>27,296</b>

**EQUITY INSTRUMENTS IN ASSOCIATED COMPANIES 2016**
*(Amounts in thousands euros)*

COMPANIES	ACTIVITY	INVESTMENT	PROVISION	NET RESULT
<b>Aguas de Denia, S.A.</b> Pedro Esteve, 17 - Denia (ALICANTE)	Water cycle management	400	-	400
<b>Aguas de Archidona, S.L.</b> Pza. Ochavada, 1 - Archidona (MÁLAGA)	Water cycle management	72	-	72
<b>Aguas de Ubrique, S.A.</b> Avenida España, 9 - Ubrique (CÁDIZ)	Water cycle management	59	(59)	-
<b>Aigües del Tomoví, S.A.</b> c/ Vella, 1 - El Vendrell (TARRAGONA)	Water cycle management	490	-	490
<b>Aguas de Narixa, S.A.</b> C/Málaga, 11 - Nerja (MÁLAGA)	Water cycle management	300	-	300
<b>Concesionaria de Desalación de Ibiza, S.A.</b> Rotonda de Sta. Eulalia, s/n - Ibiza (BALEARES)	Operation of desalination plants	1,082	-	1,082
<b>AIE Costa Tropical de Granada</b> Plaza Aurora, s/n - Motril (GRANADA)	Water cycle management	828	-	828
<b>AIE ITAM Delta de la Tordera</b> Travesera de Gracia, 58 - BARCELONA	Construction and operation. Desalination plant	3	-	3
<b>Compañía de Servicios Medioambientales do Atlántico, S.A.</b> Carretera de Cedeira, km 1 - Narón (LA CORUÑA)	Water cycle management	294	-	294
<b>EMANAGUA - Empresa Municipal de Aguas de Níjar, S.A.</b> Plaza de la Glorieta, 1 - Níjar (ALMERÍA)	Water cycle management	221	-	221
<b>Empresa Municipal Aguas de Algeciras, S.A.</b> C/Virgen del Carmen, s/n - Algeciras (CÁDIZ)	Water cycle management	442	(241)	201
<b>Empresa Municipal de Aguas de Linares, S.A.</b> C/ Cid Campeador, 7 - Linares (JAEN)	Water cycle management	147	-	147
<b>Empresa Municipal Aguas de Benalmádena, S.A.</b> Oper. Ap. Tivoli, s/n - Arroyo de la Miel (MÁLAGA)	Water cycle management	1,310	-	1,310
<b>Empresa Municipal Aguas de Toxiria, S.A.</b> Plaza de la Constitución - Torredonjimeno (JAÉN)	Water cycle management	118	(42)	76
<b>Aigües del Segarra Garrigues, S.A.</b> C/Santa Clara, 4 - Tárrega (LÉRIDA)	Irrigation construction and operation	309	-	309
<b>Girona, S.A.</b> Travesía del Carril, 2 - GERONA	Water cycle management	365	-	365
<b>Nueva Sociedad de Aguas de Ibiza, S.A.</b> C/Bartolomé Rosselló, 18 - (IBIZA)	Water cycle management	28	-	28
<b>Orasqualia O-M</b> Nile City Towers - Cairo (EGYPT)	WWTP maintenance	1,508	-	1,508
<b>Aquos El Realito, S.A. de C.V.</b> B.Manuel Avila Camacho, nº36 - piso5 - Col. Lomas de Chapultepec México	Conduction and potabilisation of water	5,127	-	5,127
<b>Sera.Q.A. Duitama, S.A.</b> (COLOMBIA)	Water cycle management	94	(67)	27
<b>Suministros aguas de Querétaro, S.A. de C.V.</b> Santiago de Querétaro - Querétaro Arteaga (MEXICO)	Water cycle management	182	-	182
<b>AIE Aquagest Medioambiente-aqualia</b> C/Condado de Jaruco, s.n. - Lloret de Mar (GERONA)	Shareholding and performance of studies	240	-	240
<b>Shariket Thalya Miyah Mostaganem</b> Cité Abdoni Ilot, 36 - Dar el Beida (ALGERIA)	Desalination plants construction and operation	8,308	-	8,308
<b>Shariket Miyeh Ras Djinet</b> Cité Abdoni Ilot, 36 - Dar el Beida (ALGERIA)	Desalination plants construction and operation	5,188	-	5,188
<b>Aguas de Langreo, S.L.</b> C/Alonso del Riesgo, 3 - Langreo (ASTURIAS)	Water cycle management	882	(8)	874
<b>A.I.E. Costa Brava Abastament Aqualia - Sorea.</b> Sector Carlit, s/nº - 17487 EMPURIABRAVA (GERONA)	Water supply	78	-	78
<b>Aguas de Priego, S.L.</b> Pz. De La Constitución, 3 - 14800 PRIEGO DE CÓRDOBA (CÓRDOBA)	Water cycle management	245	(245)	-
<b>Empresa mixta de Aguas de Jódar, S.A.</b> Pz. De España, 1 - 23500 JÓDAR (JAEN)	Water cycle management	73	(73)	-
<b>Empresa Mixta de Aguas de Ubrique, S.A.</b> C/JUZGADO S/N - 11600 - UBRIQUE (CÁDIZ)	Water cycle management	73	-	73
<b>TOTAL</b>		<b>28,466</b>	<b>(735)</b>	<b>27,731</b>

Equity data of the balance sheet of said companies at 31 December 2017 and 2016 are presented below. None of these companies is listed or has generated results from discontinued operations in financial years 2017 and 2016.

**EQUITY DATA OF ASSOCIATED COMPANIES 2017**  
(Amounts in thousands euros)

COMPANIES	CAPITAL	Reserves and other items of the Net equity	PROFIT/LOSS 2017			% STAKE
			Operating profit/loss	Profit/loss from continuing operations	Result	
Aguas de Archidona, S.L.	150	10	31	4	4	48.00 %
Aguas de Denia, S.A. (*)	425	839	2	2	2	33.00 %
Aguas de Langreo, S.L.	1,800	181	323	36	36	49.00 %
Aguas de Narixa, S.A.	600	67	238	(3)	(3)	50.00 %
Aguas de Priego, S.L.	500	(839)	135	(35)	(35)	49.00 %
AIE Aquagest Medioambiente Aqualia (*)	400	4	0	232	232	37.50 %
AIE Ciudad Real (*)	0	0	61	125	125	75.00 %
AIE Costa Brava Abastament Aqualia - Sorea	156	0	(0)	94	94	50.00 %
AIE Costa Tropical de Granada	1,623	4,244	1,160	1,112	1,112	51.00 %
AIE ITAM Delta de la Tordera (*)	0	0	(8)	(1)	(1)	50.00 %
Aigües del Segarra Garrigues, S.A.	15,000	8,430	4,137	3,286	3,286	1.00 %
Aigües del Tomoví, S.A. (*)	1,000	2,462	81	84	84	49.00 %
Aquos El Realito, S.A. de C.V.	8,245	3,548	6,633	718	718	44.00 %
Cía. de Serv. Medioambientales do Atlántico, S.A.	601	415	173	37	37	49.00 %
Concesionaria de Desalación de Aguas de Ibiza, S.A.	1,850	669	1,082	423	423	50.00 %
EMANAGUA - Empresa Municipal de Aguas de Níjar, S.A.	450	612	735	497	497	49.00 %
Empresa mixta de Aguas de Jódar, S.A.	150	(184)	96	33	33	49.00 %
Empresa Mixta de Aguas de Ubrique, S.A.	150	53	26	15	15	49.00 %
Empresa Municipal Aguas de Algeciras, S.A.	451	(27)	229	13	13	49.00 %
Empresa Municipal de Aguas Benalmádena, S.A.	1,803	1,344	1,226	520	520	50.00 %
Empresa Municipal de Aguas de Linares, S.A.	300	236	215	156	156	49.00 %
Empresa Municipal de Aguas de Toxiria, S.A.	240	(80)	15	5	5	49.00 %
Girona, S.A.	1,200	4,847	(101)	170	170	33.61 %
Nueva Sociedad de Aguas de Ibiza, S.A. (*)	60	191	63	47	47	40.00 %
Orasqualia O&M	1,131	1,057	1,160	910	910	50.00 %
SERA.Q.A. Duitama, S.A. (*)	35	(38)	0	0	0	30.60 %
Shariket Miyeh Ras Djinet S.p.A.	14,891	29,786	6,587	4,726	4,726	25.49 %
Shariket Tahlya Miyah Mostaganem S.p.A.	23,006	99,535	17,238	16,389	16,389	25.49 %
Suministro de Agua de Queretaro, SA de CV	14,795	17,842	11,060	4,984	4,984	1.00 %

(\*) Unaudited data

**EQUITY DATA OF ASSOCIATED COMPANIES 2016**  
(Amounts in thousands euros)

COMPANIES	CAPITAL	Reserves and other items of the Net equity	PROFIT/LOSS 2016		Result	% STAKE
			Operating profit/loss	Profit/loss from continuing operations		
Aguas de Archidona, S.L.	150	(8)	8	(9)	(9)	48.00 %
Aguas de Denia, S.A. (*)	425	836	11	5	5	33.00 %
Aguas de Langreo, S.L.	1,800	(51)	380	59	59	49.00 %
Aguas de Narixa, S.A.	600	75	235	7	7	50.00 %
Aguas de Priego, S.L.	500	(592)	139	(38)	(38)	49.00 %
Aguas de Ubrique, S.A. (*)	120	(589)	(1)	(1)	(1)	49.00 %
AIE Aquagest Medioambiente Aqualia (*)	400	0	24	124	124	37.50 %
AIE Costa Brava Abastament Aqualia – Sorea	156	0	(0)	94	94	50.00 %
AIE Costa Tropical de Granada	1,623	4,545	670	374	374	51.00 %
AIE ITAM Delta de la Tordera (*)	0	(6)	(1)	17	17	50.00 %
Aigües del Segarra Garrigues, S.A.	15,000	(6,866)	4,899	4,052	4,052	1.00 %
Aigües del Tomoví, S.A. (*)	1,000	2,412	94	69	69	49.00 %
Aqualia MACE	37	327	4,492	4,553	4,553	51.00 %
Aquos El Realito, S.A. de C.V.	10,230	(210)	2,000	19	19	44.00 %
Cía. de Serv. Medioambientales do Atlántico, S.A.	601	279	344	97	97	49.00 %
Concesionaria de Desalación de Aguas de Ibiza, S.A.	1,850	803	1,758	818	818	50.00 %
EMANAGUA - Empresa Mpal de Aguas de Nijar, S.A.	450	(1)	113	1	1	49.00 %
Empresa mixta de Aguas de Jódar, S.A.	150	(264)	(19)	(52)	(52)	49.00 %
Empresa Mixta de Aguas de Ubrique, S.A.	150	32	50	26	26	49.00 %
Empresa Municipal Aguas de Algeciras, S.A.	451	(72)	233	38	38	49.00 %
Empresa Municipal de Aguas Benalmádena, S.A.	1,803	2,003	2,181	1,137	1,137	50.00 %
Empresa Municipal de Aguas de Linares, S.A.	300	(60)	1,314	985	985	49.00 %
Empresa Municipal de Aguas de Toxiria, S.A.	240	(87)	(14)	(18)	(18)	49.00 %
Generávila, S.A.	310	(8,832)	225	141	141	36.00 %
Girona, S.A.	1,200	4,932	536	515	515	33.61 %
Nueva Sociedad de Aguas de Ibiza, S.A. (*)	60	93	56	41	41	40.00 %
Orasqualia O&M	2,814	1,235	796	1,101	1,101	50.00 %
SERA.Q.A. Duitama, S.A. (*)	36	(39)	0	0	0	30.60 %
Shariket Miyeh Ras Djinet S.p.A.	17,488	23,184	4,075	1,274	1,274	25.49 %
Shariket Tahlya Miyah Mostaganem S.p.A.	27,020	83,139	14,129	9,015	9,015	25.49 %
Suministro de Agua de Queretaro, SA de CV	18,357	25,971	12,836	6,629	6,629	1.00 %

The income detail by capital holdings in group and associated companies is included in Note 20.1.

## 8.2. Long term credits to Group and associated companies

The detail is shown below:

<b>LONG TERM CREDITS TO COMPANIES</b>		
<i>(Amounts in thousands euros)</i>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
Credits to Group Companies (Note 8.2.1)	931,244	64,849
Credits interests to Group Companies (Note 8.2.1)	10,136	-
Credits to Associated Companies (Note 8.2.2)	33,874	35,969
<b>TOTAL</b>	<b>975,254</b>	<b>100,818</b>

8.2.1 Long term credits to group companies. The detail and balance at 31 December 2017 and 2016 under this heading is the following:

<b>CREDITS TO GROUP COMPANIES</b>				
<i>(Amounts in thousands euros)</i>				
	<b>31/12/2017</b>	<b>31/12/2016</b>	<b>INTEREST</b>	<b>MATURITY DATE</b>
Aqua Campiña, S.A.	3,518	3,907	EURIBOR + 1 %	2026
Aquajerez, S.L.	15,437	15,438	3% + Variable	2038
Aquacartaya, S.L.	-	7,050	EURIBOR + 7.5 %	2018
Depurplán, S.A.U.	6,760	6,570	4.5 %	2027
Empresa Gestora de Aguas Linenses, S.L.	9,787	9,787	EURIBOR + 7.5 %	2019
Aguas de las Galeras, S.L.	15,374	15,374	10 %	2020
Asesoría Financiera y de Gestión, S.A.	357,617	-	2.30 %	2037
Aguas de Alcázar Empresa Mixta, S.A.	5,428	5,969	4 %	2024
Fomento de Construcciones y Contratas, S.A.	426,415	-	2.30 %	2029
Fomento de Construcciones y Contratas, S.A.	90,174	14	2.30 %	2037
Sociedad Española de Aguas Filtradas, S.A.	734	740	4.25 %	2019
Interest	10,136	-		2029
<b>TOTAL</b>	<b>941,380</b>	<b>64,849</b>		

On 8 June 2017, and having obtained the sum of the two single listed bond issues carried out by the Parent Company in this financial year (see note 16.1), FCC Aqualia has granted the following loans to Grupo FCC 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 10.1). 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 signed on June 26 2014 and subsequently renewed in November 2014 and June 2017.

8.2.2 Long term credits to associated companies present the detail shown below:

<b>CREDITS TO ASSOCIATED COMPANIES</b>				
<i>(Amounts in thousands euros)</i>				
	31/12/2017	31/12/2016	INTEREST	MATURITY DATE
AIE Gest. Serv. Hidráulicos Ciudad Real	79	79	-	2020
Emp. Municipal de Aguas de Algeciras, S.A.	2,802	3,168	EURIBOR + 1 %	2045
Emp. Municipal de Aguas de Benalmádena, S.A.	5,497	6,259	EURIBOR (12) + 0.9%	2025
Emp. Municipal de Aguas de Toxiria, S.A.	462	504	EURIBOR (12) + 1 %	2029
Aguas de Langreo, S.L.	4,451	4,817	EURIBOR + 1	2031
EMANAGUA - Empresa Mpal de Aguas de Nijar	4,059	4,405	EURIBOR (12) + 1.25 %	2025
Aigües del Tomoví, S.A.	1	1	4 %	2032
Aguas de Archidona, S.A.	503	519	Int. Rate. LEGAL + 3%	2036
Aguas de Narixa, S.A.	5,364	4,746	EURIBOR (12) + 0.75 %	2034
Aquos El Realito, S.A. de C.V.	5,671	6,113	-	2020
AIE Costa Brava Abastament Aqualia Sorea	2	2	-	2020
Aguas de Priego, S.L.	3,418	3,526	5 %	2037
Empresa mixta de Aguas de Jódar, S.A.	944	973	7 %	2035
Orasqualia Development Waste T.Plant SAE	28	33	-	2020
Emp. Municipal de Aguas de Linares, S.A.	593	636	EURIBOR + 0.05 %	2032
Empresa Mixta de Aguas de Ubrique, S.A.	-	188	-	-
<b>TOTAL</b>	<b>33,874</b>	<b>35,969</b>		

Balances with Aquos El Realito, S.A. de C.V. do not accrue interest because these are funds transferred for future capital increases.

#### **NOTE 9. FINANCIAL ASSETS BY CATEGORIES**

Classification of financial assets, excluding stakes in group and associated companies, is shown below:

<b>FINANCIAL ASSETS BY CATEGORIES</b>						
<i>(Amounts in thousands euros)</i>						
	31/12/2017			31/12/2016		
	Non-current	Current	Total	Non-current	Current	Total
<b>Assets maintained for negotiation</b>						
Unlisted equity instruments (note 9.1)	10	-	10	10	-	10
<b>Loans and items receivable:</b>						
Credits to group and associated companies (notes 8.2 and 10)	975,254	87,360	1,062,614	100,818	464,736	565,554
Credits to third parties (notes 9.2 and 10.2)	80,585	17,548	98,133	85,387	18,398	103,785
Other financial assets in Group and associated companies (note 9.3)	-	2,710	2,710	-	3,450	3,450
Other financial assets with third parties (note 9.3)	17,341	12,794	30,135	15,773	8,981	24,754
Trade and other accounts receivable (noteS 9.4 and 11)	-	131,437	131,437	-	139,260	139,260
<b>Total</b>	<b>1,073,180</b>	<b>251,849</b>	<b>1,325,029</b>	<b>201,978</b>	<b>634,825</b>	<b>836,803</b>
<b>TOTAL FINANCIAL ASSETS</b>	<b>1,073,190</b>	<b>251,849</b>	<b>1,325,039</b>	<b>201,988</b>	<b>634,825</b>	<b>836,813</b>



Financial assets have a fair value which does not significantly differ from their accounting value. The only losses and profits from financial assets correspond to the adjustments for value impairment detailed in Note 11.3 and financial investments generated by credit interests, which have amounted to 22,221 thousand euros as of 31 December 2017 (10,316 thousand euros as of 31 December 2016).

### 9.1. Unlisted equity instruments

They show the following detail at 31 December 2017 and 2016:

<b>EQUITY INSTRUMENTS</b> (Amounts in thousands euros)	<b>2017</b>	<b>2016</b>
Other investments	10	10
<b>TOTAL</b>	<b>10</b>	<b>10</b>

### 9.2. Loans to third parties

This heading shows mainly credits granted to Municipalities for the realisation of works and installations in the water network. These credits accrue a variable interest rate depending on Euribor, and are recovered according to the amortization chart included in the contract by means of debt compensation with the municipalities that come from the collection of fees designated for direct reinvestment in the network and other concepts. The part thereof with a maturity date of less than one year is included in heading Short term financial investments (see note 10.2).

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

	<b>CREDITS TO THIRD PARTIES</b> (Amounts in thousands euros)			
	<b>31/12/2017</b>	<b>31/12/2016</b>	<b>FINAL MATURITY DATE</b>	
			<b>&lt; 5 YEARS</b>	<b>&gt; 5 YEARS</b>
Agate 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

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**CREDITS TO THIRD PARTIES**
*(Amounts in thousands euros)*

	31/12/2017	31/12/2016	FINAL MATURITY DATE	
			< 5 YEARS	> 5 YEARS
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
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
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	5,293		>2022
Comunidad Regantes Llanos Villamartín	435	691		>2022
Comunidad Riego	-	10		>2022
Credits to staff	56	60	2019	
Credits Caja Rural	1	-		
<b>Total credits to third parties</b>	<b>80,585</b>	<b>85,387</b>		

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**9.3 Other financial assets**

Balance shows the following detail at 31 December 2017 and 2016:

<b>OTHER FINANCIAL ASSETS</b>		
<i>(Amounts in thousands euros)</i>		
	31/12/2017	31/12/2016
<b>Non-current</b>		
Long term deposits and guarantees	17,341	15,773
<b>TOTAL</b>	<b>17,341</b>	<b>15,773</b>
<b>Current</b>		
Short-term deposits and guarantees	12,785	8,972
Other financial assets	9	9
Dividends receivable from Group and associated companies	2,710	3,450
<b>TOTAL</b>	<b>15,504</b>	<b>12,431</b>

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### 9.3.1 Dividends receivable from Group and associated companies

The details of dividends receivable from group and associated companies and entries in profit or loss pending collection at 31 December 2017 and 2016 are as follows:

<b>DIVIDENDS RECEIVABLE FROM GROUP AND ASSOCIATED COMPANIES</b>		
<i>(Amounts in thousands euros)</i>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
A.I.E. ITAM Delta de La Tordera	1,531	1,532
A.I.E. Gestión de servicios hidráulicos Ciudad Real	52	708
A.I.E. Sorea - Aqualia	87	52
A.I.E. Costa Tropical de Granada.	586	19
A.I.E. Costa Brava Abastament Aqualia Sorea	47	47
Aigües de Tomoví, S.A.	-	5
Aquacartaya, S.L.	-	602
Colaboración, Gestión y Asistencia, S.A.	-	276
Orasqualia O&M	407	209
<b>TOTAL</b>	<b>2,710</b>	<b>3,450</b>

### 9.4 Trade Receivables (Concession Agreement, Collection Right)

During the 2016 financial year, the Company collected an amount of 13,057 thousand euros corresponding to their collection right in the construction and operation of a marine water desalination plant in Santa Eulalia (Balearic Islands), on the basis of a public works concession contract which was signed on 15 November 2005 by the Company in a Joint Venture (UTE) with its subsidiary Aqualia Intech, S.A. and the Spanish Environment Ministry, which in turn had established an agreement with the Government of the Balearic Islands so that upon conclusion of the construction phase the latter would take control of the concession during the operation phase since they would be the beneficiary of the supply.

During the 2014 financial year, and in view of the breach by the awarding party, in the opinion of the Company in consultation with its legal advisers, the concessionaire UTE requested the termination of the contract and demanded payment thereof before the Directorate General of Water of the Ministry of Agriculture, Food and Environment.

On 4 December 2015, the Council of Ministers approved the termination of 2 concession contracts in the Balearic Islands, including the Santa Eulalia desalination plant in Ibiza, authorising payment of 25,600 thousand euros as compensation to the Concessionaire UTE. This collection took effect on 18 January 2016 and 50% corresponded to the Company.

In view of the Cabinet of Ministers' decision, the Company recorded a financial impairment amounting to 5,067 thousand euros at 31 December 2016 for the difference between the amount collected and the amount recorded for accounting purposes.

Movements in 2017 and 2016 are shown below:

<b>CURRENT COLLECTION RIGHT, CONCESSION AGREEMENT</b>	
<i>(Amounts in thousand euros)</i>	
<i>Variation between 1 January and 31 December 2016</i>	
<b>Balance at 31 December 2016</b>	<b>5,067</b>
Collections for the financial year	-
Financial impairment	-
<b>Claimed credit balance at 31 December 2017</b>	<b>5,067</b>
<b>Impairment recorded balance at 31 December 2017</b>	<b>(5,067)</b>
<b>Net Balance</b>	<b>-</b>
<b>Balance at 31 December 2015</b>	<b>13,057</b>
Collections for the financial year	(13,057)
Financial impairment	(2,507)
<b>Claimed credit balance at 31 December 2016</b>	<b>5,067</b>
<b>Impairment recorded balance at 31 December 2016</b>	<b>(5,067)</b>
<b>Net Balance</b>	<b>-</b>

## NOTE 10. SHORT TERM CREDITS

The composition of the balance at 31 December 2017 and 2016 is:

<b>SHORT TERM CREDITS</b>		
<i>(Amounts in thousands euros)</i>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
Credits to Group and associated companies	87,360	464,736
Other credits to third parties outside the Group	17,548	18,398
<b>TOTAL</b>	<b>104,908</b>	<b>483,134</b>

10.1. Credits to Group and associated companies show the following detail as of 31 December 2017 and 2016:

<b>SHORT TERM CREDITS TO GROUP AND ASSOCIATED COMPANIES</b>		
<i>(Amounts in thousands euros)</i>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
Credits to Group and associated companies	79,369	459,121
Short term interests from Group and associated companies	7,991	5,615
<b>TOTAL</b>	<b>87,360</b>	<b>464,736</b>

<b>SHORT TERM CREDITS TO GROUP AND ASSOCIATED COMPANIES</b>		
<i>(Amounts in thousands euros)</i>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
A.I.E. Costa Tropical de Granada.	9,953	7,862
A.I.E. ITAM La Tordera	234	234
Abast. Alta Costa Brava Emp.Mixta	2	1
Abrantaqua	1,618	1,278
Acque de Caltanissetta, S.P.A.	5,049	4,943
Aguas de Alcázar Empresa Mixta, S.A.	546	171
Aguas de Archidona, S.L.	28	15
Aguas de Langreo, S.L.	732	732
Aguas de las Galeras, S.L.	2,756	2,552

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**SHORT TERM CREDITS TO GROUP ABD ASSOCIATED COMPANIES**

*(Amounts in thousands euros)*

	<b>31/12/2017</b>	<b>31/12/2016</b>
Aguas de Narixa, S.A.	468	437
Aguas de Priego, S.L.	179	173
Aguas del Puerto Empresa Municipal	7	6
Aigües de Tomovi, S.A.	-	5
Aigües de Vallirana, S.A.U.	92	161
Aqua Campiña, S.A.	518	866
Aquacartaya, S.L.	-	893
Aquaelvas - Aguas de Elvas, S.A.	2,677	1,654
Aquafundalia- Agua Do Fundao, S.A.	1,723	1,723
Aquajerez, S.L.	178	1,145
Aqualia Intech, S.A.	28,719	27,517
Aquamaior – Aguas de Campo Maior, S.A.	501	514
Asesoría Financiera y de Gestión, S.A.	-	381,137
Cartagua, Aguas do Cartaxo, S.A.	4,501	4,445
Compañía de Servicios Medioambientales Do Atlántico, S.A.	3	2
Conservación y Sistemas, S.A.	476	38
Depurplán 11, S.A.U.	49	-
EMANAGUA – Emp. Municipal de Aguas de Nijar, S.A.	727	339
Ematoxiria, S.A.	46	42
Emp. Mixta de Aguas de Jodar, S.A.	29	27
Emp. Municipal de Aguas de Benalmádena, S.A.	787	785
Municipal de Aguas de Linares, S.A.	43	43
Empresa Gestora de Aguas Linenses, S.L.	(27)	21
Empresa mixta de Aguas de Jódar, S.A.	-	19
Empresa mixta de aguas y servicios, S.A.	6	5
Empresa municipal de Aguas de Algeciras, S.A.	359	344
Entemanser, S.A.	131	1,613
FCC Aqualia América, S.A. Unipersonal	1,330	622
FCC Aqualia USA Corp.	-	12
FCC Construcción, S.A.	162	945
Fomento de Construcciones y Contratas, S.A.	1,840	1,351
FS Colaboración y Asistencia, S.A.	125	252
Hidrotec Tecnología del Agua, S.L.U.	9,125	10,334
Infraestructuras y Distribución General del Agua, S.L.	6,001	3,032
Sociedad Española de Aguas Filtradas, S.A.	64	263
Shariket Miyeh Ras Djinet S.p.a.	3	4
Shariket Tahlya Mostaganem, S.p.a.	33	38
Sociedad Ibérica del Agua, S.A.	-	7
Tratamiento Industrial de aguas, S.A.	5,567	6,134
<b>TOTAL</b>	<b>87,360</b>	<b>464,736</b>

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These credits accrue market interest and are recorded in the balance of 762 thousand euros at 31 December 2017 (7,339 thousand euros at 31 December 2016) for amounts receivable from corporate tax to subsidiaries belonging to the FCC tax group.

The year's main variation corresponds to the cash-pooling credits that remained allocated to Asesoría Financiera y Gestión, S.A. and were settled in order to grant a new credit as indicated in Note 8.2.1.

- 10.2. Credit to third parties outside the Group. This heading shows mainly short term credits granted to Municipalities for the realisation of works and installations in the water network. The part thereof with maturity date of less than one year is included in heading non current financial investments (see note 9.2). These credits include the following details at 31 December 2017 and 2016:

<b>OTHER CREDITS</b>		
<i>(Amounts in thousands euros)</i>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
Alcalá de Henares Municipality	407	475
Aller Municipality	104	318
L'Ametlla de Mar Municipality	228	224
Agate Municipality	34	140
Alboraya Municipality	170	119
Algeciras Municipality	72	-
Peralada Municipality	185	-
Ávila Municipality	1,100	1,089
Baena Municipality	-	566
Bollullos del Condado Municipality	420	280
Callosa del Segura Municipality	170	165
Calasparra Municipality	46	53
Caravaca Municipality	41	216
Cangas Municipality	-	35
Chipiona Municipality	456	468
La Guardia Municipality	37	36
Güímar Municipality	29	29
Hondón de los Frailes Municipality	50	17
Jaén Municipality	2,305	1,892
La Línea de la Concepción Municipality	208	208
Lepe Municipality	2,432	1,214
Lora de Río Municipality	476	214
Martos Municipality	112	103
Masllorç Municipality	42	9
Matalascañas Municipality	1,001	506
Mula Municipality	251	412
Numancia de la Sagra Municipality	40	-
Puerto de la Cruz Municipality	552	456
Oviedo Municipality	-	380
Peralada Municipality	-	189
Ribera del Fresno Municipality	359	209
Ronda Municipality	146	170
San Pedro del Pinatar Municipality	25	20
San Lorenzo del Escorial Municipality	120	197
Sant Fost Municipality	150	125
Santa Cristina Municipality	-	6
Segurilla Municipality	495	495
Solana de Los Barros Municipality	5	18
Ubrique Municipality	204	195
Vélez – Málaga Municipality	3,311	4,088
El Vendrell Municipality	22	21
Arcgisa	718	788
General Menacho Base	-	12
Comunidad Regantes Llanos Villamartín	337	295
Elrondagueu, S.L.	3	3
Ivanyumeva, S.L.	3	3
Instalaciones Mercader	1	1
Mun. Conf. Tierra del Adaja	7	7
Inima servicios europeos	-	886
Alkhorayef Water&Power	-	998
Interest	-	48
Others	674	-
<b>TOTAL</b>	<b>17,548</b>	<b>18,398</b>

These credits accrue market interests.

## NOTE 11. \_\_\_\_\_ TRADE AND OTHER RECEIVABLES

- 11.1. The composition of the balance of “Customer for sales and services” at 31 December of each year is the following:

<b>CLIENTS FROM SALES AND PROVISION OF SERVICES</b>		
<i>(Amounts in thousands euros)</i>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
Production invoiced pending collection from clients outside the group	134,750	144,881
Non- recourse assignment of credits to customers, third parties	(96,610)	(85,410)
Production executed pending collection from clients outside the group	42,940	39,132
Withholdings for guarantee from clients outside the group	1,220	247
Clients value impairment	(29,507)	(29,432)
<b>TOTAL</b>	<b>52,793</b>	<b>69,418</b>

As at 31 December 2017, 13,924 thousand euros from Customers balance correspond to Temporary Joint Ventures (UTEs) (18,479 thousand euros as at 31 December 2016)

Heading “Production invoiced pending collection” shows the amount from invoices issued to clients for services provided and pending collection at the balance date.

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 4.10 "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 2,275 thousand euros relating to works and 40,665 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 Company at 31 December 2017 and 2016 to a syndicate of banks in which Banco Santander acts as the agent bank, under a contract signed on 15 July 2011 for an initial 3-year duration which was renewed in June 2014, giving it the same maturity as the FCC Group Refinancing Agreement. According to the aforementioned contract, the Company acts in its own name and also as agent of two subsidiary companies Entemanser, S.A. and Aigues de Vallirana, S.A.U. since on the 5 May 2015 the limit was increased from 90,000 to 102,000 thousand euros.

- 11.2. The following detail of the balance from “Clients Group Companies and Associates” at 31 December 2017 and 2016 shows essentially trade operations:

<b>CLIENTS FROM GROUP AND ASSOCIATED COMPANIES</b>		
<i>(Amounts in thousand euros)</i>		
<b>GROUP COMPANIES</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Abrantaqua, S.A.	1,089	1,212
Acque di Caltanissetta, S.P.A.	9,593	7,548
Aguas de Alcázar Empresa Mixta, S.A.	362	348
Aguas de las Galeras, S.L.	42	29
Aigües de Vallirana, S.A.U.	19	19

## CLIENTS FROM GROUP AND ASSOCIATED COMPANIES

*(Amounts in thousand euros)*

AISA D.O.O. Beograd-Vracar	14	-
AISA Montenegro	14	-
Aqua Campiña, S.A.	219	135
Aquacartaya, S.L.	-	103
Aquaervas – Aguas de Elvas, S.A.	1,404	1,005
Aquafundalia -Agua Do Fundao, S.A.	810	881
Aquajerez, S.L.	2,749	2,039
Aqualia Czech, S.L.	-	54
Aqualia Mace LLC	57	21
Aqualia Infraestructuras de México, S.A. de C.V.	37	48
Aqualia Intech, S.A.	1,134	1,356
Aqualia New Europe B.V.	269	217
Aquamaior – Aguas del Campo Maior, S.A.	28	116
Cartagua, Aguas Do Cartaxo, S.A.	2,462	1,855
Conservación y Sistemas, S.A.	13	74
Depurplan 11, S.L.	100	74
Empresa Gestora de Aguas Linenses, S.L.	296	203
Entemanser, S.A.	234	93
Fast Consortium Limited LLC	15	-
FCC Construcción, S.A.	663	362
FCC Medio Ambiente, S.A.	-	12
FCC Servicios Industriales y Energéticos, S.A.	24	21
Fomento de Construcciones y Contratas, S.A.	91	80
FS Colaboración y Asistencia, S.A.	37	36
Hidrotec Tecnología del Agua, S.L.	52	117
Infraestructuras y Distribución General del Agua, S.L.	48	18
Matinsa	8	1
Severomoravske Vodovody a Kanalizace Ostrava, a.s.	195	224
Sociedad Española de Aguas Filtradas, S.A.	81	41
Tratamiento Industrial de aguas, S.A.	28	67
 <b>ASSOCIATED COMPANIES</b>		
Aguas de Archidona, S.L.	119	105
Aguas de Langreo, S.L.	228	545
Aguas de Narixa, S.A.	61	655
Aguas de Priego, S.L.	445	569
AIE Abast. Alta Costa Brava emp. Mixta	46	10
AIE Aquagest – Aqualia	-	18
AIE Costa Brava AB. Aqualia Sorea	68	28
AIE Costa Tropical de Granada	3,092	2,621
AIE ITAM Delta de la Tordera	1,323	633
Aigües de Girona, Salt y Sarriá de Ter, SA	-	136
Aigües del Tomoví, S.A.	201	276
Aigües del Segarra Garrigues, S.A.	27	32
Compañía de Servicios Medioambientales Do Atlántico, S.A.	42	39
Concesionaria de Desalación de Ibiza, S.A.	16	38
Emp. Mixta d' Aigües de la Costa Brava	4	1
Empresa Mixta de Aguas de Jodar, S.A.	676	420
Empresa Mixta de Aguas de Ubrique, S.A.	256	257
Empresa Mixta de Aguas y Servicios, S.A.	44	43
Empresa Municipal de Aguas de Algeciras, S.A.	6,079	6,504
Empresa Municipal de Aguas de Benalmádena, S.A.	152	387
Empresa Municipal de Aguas de Linares, S.A.	115	194
Empresa Municipal de Aguas de Níjar, S.A.	4,859	2,584
Empresa Municipal de Aguas de Toxiría, S.A.	674	391
Generávila, S.A.	-	7
Girona, S.A.	5	34
Nueva Sociedad de Aguas de Ibiza, S.A.	1	1



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**CLIENTS FROM GROUP AND ASSOCIATED COMPANIES**

*(Amounts in thousand euros)*

Orasqualia Devel. Water Treatment Plant. S.A.E.	73	400
Orasqualia O&M	40	84
Shariket Miyeh Ras Djinet S.p.A.	869	1,804
Shariket Tahlya Miyah Mostaganem S.p.a.	837	1,183
<b>TOTAL</b>	<b>42,539</b>	<b>38,408</b>

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The balance receivable from companies Shariket Tahlya Miyah Mostaganem S.p.A. and Shariket Miyeh Ras Djinet S.p.A is denominated in US dollars, while the balance with Orasqualia Developments Waste Water Treatment Plant, S.A.E. is denominated in Egyptian pounds; the balance with Aqualia Mace LLC is denominated in the dirham of the Arab Emirates; the balance with Aquos El Realito, S.A. De CV is denominated in Mexican pesos and the balance with the company Severomoravske Vodovody a Kanalizace Ostrava, A.S is denominated in Czech crowns. All of them have been converted at the exchange rate at year end.

**11.3** The detail of existing balance in credit value impairment for trade operations is the following:

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**CREDIT VALUE IMPAIRMENT FOR COMMERCIAL OPERATIONS**

*(Amounts in thousand euros)*

	<b>31/12/2017</b>	<b>31/12/2016</b>
Clients insolvencies	29,507	29,432
Debtors insolvencies	913	1,410
<b>TOTAL</b>	<b>30,420</b>	<b>30,842</b>

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**11.4** The flow that has taken place in the account of credit value impairment for trade operations is the following:

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**CREDITS VALUE IMPAIRMENT FOR COMMERCIAL OPERATIONS**

*(Amounts in thousand euros)*

*Variation between 1 January 2016 and 31 December 2016*

<b>Balance at 31 December 2015</b>	<b>30,402</b>
Impairment provision endowed in current financial year	8,357
Reversion of impairment endowed in previous years	(7,917)
<b>Balance at 31 December 2016</b>	<b>30,842</b>

*Variation between 1 January 2017 and 31 December 2017*

<b>Balance at 31 December 2016</b>	<b>30,842</b>
Impairment provision endowed in current financial year	3,271
Balance from business combination	73
Reversion of impairment endowed in previous years	(3,766)
<b>Balance at 31 December 2017</b>	<b>30,420</b>

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Under the heading “Losses, impairment and variation in provisions for trade operations” (see Note 20.11) the Company records the net effect of said provision. The heading also includes the loss of the credits considered non-collectable for an amount of 3,463 thousand euros at 31 December 2017 (3,856 thousand euros at 31 December 2016) and other short-term provisions.

## NOTE 12. CASH AND CASH EQUIVALENTS

Until the date of issue of the bonds mentioned in Note 16, the Company was involved in the cash-pooling system of the FCC Group to which it belongs. Since that date, it has been self-managing its liquidity which has allowed it to increase its cash levels considerably thanks to its capacity to generate cash flows.

During the 2017 financial year, in the context of bonds issues carried out by the Company, guarantees were provided in relation to certain accounts held by FCC Aqualia, S.A. with a balance at 31 December 2017 of 161,428 thousand euros. Notwithstanding the above, of these amounts, only those included in the debt service account, the balance of which amounts to 26,979 thousand euros at 31 December 2017 are non-transferable by the Company.

## NOTE 13. NET EQUITY

Net equity composition and flows are presented in the Statement of Changes in the Net Equity.

**13.1.** The **share capital** is represented by 145,000,000 nominal shares, fully subscribed and paid up, of a nominal value of one euro each. The redenomination of the capital stock to euros took place during 2001, originating a non-available reserve account for an amount of 76 thousand euros presented under heading “Other reserves” in the attached balance sheet.

**Fomento de Construcciones y Contratas, S.A.** is the main shareholder (99.9%).

**13.2.** The **issue premium** is fully distributable at 31 December 2017 and 2016.

**13.3** The composition of **reserves** at 31 December 2017 and 2016 is the following:

<b>RESERVES</b>		
<i>(Amounts in thousands euros)</i>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
Legal reserve	29,000	29,000
Voluntary Reserves	759	363,377
Special reserves	76	76
Goodwill reserves	32,635	32,635
<b>TOTAL</b>	<b>62,470</b>	<b>425,088</b>

During the 2017 financial year, at the General Meeting of Shareholders dated 8 June 2017, the 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

At 31 December 2017, the **Legal Reserve** equals 20% of the capital stock, and therefore no other additional amount will be attributed in the distribution of results of financial year 2017 (see Note 3).

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. Save for the above mentioned purposes, and until and unless they reach 20% of the capital stock, these reserves may only be used to set-off losses, provided there are no other reserves available for such purposes.

The **voluntary reserves** are freely available at 31 December 2017 and 2016.

**Goodwill reserves.** According to the provisions of article 273.4 of the Revised Text of the Capital Companies Act, until 31 December 2015, the Company made provision for a non-available reserve for the amount of the goodwill shown as assets in the balance sheet (see Note 6), the balance of which at 31 December 2017 amounted to 32,635 thousand euros (same balance at 31 December 2016). This reserve is non-available.

In accordance with the amendments made to the Capital Companies Act 22/2015, of 20 July 2015, on Accounts Auditing, starting on the financial years commencing on 1 January 2016, the Company interrupted the contributions to this reserve for goodwill and the amount must be reclassified as voluntary reserves; the amount exceeding goodwill recorded in the assets on the balance sheet will be available from this financial year. In 2017, no amount has been reclassified to voluntary Reserves as the aforementioned circumstance has not occurred.

#### NOTE 14. GRANTS

Flows under this heading during each year are the following:

<b>GRANTS</b>	
<i>(Amounts in thousand euros)</i>	
<i>Variation between 1 January and 31 December 2017</i>	
<b>Balance at 31 December 2016</b>	<b>4,824</b>
Additions during the year	2,523
Recorded as Profit/loss	(2,398)
Tax effect	(27)
<b>Balance at 31 December 2017</b>	<b>4,922</b>

<b>GRANTS</b>	
<i>(Amounts in thousands euros)</i>	
<i>Variation between 1 January and 31 December 2016</i>	
<b>Balance at 31 December 2015</b>	<b>4,645</b>
Additions during the year	388
Recorded as Profit/loss	(1,358)
Tax effect	243
Others	906
<b>Balance at 31 December 2016</b>	<b>4,824</b>

The profit and loss account includes an amount of 2,398 thousand euros relating to the imputation of non-financial fixed assets (1,358 thousand euros at 31 December 2016).

As of 31 December 2017, there is an amount of 824 thousand euros from the integration of UTEs (1,099

thousand euros as of 31 December 2016). These amounts have been granted by the European Union to finance an investment plan which is being built by the Company through Temporary Joint Ventures with other companies.

In the profit and loss account there appears an amount of 8,976 thousand euros in concept of operating grants (6,143 thousand euros as at 31 December 2016) corresponding to grants awarded to the Company by the Municipalities where it provides water integral cycle services, as recognition of the concession holder operation deficit in concessions, applying the terms of the specifications and respective contract.

The receivable amounts at 31 December 2017 and 2016 for this concept are shown in Note 17.

#### NOTE 15. PROVISIONS

The detail and flow during 2017 and 2016 are the following:

<b>LONG TERM PROVISIONS</b>					
<i>Variation between 31 December 2016 and 2017</i>					
	<b>BALANCE</b>	(+)	(+)	(-)	<b>BALANCE</b>
	<b>31/12/2016</b>	<b>ENDOWMENT</b>	<b>UPDATE</b>	<b>ALLOCATION</b>	<b>31/12/2017</b>
Provisions for pensions	144	-	-	(111)	33
Other provisions	29,816	6,410	4	(1,426)	34,804
Provisions for actions on the infrastructure	31,256	2,380	724	(4,773)	29,587
<b>TOTAL</b>	<b>61,216</b>	<b>8,790</b>	<b>728</b>	<b>(6,310)</b>	<b>64,424</b>
<i>Variation between 31 December 2015 and 2016</i>					
	<b>BALANCE</b>	(+)	(+)	(-)	<b>BALANCE</b>
	<b>31/12/2015</b>	<b>ENDOWMENT</b>	<b>UPDATE</b>	<b>ALLOCATION</b>	<b>31/12/2016</b>
Provisions for pensions	106	136	-	(98)	144
Other provisions	32,423	2,616	371	(5,594)	29,816
Provisions for actions on the infrastructure	25,902	9,289	830	(4,765)	31,256
<b>TOTAL</b>	<b>58,431</b>	<b>12,041</b>	<b>1,201</b>	<b>(10,457)</b>	<b>61,216</b>

The endowment of “other provisions” recorded at 31 December 2017, amounting to 6,410 thousand euros, is recorded under the heading “Other current management expenses” of the attached Profit and Loss account, and they cover contractual liabilities which may result in likely payment obligations in the future.

Update of provisions for the amount of 728 thousand euros at 31 December 2017 (1,201 thousand euros at 31 December 2016) is recorded under the caption "Financial expenses" (see Note 20.8) on the attached Profit and Loss Account.

Long term provisions correspond to:

- a) Provisions for pensions. The Company has outsourced all commitments for complements to Social Security pensions and retirement bonuses. The existing balance at 31 December 2017 and 2016 corresponds to non-outsourced commitments from UTE aqualia – FCC (Vigo).
- b) Other provisions. It includes the Company's estimates of the contractual responsibilities obligations which may result in likely payment obligations in the future, most notable among which are a provision with the Municipality of Arteixo for an amount of 14,000 thousand euros.

With regard to the dispute with the Municipality of Arteixo, there is a legal claim against 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 City Council were shareholders in said entity to supply the integral water cycle for said municipality with FCC Aqualia holding a 51% stake and the City Council the remaining shares. In order to lodge an appeal against the aforementioned legal claim, on 31 December 2017, the Company 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 City Council has announced that it will also file an appellate procedure.

- c) “Provisions for actions on the infrastructure” These are established when the Company 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 through concession agreement”. The detail as per contract at 31 December 2017 and 2016 is the following:

	<i>(Amounts in thousand euros)</i>	
	<b>31/12/2017</b>	<b>31/12/2016</b>
Lleida (Lleida)	10,459	10,300
Arcos de la Frontera (Cádiz)	3,041	2,990
Cangas (Pontevedra)	2,464	2,464
Vigo (Pontevedra)	2,326	3,303
Almansa (Albacete)	2,097	3,312
Mancomunidad de municipios de Campo de Gibraltar (Cádiz)	1,693	1,943
Candelaria (Santa Cruz de Tenerife)	1,171	1,300
Barbate (Cádiz)	901	998
Arico (Santa Cruz de Tenerife)	700	700
Villanueva de Alcardete (Toledo),	650	-
Moguer (Huelva)	624	973
Benalup (Cádiz)	484	-
Mérida (Badajoz)	328	-
Fraga (Huesca)	314	473
Azuaga (Badajoz)	302	302
Els Poblets (Alicante)	229	-
Mancomunidad de Campiña Sur (Badajoz)	161	-
Caspe (Zaragoza)	157	166
Villaviciosa (Asturias)	147	-
Mancomunidad de Los Molinos (Badajoz)	133	-
Mancomunidad de Llerena (Badajoz)	120	-
Tarazona de la Mancha (Albacete)	100	-
Bollullos del Condado (Huelva)	70	70
Chiclana (Cádiz)	61	211
Tordera (Barcelona)	55	55
Denia (Alicante)	47	573
Lepe (Huelva)	36	40
Other contracts	717	1,083
<b>TOTAL</b>	<b>29,587</b>	<b>31,256</b>

Short-term provisions record the obligations of the Company to face future payment commitments for events taken place in the development of its activity satisfied by contractual or legal obligation.

## NOTE 16. FINANCIAL LIABILITIES BY CATEGORIES

During the 2014 financial year, Fomento de Construcciones y Contratas, S.A. and a group of companies, among which FCC Aqualia, S.A. 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 1) 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.

The classification of financial liabilities at closing of years 2017 and 2016 is the following:

BALANCES AS AT 31/12/2017 (in thousand euros)	Non-current	Current	Total
<b>Debts and accounts payable:</b>			
Debts with Group and associated companies (note 16.2 and 16.3)	565	130,272	130,837
Debentures and other tradeable securities:	1,343,121	15,213	1,358,334
Creditors through financial leasing	5	32	37
Other financial liabilities	36,916	4,639	41,555
Trade and other accounts payable	-	254,551	254,551
<b>TOTAL</b>	<b>1,380,607</b>	<b>404,707</b>	<b>1,785,314</b>

BALANCES AS AT 31/12/2016 (in thousand euros)	Non-current	Current	Total
<b>Debts and accounts payable:</b>			
Debts with Group and associated companies (note 16.2 and 16.3)	363,384	172,819	536,203
Creditors through financial leasing	36	41	77
Other financial liabilities	34,708	5,334	40,042
Trade and other accounts payable	-	235,510	235,510
<b>TOTAL</b>	<b>398,128</b>	<b>413,704</b>	<b>811,832</b>

There are no significant differences between the fair value and accounting value of financial liabilities classified a "Debts and accounts payable".

Net losses and profits of financial liabilities corresponding mainly to financial expenses from debts with group and associated companies and with credit institutions and bondholders have amounted to 6,080 and 20,059

thousand euros respectively, as of 31 December 2017 (23,225 and 5,646 thousand euros respectively as of 31 December 2016).

#### 16.1. Debentures and other tradeable securities:

Detailed breakdown of this heading is as follows:

Amounts in thousand euros	31/12/2017	31/12/2016
Issue of single listed bonds in Ireland	1,343,121	-
<b>TOTAL NON-CURRENT</b>	<b>1,343,121</b>	<b>-</b>
Issue of single listed bonds in Ireland	15,513	-
<b>TOTAL CURRENT</b>	<b>15,513</b>	<b>-</b>
<b>TOTAL</b>	<b>1,358,634</b>	<b>-</b>

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

	Balance at 31/12/2016	Issuance	Interest and others	Balance at 31/12/2017
Debt securities issued within the U.S., which required the registration of a prospectus	-	1,350,000	8,634	1,358,634
	-	<b>1,350,000</b>	<b>8,634</b>	<b>1,358,634</b>

#### Issue of straight listed bonds in Ireland.

In the context of the Refinancing Agreement for Fomento de Construcciones y Contratas, S.A. and certain companies of its group's financial indebtedness, 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 from the Company 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 by the Company 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 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.
- Single listed bonds 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 Infraestructure 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 over the credit rights of certain accounts. (Note 12)

Under the heading “Obligations and current bonds with third parties”, the 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 Company:

- 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 FCC Aqualia 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 and Aquajerez, nor to the Company's non-recourse financing.
- Limitation on dividend distribution. 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 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.



## 16.2. Non current financial debts with group companies.

	(Thousand euros)	
	31/12/2017	31/12/2016
Fomento de Construcciones y Contratas, S.A.	-	362,819
Aqualia Intech, S.A.	565	565
<b>TOTAL</b>	<b>565</b>	<b>363,384</b>

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

	(Thousand euros)	
	31/12/2017	31/12/2016
Participation in the Grupo FCC refinancing agreement	-	209,069
Equity loan	-	149,250
Financing of the construction of the Llanera sport installations	-	4,500
<b>TOTAL</b>	<b>-</b>	<b>362,819</b>

### Participation in the Grupo FCC refinancing agreement

On 8 June 2017, the 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 209,069 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 FCC Aqualia and other FCC Aqualia Group companies and almost all of its financial creditors.
- Equity loan granted to FCC Aqualia 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 209,069 thousand euros at 31 December 2016.

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

**16.3.** Current debts with group and associated companies at 31 December 2017 and 2016 by financial operations and consolidated tax effect are:

<b>SHORT TERM DEBTS TO GROUP AND ASSOCIATED COMPANIES</b>		
<i>(Amounts in thousands euros)</i>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
Aqualia Intech, S.A.	40,925	46,560
Tratamiento Industrial de Aguas, S.A.	30,420	33,825
Hidrotec, S.L.	16,285	14,254
Infraestructuras y Distribución General de Agua, S.L.	7,939	7,068
Sociedad Española de Aguas Filtradas, S.A.	6,331	14,558
Aqualia México, S.A. de C.V.	5,325	5,739
Acque Di Caltanissetta, S.P.A.	4,477	4,457
Entemanser, S.A.	3,953	4,242
Conservación y Sistemas, S.A.	3,384	6,840
Aigües de Vallirana, S.A.U.	2,851	2,630
Depurplan 11, S.A.U.	2,230	514
Empresa Gestora de Aguas Linenses, S.L.	2,089	868
Fomento de Construcciones y Contratas, S.A.	943	27,035
Aguas de las Galeras, SL	798	
AIE Itam Delta de la Tordera	749	749
Empresa Mixta de Aguas de Ubrique, S.A.	427	453
FCC AQUALIA América, S.A.U.	318	318
Inversora Riutort, S.L.	290	290
Sociedad Ibérica del Agua, S.A.	187	203
Empresa Mixta de Butarque, S.A.	166	166
FCC Construcción, S.A.	115	115
Aqua Campiña, S.A.	33	248
Aguas de Tomovi, S.A.	18	34
Grupo Proactiva	13	13
Aguas de Archidona, S.L.	2	1
Aguas de Narixa	2	-
Augas Municipais de Arteixo, S.A.	1	1
Shariket Talía Miyah Mostaganem	1	-
Shariket Talía Miyah Mostaganem	1	-
Aquacartaya, S.L.	(1)	76
AIE Costa Tropical de Granada	-	2
Colaboración, Gestión y Asistencia, S.A.	-	(3)
FS, Colaboración y Asistencia, S.A.	-	1,562
Proveiments D'Aigua, S.A.	-	1
<b>TOTAL</b>	<b>130,272</b>	<b>172,819</b>

At 31 December 2017, short term balance maintained with Fomento de Construcciones y Contratas, S.A. includes an amount of 1,828 thousand euros (18,577 thousand euros at 31 December 2016) corresponding to the payable debt for the Corporate tax of year 2017 (see note 17), of which 1,337 thousand euros (12,993 thousand euros as of 31 December 2016) correspond to FCC Aquailia and 491 thousand euros (5,584 thousand euros as of 31 December 2016) correspond to other subsidiaries which form part of the tax consolidation group 18/89 headed by FCC.

The average interest rate applied was 4.25% (4.38% during 2016).

**16.4. Accounts payable to group and associated companies** for trade operations are the following:

<i>SHORT TERM SUPPLIERS OF AND ASSOCIATED COMPANIES</i>		
<i>(Amounts in thousands euros)</i>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
Aigües del Tomoví, S.A.	2	17
Aquacartaya, S.L.	-	12
Aqua Campiña, S.A.	1	5
Severomoravske Vodovody A Kanal Ost	2	1
Aqualia Intech, S.A.	1,425	1,699
Aqualia México, S.A. de C.V.	1,241	187
Aguas de Denia, S.A.	207	181
Aguas de Vallirana, S.A.U.		62
Conservación y Sistemas, S.A.	891	151
Prefabricados Delta, S.A.	82	9
Emp. Empresa Gestora de Aguas Linenses, S.L.	22	26
Emp. Municipal mixta de Aguas de Nijar	1,784	697
Emp. Mixta de Aguas y Servicios, S.A.	44	26
Emp. Mixta de Aguas de Ubrique, S.A.	6	5
Empresa Municipal de Aguas de Algeciras, S.A.	1,131	2,241
Empresa Municipal de Aguas de Linares, S.A.	5	4
Ecoactiva Medioambiente, S.A.	3	8
Entemanser, S.A.	88	30
A.I.E. Itam Delta de la Tordera	795	454
Hormigones Reinares	1	-
FCC Ámbito, S.A.	46	19
FCC Construcción, S.A.	120	450
FCC Equal CEE, S.L.	2	2
Fomento de Construcciones y Contratas, S.A.	1,007	2,749
FCC Medio Ambiente, S.A.	8	4
FCC Industrial y Servicios Energéticos, S.A.	420	20
FS, Colaboración y Asistencia, S.A.	47	47
Gamasur Gibraltar, S.L.	28	22
Fedemes, S.L.	273	265
Hidrotec Tecnología del Agua, S.L.	5,447	5,312
F-C Y C, S.L.	2	-
Orasqualia Devel. Waste T.P. S.A.E.	10	1
Infraestructuras y Distribución General de Agua, S.L.	25	10
Aquajerez, S.L.	1	1
Nueva Sociedad de Aguas de Ibiza, S.A.	47	46
Proveiments D'Aigua, S.A.	12	11
Servicios Especiales de Limpieza, S.A.	62	83
Compañía de Control de Residuos, S.A.	2	5
Abastament en.alta Costa Brava Empresa Mixta, S.A.	-	1
Sociedad Española de Aguas Filtradas, S.A.	945	481
Tratamiento Industrial de Aguas, S.A.	1,804	4,201
<b>TOTAL</b>	<b>18,038</b>	<b>19,545</b>

**16.5. Other financial liabilities.**

This heading shows mainly the guarantees received from customers of water contracts and fixed assets suppliers.

## NOTE 17. PUBLIC ADMINISTRATIONS AND TAX SITUATION

Conciliation of the accounting result of the year with the tax base of the Corporate Income Tax at 31 December 2017 and 2016 is as follows:

<b>ACCOUNTING RESULT RECONCILIATION</b>		
<b>WITH THE TAXABLE BASE OF CORPORATE TAX</b>		
<i>(Amounts in thousand euros)</i>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
<b>Accounting result of the year before taxes</b>	<b>97,973</b>	<b>70,751</b>
<b>Permanent differences</b>	<b>-16,039</b>	<b>10,569</b>
Non-deductible expenses	332	300
Income earned through permanent establishment abroad	278	97
Exemption from double taxation in dividends	-27,204	-31,721
Impairments from non-deductible shares and fixed assets	1,000	22,572
Goodwill impairment	8,276	8,276
Other permanent differences	1,279	11,045
<b>Temporary differences: Advanced</b>	<b>-11,726</b>	<b>-23,981</b>
Negative Negative accounting adjusted result of UTEs recording results in the next year	-4,579	-1,433
Difference between accounting and tax amortization	-2,137	-2,137
Non-deductible provisions	-4,941	-1,817
Portfolio impairment	-	-12,376
Other temporary differences	-69	-6,218
<b>Temporary differences: Deferred</b>	<b>-4,549</b>	<b>-2,893</b>
Negative Positive Accounting Adjust. result of UTEs recording results in the next financial year	-7,298	-4,250
Leasing	7	7
Freedom of amortization	247	247
Tax provision for portfolio depreciation in investee companies	2,613	1,221
Other temporary differences	-118	-118
<b>Tax base</b>	<b>65,659</b>	<b>54,746</b>

The “Other permanent differences” as at 31 December 2016 essentially included the taxable base of provisions and impairments of certain trade credits amounting to 13,793 thousand euros.

Calculation of the accounting endowment of Corporate Tax is the following:

<b>CALCULATION OF ACCOUNTING ENDOWMENT CORPORATE TAX</b>		
(Amounts in thousands euros)		
	31/12/2017	31/12/2016
<b>Adjusted Before tax</b>	<b>97,973</b>	<b>70,751</b>
<b>- Permanent Differences</b>	<b>(16,039)</b>	<b>10,869</b>
<b>Adjusted Accounting Result</b>	<b>81,934</b>	<b>81,620</b>
Accrued gross corporate tax (25 %)	20,484	20,405
+Allowances and deductions	-	-
+Other adjustments	3,483	261
<b>Expenses from corporate tax</b>	<b>23,967</b>	<b>20,666</b>

As of 31 December 2017, the "Other adjustments" include an amount of 2,791 thousand euros for the estimated settlement that may arise from the corporate tax records for the Inspection which is open at the end of the period, for the years 2010 to 2013. The remainder is the income tax recorded in Temporary Joint Ventures (UTE) and Branches with permanent establishment abroad.

UTE in which the Company holds stakes are subject to the fiscal transparency arrangement and therefore, they charge the tax bases, withholdings and deductions to the partner firms in the year in which they are approved.

The amount of withholdings and advanced payments made in 2017 has amounted to 14,646 thousand euros (694 thousand euros in year 2016). Once allowances and deductions have been considered, the net payable to Grupo FCC for FCC Aqualia, S.A. Corporate Tax amounts to 1,337 thousand euros (12,993 thousand euros at 31 December 2016).

Since it is within FCC's Consolidated Group 18/89, the deductions exceeding those that would have been individually applied by the Company will become part of the declaration of the parent company FCC, S.A. However, the Group has limited the negative taxable bases to be recognised in individual companies, and hence the creation of anticipated amounts in the financial year, and the application of deductions, as a result of the Consolidated Group having a negative declaration.

The balance detail at 31 December 2017 and 2016 with the Public Administrations is the following:

<b>DEBTOR PUBLIC ADMINISTRATIONS</b>		
<i>(Amounts in thousand euros)</i>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
Assets through current tax	109	(40)
Public Finance debtor for long term grants	2,529	2,243
Tax Authority debtor for long term grants	19,795	16,759
VAT receivable	-	4,600
Rest of debtor public administrations	307	340
<b>TOTAL</b>	<b>22,740</b>	<b>23,902</b>
<b>CURRENT PUBLIC ADMINISTRATION CREDITORS</b>		
<i>(Amounts in thousand euros)</i>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
Liabilities through current tax	958	1,991
Public Finance creditor for VAT	831	-
Public Finance Creditor for withholding on account of personal work	2,264	1,977
Public Finance Creditor for withholdings on account of movable and real estate capital	63	73
Public finance creditor for other concepts	61,463	55,508
Accrual of fees and other taxes	1,150	1,355
Shifted Indirect Taxes	791	1,152
Social Security Institutions, Creditors	4,076	3,917
Tax Authority Creditor through current deferral of IVA	106	2,616
Tax Authority Creditor for deferral on account of personal work	58	42
<b>TOTAL</b>	<b>71,760</b>	<b>68,631</b>

“Tax Authority creditor for other concepts” shows mainly taxes collected by the Company from certain Municipalities pending payment at 31 December 2017 and 2016.

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 attribute to their profits in the following year. Meanwhile, deferred tax liabilities are essentially related to non-returnable subsidies, positive tax bases of UTEs which will be attributed to results in the following year, and the capitalization of the financial charge, concession agreement.

<b>Assets for deferred taxes</b>		
<i>(Amounts in thousand euros)</i>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
Provisions	3,545	4,780
Amortisations	1,858	2,392
Profit/loss from UTEs attributed to profit/loss of the following year and adjustments	1,453	786
<b>TOTAL</b>	<b>6,856</b>	<b>7,958</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 profit/loss of the following year and adjustments	4,939	4,848
From financial leasing	42	44
Non-deductibility of portfolio provisions	6,134	2,736
For impairment of Goodwill	84	53
From freedom of amortisation	420	481
For capital grants	1,762	1,735
<b>TOTAL</b>	<b>13,381</b>	<b>9,897</b>

The breakdown of the Corporate Tax expense/revenue is as follows (in thousands of euros):

<b>Detail of the Corporate Tax expense</b>		
<i>(Amounts in thousand euros)</i>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
Current tax	(23,967)	(20,405)
<i>From continuing operations</i>	(21,176)	(20,405)
<i>From provision of corporate tax records</i>	(2,791)	-
Deferred tax	-	(261)
<i>From continuing operations</i>	-	(261)
<b>Total expenses/revenue from corporate tax</b>	<b>(23,967)</b>	<b>(20,666)</b>

No taxes of a significant amount were recognised in net equity for the period 2017 and 2016.

According to the legislation in force, taxes may not be considered to have been definitively settled until such time as the tax returns filed have been inspected by the tax authorities or the period of limitation of four years has expired.

At 31 December 2017, the Company is subject to a tax inspection for the financial years 2010 to 2013 for Corporate Tax and for the 2012-2013 financial years for Value Added Tax. These annual financial statements record an amount of 2,791 thousand euros payable to the Tax Group corresponding to the corporate tax records pending signature and another amount of 131 thousand euros payable to the Tax Office corresponding to the reports signed in compliance with VAT. In relation to the remaining taxes the company is subject to, records for the last four financial years are open for inspection for all taxes, though administrators do not believe any significant liabilities will arise in this regard.

#### **NOTE 18. LONG TERM ACCRUALS**

This heading of the balance sheet at 31 December 2017 and 2016 includes the amounts charged in rates for the realisation of works and investments implying environmental improvements in water supply networks, during their construction phase and until their putting into operation.

## NOTE 19. SECURITIES AND GUARANTEES

At 31 December 2017, the Company had supplied guarantees to cover compliance with its contractual obligations and its involvement in tender processes for future contracts to the value of 317,560 thousand euros (364,821 thousand euros at 31 December 2016).

Likewise, it has granted third parties Guarantees for the following FCC group companies and for the following amounts (in thousand euros):

	31/12/2017	31/12/2016
Abrantaqua	1,663	1,663
Aguas de Langreo, S.A.	910	1,170
Aguas de las Galeras, S.L.	-	727
Aigues del Segarra Garrigues, S.A.	60	60
Aquacartaya, S.L.	-	420
Aquafundalia - Agua do Fundao, S.A.	781	835
Acque di Caltanissetta, S.p.a.	9,745	2,000
Aigues del Tomoví, S.L.	-	278
Aqualia Intech, S.A.	23,796	15,806
Concesionaria de Desalación de Ibiza, S.A.	12	12
Conservación y Sistemas, S.A.	19	24
Depurplán 11, S.A.	28	28
Sociedad Española de Aguas Filtradas, S.A.	86	62
Tratamiento Industrial de Aguas, S.A.	2	2
Aqualia México, S.A. de C.V.	3,486	2,811
Aquamaior – Aguas de Campomaior, S.A.	1,813	2,775
Compañía Servicios Medioambientales do Atlántico, S.A.	221	944
Empresa Gestora de Aguas Linenses, S.L.	23	33
Fomento de Construcciones y Contratas, S.A.	-	3,237,357
Hidrotec Tecnología del Agua, S.L.	-	21
<b>TOTAL</b>	<b>42,645</b>	<b>3,267,028</b>

At 31 December 2016, FCC Aqualia, together with other companies of the FCC Group, was liable and a joint 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 single listed bonds during this financial year, and becoming a subgroup, excluded for the purposes of the aforementioned financing. Notwithstanding the above, the shares of the Company are pledged as guarantee of the financing contracted by the majority shareholder.

The Company Directors do not expect any significant liabilities as a consequence of the guarantees furnished.

## NOTE 20. INCOME AND EXPENSES

20.1 The distribution of **net turnover** by geographical localisation and type of activity of the Company is the following:



**TURNOVER  
BY GEOGRAPHICAL LOCALISATION**

*(Amounts in thousand euros)*

<b>Autonomous Region</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Andalusia	176,881	161,877
Aragón	7,050	6,538
Asturias	29,503	28,857
Balearic Islands	37,022	36,339
Canaries	26,228	21,759
Cantabria	21,501	21,773
Castilla – La Mancha	52,857	49,732
Castilla – León	47,007	44,115
Catalonia	59,002	56,124
Valencia	36,199	34,992
Extremadura	39,016	38,738
Galicia	56,701	54,789
Madrid	46,447	47,243
Murcia	30,507	31,241
Navarre	1,970	1,789
País Vasco	3,592	3,214
La Rioja	4,403	4,562
<b>International</b>		
Arab Emirates	367	1,540
Bosnia and Herzegovina	35	-
Chile	1	-
Serbia	1	-
Czech Republic	190	-
Algeria	8,587	10,144
Egypt	194	449
India	132	421
Italy	3,266	1,646
Mexico	217	65
Montenegro	1	-
Portugal	4,217	1,910
Saudi Arabia	4,938	10,100
Tunisia	5,563	3,112
Uruguay	1	-
United States	1	-
<b>TOTAL</b>	<b>703,597</b>	<b>673,069</b>

**TURNOVER BY ACIVITY TYPE**

*(Amounts in thousand euros)*

	<b>31/12/2017</b>	<b>31/12/2016</b>
Supply	394,398	382,263
Sewerage	96,265	94,131
Waste water treatment	90,889	83,077
Hydraulic works	60,065	40,642
Revenues from capital holdings	27,204	31,933
Desalination.	8,971	11,326
Other income	25,805	29,697
<b>TOTAL</b>	<b>703,597</b>	<b>673,069</b>

The detail of income from capital holdings received from group and associated companies in years 2017 and 2016 is shown below:

<b>DIVIDENDS RECEIVED</b>		
<i>(Amounts in thousands euro)</i>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
Tratamiento Industrial de Aguas, S.A.	9,888	8,864
Colaboración, Gestión y Asistencia, S.A.	269	179
Conservación y Sistemas, S.A.	184	1,004
Aqualia Czech, S.L.U.	5,217	6,171
Entemanser, S. A.	4,887	11,084
Infraestructuras y Distribución General del Agua, S.A.	224	238
Depurplan 11, S.A.	-	133
Aquajerez, S.L.	272	363
Aquacartaya, S.L.	-	602
Aguas de las Galeras, S.L.	127	326
Aqualia Mace LLC	4,307	-
<b>TOTAL GROUP COMPANIES</b>	<b>25,375</b>	<b>28,964</b>
AIE ITAM Delta de la Tordera	-	5
AIE Ciudad Real	93	90
AIE Costa Tropical de Granada	567	19
Girona, S.A.	117	113
AIE Costa Brava Ab. Aqualia Sorea	47	47
AIE Aquagest – Aqualia	87	52
Suministros Aguas de Querétaro S.A.C.V.	57	65
Aguas de Archidona, S.L.	4	-
Aigües del Segarra Garrigues, S.A.	46	-
Aqualia Mace LLC	-	1,233
Empresa Municipal de Aguas de Benalmádena, S.A.	201	568
Concesionaria de Desalación de Ibiza, S.A.	178	307
Orasqualia O&M	432	220
<b>TOTAL ASSOCIATED COMPANIES</b>	<b>1,829</b>	<b>2,719</b>
Depurtebo, S.A.	-	250
<b>TOTAL THIRD PARTIES</b>	<b>-</b>	<b>250</b>
<b>TOTAL DIVIDENDS</b>	<b>27,204</b>	<b>31,933</b>

From the total turnover, UTE contribute according to the detail shown below, in thousand euros:

<b>TEMPORARY JOINT VENTURES</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
UTE Agua Santo Domingo	140	136
UTE Aguas de Alcalá	7,228	7,210
UTE Aigües Els Poblets	920	807
UTE Alkhorayef-FCC Aqualia	3,407	3,313
UTE Aqualia - FCC Vigo	40,553	39,417
UTE Aqualia - Riofabar Piloña	287	292
UTE Bombeo Zona Sur	1,174	1,547
UTE Centro Deportivo Granadilla de Abona	872	854
UTE Consorcio Louro	2,835	2,628
UTE Costa Tropical	(15)	132
UTE Costa Tropical II	-	29
UTE Costa Tropical III	1,749	1,615
UTE Depuración Poniente Almería	1,583	1,368
UTE EDAM Santa Eulalia	-	561
UTE EDAR A Guarda 2013	37	40
UTE EDAR Albuñol	1,609	12
UTE EDAR Cuerva	85	83
UTE EDAR Ranilla	920	468
UTE EDAR Reinosa	480	504
UTE EDAR San Vicente de la Barquera	335	385
UTE ETAP Este	844	850
UTE Explotación ITAM Tordera	2,888	2,452
UTE FCC – Aqualia Oviedo	16,113	15,900
UTE Gestión Cangas	1,353	1,211
UTE Groupement Solidaire Jerba	5,563	3,112
UTE Guadiana	(110)	-88
UTE Hidr-Inv. Do Centr. Ace	2,072	131
UTE Ibiza	28	378
UTE Mancomunidad de Órbigo	162	161
UTE Mérida	6,609	6,572
UTE Nigrán	1,518	1,495
UTE OYM Cap Djinet	2,719	4,988
UTE OYM Mostaganem	4,786	5,128
UTE Redes CABB	869	882
UTE Redondela	1,942	1,897
UTE Saneamiento Canet l'Almardà	72	-
UTE Sollanoko Ura	560	132
UTE USSA A	157	661
UTE Vigo Piscinas	790	1,302
UTE USSA A 17	585	-
UTE IDAM Janubio	2,458	-
UTE Reparaciones Lote 9	231	-
UTE C.H. Talave	22	-
UTE Alcantarillado Burgos	18	-
<b>TOTAL</b>	<b>116,448</b>	<b>108,565</b>

20.2 Income and expenses with related parties. The following operations with related companies have been carried out in years 2017 and 2016:

<b>OPERATIONS WITH GROUP COMPANIES IN 2017</b>				
<i>(Amounts in thousand euros)</i>				
	<b>OPERATING</b>		<b>FINANCIAL</b>	
	<b>EXPENSES</b>	<b>INCOME</b>	<b>EXPENSES</b>	<b>INCOME</b>
Abrantaqua, S.A.	-	464	-	67
Acque di Caltanissetta, S.P.A.	70	3,250	-	80
Aqualia Intech, S.A.	354	1,049	155	160
Aquamaior – Aguas de Campo Maior, S.A.	-	76	-	13
Aqualia Infraestr. de México, S.A. de C.V.	704	26	351	-
Aquaelvas – Aguas de Elvas, S.A.	-	781	-	75
Aquafundalia – Aguas do Fundao, S.A.	-	469	-	46
Aguas de Alcázar Empresa Mixta, S.A.	-	-	-	-
Aguas de Las Galeras, S.L.	-	221	-	1,559
AISA Montenegro	-	1	-	-
AISA D.O.O. Beograd-Vracar	-	1	-	-
Aquajerez, S.L.	-	4,454	-	542
Aqualia Czech, S.L.U.	-	5,217	-	-
Aqualia Mace LLC	30	4,674	-	-
Aqualia New Europe BW	-	-	-	-
Aigües de Vallirana, S.A.U.	-	-	29	-
Aqua Campiña, S.A.	-	318	-	28
Aquacartaya, S.L.	-	-	-	-
Aridos y Canteras del Norte	2	-	-	-
Asesoría Financiera y de Gestión, S.A.	-	-	-	5,100
Cartagua, Aguas do Cartaxo, S.A.	17	2,042	-	152
Colaboración, Gestión y Asistencia, S.A.	-	269	-	-
Compañía de Control de Residuos, S.L.	8	-	-	-
Conservación y Sistemas, S.A.	2,647	183	253	94
Depurplan 11, S.A.	-	874	-	-
Ecoactiva de Medioambiente, S.A.	13	-	-	-
Ecoparque Mancomunidad del Este, S.A.	-	-	-	-
Empresa Gestora de Aguas Linenses, S.L.	100	138	-	702
Entemanser, S.A.	247	4,912	-	-
Fedemes, S.L.	2,899	-	-	-
Fomento de Construcciones y Contratas, S.A.	15,381	122	3,992	6,737
FCC Ámbito, S.A.	160	-	-	-
FCC Construcción, S.A.	510	811	-	-
FCC Igual CEE, S.L.	12	-	-	-
FCC Industrial e Infraestructuras Energéticas, S.A.	252	85	-	-
FCC Medio Ambiente, S.A.	16	1	-	-
F.S. Colaboración y Asistencia, S.A.	-	-	12	-
F-C y C, S.L.	9	-	-	-
Gamasur Campo Gibraltar, S.A.	49	-	-	-
Hidrotec Tecnología del Agua, S.L.	20,075	-	171	3
Hormigones y Morteros Prep., S.A. Unipersonal	-	-	-	-
Infraestructuras y Distribución General de Agua, S.L.	144	226	-	-
Matinsa, S.A.	-	6	-	-
Prefabricados Delta, S.A.	79	-	-	-
Servicios Especiales de Limpieza, S.A.	135	-	-	-
Sdad. Española de Aguas Filtradas, S.A.	4,432	6	338	238
Sociedad Ibérica del Agua, S.A.U.	-	-	5	-
Severomoravske Vodovody A Kanalizace Ostrava AS	-	190	-	-
Tratamiento Industrial de Aguas, S.A.	14,963	9,889	774	56
<b>TOTAL</b>	<b>63,308</b>	<b>40,755</b>	<b>6,080</b>	<b>15,652</b>

**OPERATIONS WITH GROUP COMPANIES IN 2016**
*(Amounts in thousand euros)*

	OPERATION		FINANCIAL		
	EXPENSES	INCOME	EXPENSES	INCOME	
Abrantaqua, S.A.	-	178	-	-	30
Acque di Caltanissetta, S.P.A.	52	1,652	-	-	81
Aqualia Intech, S.A.	3,835	1,727	131	-	15
Aquamaior – Aguas de Campo Maior, S.A.	-	39	-	-	14
Aqualia Infraestr. de México, S.A. de C.V.	841	99	377	-	-
Aquaelvas – Aguas de Elvas, S.A.	-	624	-	-	43
Aquafundalia – Aguas do Fundao, S.A.	-	757	-	-	47
Aguas de Alcázar Empresa Mixta, S.A.	-	674	-	-	183
Aguas de Las Galeras, S.L.	-	91	-	-	1,114
AISA Pristina LLC	-	10	-	-	-
Aquajerez, S.L.	4	4,020	-	-	1,656
Aqualia Czech, S.L.U.	-	45	-	-	-
Aqualia Mace LLC	60	306	-	-	-
Aqualia New Europe BW	-	217	-	-	-
Aigües de Vallirana, S.A.U.	-	43	110	-	-
Aqua Campiña, S.A.	(4)	369	-	-	(896)
Aquacartaya, S.L.	3	259	-	-	517
Asesoría Financiera y de Gestión, S.A.	-	-	-	-	851
Cartagua, Aguas do Cartaxo, S.A.	-	427	-	-	167
Compañía de Control de Residuos, S.L.	18	-	-	-	-
Conservación y Sistemas, S.A.	151	34	355	-	-
Depurplan 11, S.A.	-	992	-	-	-
Ecoactiva de Medioambiente, S.A.	11	-	-	-	-
Ecoparque Mancomunidad del Este, S.A.	-	1	-	-	-
Empresa Gestora de Aguas Linenses, S.L.	69	405	-	-	712
Entemanser, S.A.	127	577	-	-	-
Fedemes, S.L.	1,690	-	-	-	-
Fomento de Construcciones y Contratas, S.A.	17,592	170	19,771	-	3
FCC Ámbito, S.A.	72	-	-	-	-
FCC Construcción, S.A.	192	517	-	-	-
FCC Igual CEE, S.L.	12	-	-	-	-
FCC Industrial e Infraestructuras Energéticas, S.A.	18	46	-	-	-
FCC Medio Ambiente, S.A.	11	2	-	-	-
F.S. Colaboración y Asistencia, S.A.	-	-	71	-	-
Gamasur Campo Gibraltar, S.A.	34	-	-	-	-
Hidrotec Tecnología del Agua, S.L.	18,526	110	263	-	-
Hormigones y Morteros Prep., S.A. Unipersonal	(11)	-	-	-	-
Infraestructuras y Distribución General de Agua, S.L.	127	67	-	-	-
Matinsa, S.A.	-	1	-	-	-
Prefabricados Delta, S.A.	11	-	-	-	-
Servicios Especiales de Limpieza, S.A.	69	-	-	-	-
Sdad. Española de Aguas Filtradas, S.A.	1,255	90	609	-	-
Sociedad Ibérica del Agua, S.A.U.	-	5	3	-	-
Severomoravske Vodovody A Kanalizace Ostrava AS	-	221	-	-	-
Tratamiento Industrial de Aguas, S.A.	18,961	127	1,535	-	-
<b>TOTAL</b>	<b>63,726</b>	<b>14,902</b>	<b>23,225</b>	<b>4,537</b>	

**OPERATIONS WITH ASSOCIATED COMPANIES 2017**
*(Amounts in thousand euros)*

	OPERATION		FINANCIAL	
	EXPENSES	INCOME	EXPENSES	INCOME
Abastecimiento Alta Costa Brava emp. Mixta	1	15	-	-
Aguas de Álcazar Empresa Mixta, S.A.	-	-	-	175
Aguas de Denia, S.A.	256	-	-	-
Aguas de Archidona, S.L.	-	434	-	32
Aigües de Girona Salt i Sarria del Ter, S.A.	-	-	-	-
Aigües del Segarra Garrigues. S.A.	-	124	-	-
Aigües del Tomoví, S.A.	22	552	-	-
Aguas de Langreo, S.A.	-	-	-	228
Aguas de Narixa, S.A.	-	483	-	318
Aguas de Priego, S.L.	-	113	-	179
A.I.E. Costa Tropical de Granada.	8	2,531	-	675
A.I.E. I.T.A.M. Delta de la Tordera	32	2,888	-	-
A.I.E. Aquagest-Aqualia	-	44	-	-
A.I.E. Ciudad Real	-	-	-	-
A.I.E. Costa Brava	-	95	-	-
Aquos El Realito, S.A. de CV	-	-	-	-
Cía. Servicios Medioambientales Atlántico, S.A.	-	122	-	-
Concesionaria Desalación Aguas de Ibiza, S.A.	-	321	-	-
Empresa Municipal de Aguas de Linares, S.A.	3	4,227	-	-
Emanagua Eª Mpal. De Aguas de Níjar, S.A.	1,086	3,550	-	52
Empresa Mixta de Aguas de Ubrique, S.A.	-	922	-	4
Empresa Mixta de Aguas y Servicios, S.A.	201	124	-	-
Empresa Mixta d'Aigües de la Costa Brava	-	-	-	-
Empresa Mixta de Aguas de Jódar, S.A.	19	716	-	69
Empresa Mpal. De Aguas de Algeciras, S.A.	1,776	9,166	-	25
Empresa Mpal. Aguas de Benalmádena, S.A.	-	1,324	-	55
Empresa Mpal. Aguas de Toxiria, S.A.	14	988	-	5
Fast Consortium Limited LLC	-	228	-	-
Generávila, S.L.	-	25	-	-
Girona, S.A.	-	48	-	-
Hormigones Calahorra, S.A.	-	-	-	-
Hormigones Reinales, S.A.	1	-	-	-
Nueva Sociedad de Aguas de Ibiza, S.A.	97	2	-	-
Orasqualia Devel. Waste T.P. S.A.E.	9	125	-	-
Orasqualia O&M	-	69	-	-
Proveiments d'Aigua, S.A.	90	-	-	-
Shariket Miyeh Ras Djinet	-	2,719	-	-
Shariket Tahlya Miyah Mostaganem	-	4,347	-	-
Suministros Aguas de Querétaro, S.A. de C.V.	-	-	-	-
<b>TOTAL</b>	<b>3,615</b>	<b>36,302</b>	<b>-</b>	<b>1,817</b>

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**OPERATIONS WITH ASSOCIATED COMPANIES 2016**
*(Amounts in thousand euros)*

	OPERATION		FINANCIAL	
	EXPENSES	INCOME	EXPENSES	INCOME
Abastecimiento Alta Costa Brava emp. Mixta	1	43	-	-
Aguas de Denia, S.A.	256	-	-	-
Aguas de Archidona, S.L.	1	421	-	33
Aigües de Girona Salt i Sarria del Ter, S.A.	-	113	-	-
Aigües del Segarra Garrigues. S.A.	-	100	-	-
Aigües del Tomoví, S.A.	38	589	-	-
Aguas de Langreo, S.A.	7	58	-	244
Aguas de Narixa, S.A.	-	829	-	309
Aguas de Priego, S.L.	-	350	-	185
A.I.E. Costa Tropical de Granada.	1	2,897	-	551
A.I.E. I.T.A.M. Delta de la Tordera	37	2,499	-	-
A.I.E. Aquagest-Aqualia	-	56	-	-
A.I.E. Costa Brava	-	88	-	-
Aquos El Realito, S.A. de CV	-	147	-	-
Cía. Servicios Medioambientales Atlántico, S.A.	-	127	-	-
Concesionaria Desalación Aguas de Ibiza, S.A.	-	337	-	-
Empresa Municipal de Aguas de Linares, S.A.	18	4,364	-	1
Emanagua Eª Mpal. De Aguas de Níjar, S.A.	1,068	3,941	-	61
Empresa Mixta de Aguas de Ubrique, S.A.	5	912	-	17
Empresa Mixta de Aguas y Servicios, S.A.	61	345	-	-
Empresa Mixta d'Aigües de la Costa Brava	-	3	-	-
Empresa Mixta de Aguas de Jódar, S.A.	-	588	-	71
Empresa Mpal. De Aguas de Algeciras, S.A.	2,203	9,687	-	32
Empresa Mpal. Aguas de Benalmádena, S.A.	-	1,221	-	72
Empresa Mpal. Aguas de Toxiria, S.A.	-	941	-	6
Generávila, S.L.	-	80	-	-
Girona, S.A.	-	28	-	-
Hormigones Calahorra, S.A.	6	-	-	-
Hormigones Reinales, S.A.	1	-	-	-
Nueva Sociedad de Aguas de Ibiza, S.A.	179	2	-	-
Orasqualia Devel. Waste T.P. S.A.E.	33	146	-	-
Orasqualia O&M	12	84	-	-
Provements d'Aigua, S.A.	30	-	-	-
Shariket Miyeh Ras Djinet	-	4,988	-	-
Shariket Tahlya Miyah Mostaganem	-	5,128	-	-
<b>TOTAL</b>	<b>3,957</b>	<b>41,112</b>	<b>-</b>	<b>1,582</b>

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The operations carried out with companies Shariket Tahlya Miyah Mostaganem S.p.A. and Shariket Miyeh Ras Djinet S.p.A are formulated in American Dollars, while those carried out with Orasqualia Development Waste Water Treatment Plant, S.A.E. are formulated in Egyptian Pounds; Those carried out with Aquos El Realito de CV are formulated in Mexican Pesos and those carried out with SmVak are formulated in Czech Crowns.

The information on balances and transactions with the members of the Board of Directors are detailed in Note 23.

20.3 Supplies They show the following detail at 31 December 2017 and 2016:

<b>SUPPLIES</b>		
<i>(Amounts in thousand euros)</i>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
Goods consumed	93,820	86,155
Raw materials and other materials consumed	90,956	76,397
Work performed by other companies	68,142	68,857
<b>TOTAL</b>	<b>252,918</b>	<b>231,409</b>

20.4 External services They show the following detail at 31 December 2017 and 2016:

<b>OUTSOURCED SERVICES</b>		
<i>(Amounts in thousand euros)</i>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
Research and development costs	-	-
Leases and royalties	68,497	51,158
Repairs and upkeep	3,869	2,116
Independent Professional Services	11,267	7,530
Transportation	251	326
Insurance premiums	3,861	3,572
Banking and similar services	4,972	5,221
Commercial, advertising and public relations	1,339	1,198
Supplies	2,606	2,507
Other services	33,641	46,570
<b>TOTAL</b>	<b>130,303</b>	<b>120,198</b>

The main variation included in the above table corresponds to software fees and hardware leases that until 31 December 2016 were included in *Other services* and in 2017 are included as royalties under the heading *Leases and royalties*.

20.5 The average number of employees during financial years 2017 and 2016 is shown below:

<b>CATEGORIES</b>	<b>N° of employees</b>		<b>Men</b>		<b>Women</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Executive and higher level qualification	160	167	137	144	23	23
Technical staff and intermediate qualifications	628	558	458	402	170	156
Administrative and similar	658	689	203	228	455	461
Rest of employed staff	3,649	3,563	3,263	3,175	386	388
<b>TOTAL</b>	<b>5,095</b>	<b>4,977</b>	<b>4,061</b>	<b>3,949</b>	<b>1,034</b>	<b>1,028</b>

The number of employees at each year end is shown below:



CATEGORIES	N° of employees		Men		Women	
	2017	2016	2017	2016	2017	2016
Executive and higher level qualification	162	185	139	158	23	27
Technical staff and intermediate qualifications	627	578	456	416	171	162
Administrative and similar	663	720	199	248	464	472
Rest of employed staff	3,681	3,580	3,300	3,181	381	399
<b>TOTAL</b>	<b>5,133</b>	<b>5,063</b>	<b>4,094</b>	<b>4,003</b>	<b>1,039</b>	<b>1,060</b>

The Company has 81 employees with a disability equal to or greater than 33% at 31 December 2017 (81 at 31 December 2016).

20.6. Wages, salaries and related costs They present the following detail at 31 December 2017 and 2016.

<b>WAGES AND SALARIES</b>		
<i>(Amounts in thousand euros)</i>		
	31/12/2017	31/12/2016
Wages, salaries and related costs	135,140	130,411
Compensation payments	711	1,512
<b>TOTAL</b>	<b>135,851</b>	<b>131,923</b>

20.7. Social Security expenses. They present the following detail at 31 December 2017 and 2016.

<b>SOCIAL SECURITY EXPENSES</b>		
<i>(Amounts in thousand euros)</i>		
	31/12/2017	31/12/2016
Social Security payable by the company	42,060	40,314
Contributions to pension systems	-	(34)
Other social charges	1,664	1,480
<b>TOTAL</b>	<b>43,724</b>	<b>41,760</b>

20.8. Financial costs. They present the following detail at 31 December 2017 and 2016:

<b>FINANCIAL EXPENSES</b>		
<i>(Amounts in thousand euros)</i>		
	31/12/2017	31/12/2016
Interests through debts with group and associated companies (Note 20.2)	6,080	23,225
Interests from debts with third parties	20,059	5,646
Update of provisions (Note 15)	728	1,201
<b>TOTAL</b>	<b>26,867</b>	<b>30,072</b>

20.9. Exchange rate differences. They present the following detail at 31 December 2017 and 2016:

<b>Exchange Differences</b>		
<i>(Amounts in thousand euros)</i>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
Exchange Gain	2,054	2,455
Exchange losses	(2,179)	(3,217)
<b>TOTAL</b>	<b>(125)</b>	<b>(762)</b>

20.10. Impairment and result through disposal of financial instruments. They present the following detail at 31 December 2017 and 2016:

<b>IMPAIRMENTS AND LOSSES</b>		
<i>(Amounts in thousand euros)</i>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
Value impairment of non-current stake in Group and associated companies (Note 8.1)	(1,787)	(1,483)
Impairment of credits	464	(3,544)
Results from disposals and others	(2)	130
<b>TOTAL</b>	<b>(1,325)</b>	<b>(4,897)</b>

20.11. Losses, impairment and changes in provision through commercial operations

The heading “Losses, impairment and variation of provisions for trade operations” of the attached profit and loss account for the years 2017 and 2016 essentially includes the following items:

<b>LOSSES, IMPAIRMENT AND CHANGES IN PROVISION THROUGH COMMERCIAL OPERATIONS</b>		
<i>(Amounts in thousand euros)</i>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
Insolvency provision (see note 11.4)	3,271	8,357
Reversion of the insolvencies provision (see note 11.4)	(3,766)	(7,917)
Losses from bad debts (see note 11.4)	3,463	3,856
Other allowances for short-term provisions	(2,413)	2,768
<b>TOTAL</b>	<b>555</b>	<b>7,064</b>

20.12. Other current management expenses

The caption “Other current management expenses” of the Profit and Loss account for the financial year 2017 essentially includes at 31 December 2017, 6,410 thousand euros originating from Long-term provisions (See note 15) (2,616 thousand euros for the same concept as of 31 December 2016).

#### **NOTE 21. REMUNERATION OF AUDITORS**

The auditor of the Company at the end of the financial year 2017 is Deloitte, S.L.

The fees accrued during the year for services rendered by the Auditor are the following:

<b>AUDITING SERVICES</b>		
<i>(Amounts in thousand euros)</i>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
<b>Fees for auditing services</b>		
Lead Auditor	<b>184</b>	<b>120</b>
Other auditors	-	-
<b>Verification Services Fees</b>		
Lead Auditor	<b>185</b>	<b>13</b>
Other auditors	-	-
<b>Fees for other services</b>		
Lead Auditor	-	-
Other auditors	-	-
	<b>369</b>	<b>133</b>

## **NOTE 22. INFORMATION ON THE 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 Reduction 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 will in 2017 clock up 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.

## **NOTE 23. OWNERSHIP STATEMENT**

### *Board of Directors*

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). Additionally, there are neither advances, or credits or any other kind of guarantee granted to said members of the 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. As at 31 December 2017, expenditure 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.

At the close of 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.

### *Senior Management*

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

## **NOTE 24. FINANCIAL RISK MANAGEMENT POLICY**

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

FCC Aqualia's philosophy of risk management, in accordance with Grupo FCC's policy, is consistent with its business strategy, constantly seeking maximum efficiency and solvency. Strict control and financial risk management criteria are applied, consistently identifying, measuring, analysing and controlling the risks

assumed by Group operations, with its risk policy being properly integrated into the organisation.

#### Exchange rate risk

This arises due to the different exchange rates used in investments and transactions with subsidiaries, associates and joint ventures as well as with third parties whose activities are carried out in a functional currency other than that of the company preparing the annual accounts.

The Company Directors consider that this risk will not have a insignificant impact.

#### Credit risk.

The credit risk is the counterparty of a contract being in breach of its contractual obligations, causing an economic loss for the Company. The Company has adopted the policy of negotiating exclusively with solvent third parties and obtaining sufficient guarantees to mitigate the risk of financial loss in the event of non-compliance.

Its main clients are Public Bodies or ultimate consumer customers in activities related to the integrated water cycle and therefore have no significant exposure to credit risk. Likewise, there is no significant concentration of credit risk.

#### Solvency risk

At 31 December 2017, FCC Aqualia's net financial indebtedness amounted to 250,420 thousand euros (34,006 thousand euros in 2016), as shown in the table below:

	Amounts in thousand euros	
	2017	2016
Debentures and other tradeable securities:	1,358,635	-
Creditors through financial leasing	37	77
Non current financial debts with group companies (note 16)	565	363,384
Current financial debts with group companies (excluding tax effect) (note 16)	128,173	176,247
Financial debts with third parties (note 16)	7,059	40,042
Credits to companies (excluding tax effect) (note 10.1)	(1,028,005)	(466,603)
Other financial assets (Note 9.3.a)	(15,504)	(24,754)
Credits to third parties (Note 10.2.b)	(17,548)	(18,398)
Cash and equivalents	(182,992)	(35,989)
<b>Net financial debt</b>	<b>250,420</b>	<b>34,006</b>

### Liquidity risk

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

As at 31 December 2017, the Company has a negative working capital of 26,993 thousand euros (positive working capital of 193,607 thousand euros at 31 December 2016). Notwithstanding the above, the Company Directors have prepared these annual accounts in accordance with the going concern principle for the reasons set out in Note 2.8

## **NOTE 25. ADDITIONAL INFORMATION**

### **25.1. Post-closing events**

#### Acquisition of 49% of Aqualia Czech, S.L.

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.

#### Communication of relevant events to the National Stock Exchange Commission

On 20 February 2018 the FCC Group, a majority shareholder of the Company, has informed that following receipt of an offer by the IFM Global Infrastructure Fund (“IFM”) for the purchase of a minority stake in the Company, FCC and IFM are in advanced negotiations exclusively regarding IFM's acquisition of a 49% stake in FCC Aqualia, S.A.

No events have occurred following the close of the financial year which significantly affect the content of these annual accounts aside from the one mentioned above in this Note.

### **25.2. 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 financial year that the 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 Company 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 Law 15/2010, and, where applicable, the terms of Article 9 of Law 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 habitual payment periods in the sectors where the Company conducts its activity.

Meanwhile, the 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.

Furthermore, the Company has signed contracts similar to confirming lines with financial institutions in order to facilitate advance payments to its suppliers, in accordance with which the supplier can perform its collection right against the company, obtaining the invoiced amount minus the discounted financial costs and fees applied by the aforementioned entities. The total sum of the contracted lines amounts to 800 thousand euros, while the drawn down balance is 273 thousand euros at 31 December 2017. These contracts do not modify the main payment terms (interest rate, term or amount), and are therefore classified as commercial liabilities.

In compliance with the above Resolution, a table containing information on the average supplier payment period is outlined below.

<b>Average supplier payment period (thousand euros)</b>		
	<b>2017</b>	<b>2016</b>
	<b>Days</b>	<b>Days</b>
Average supplier payment period	90	93
Ratio of operations paid	72	73
Ratio of operations pending payment	160	174
	<b>Amount</b>	<b>Amount</b>
Total payments made	356,358	302,169
Total payments pending	91,730	76,620



## 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
- Güímar (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. This in mind, 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, Cusco, Chíncha 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.

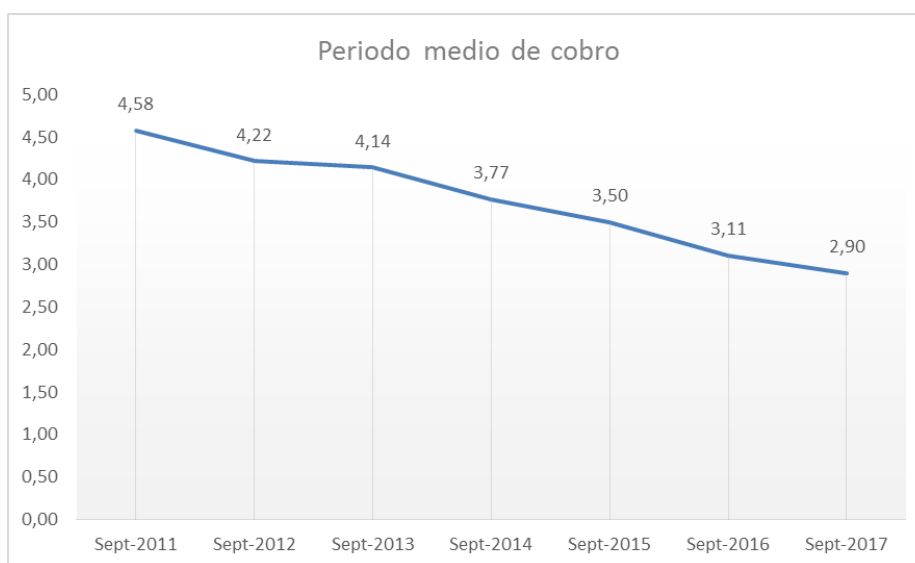
In **Qatar**, although the political and trade blockade by Saudi Arabia and the Emirates have led to a slowdown in investment projects, the expectation for 2018 is that operations will begin at the Al Dhakhira waste water treatment plant, with a capacity of 55,000 m<sup>3</sup>/day, for which Aqualia 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 fight to care for 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 admin 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 Interest Groups 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, interest groups, 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 Environment Ministry (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 Interest Groups has been maintained, consisting of incorporating the handling of Aqualia's Interest Groups 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.

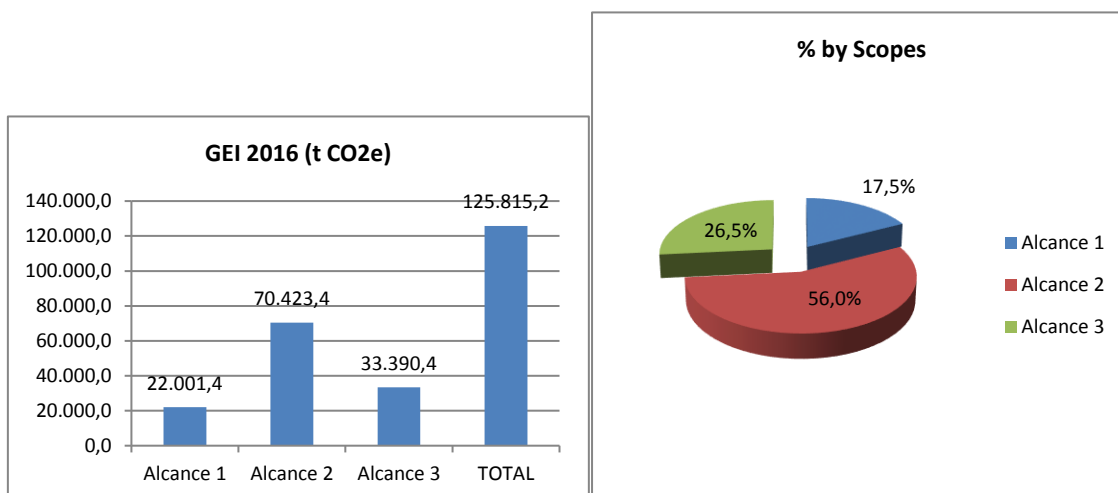
## ENERGY MANAGEMENT

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 Media (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 RD 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 Map Web 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 emit 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

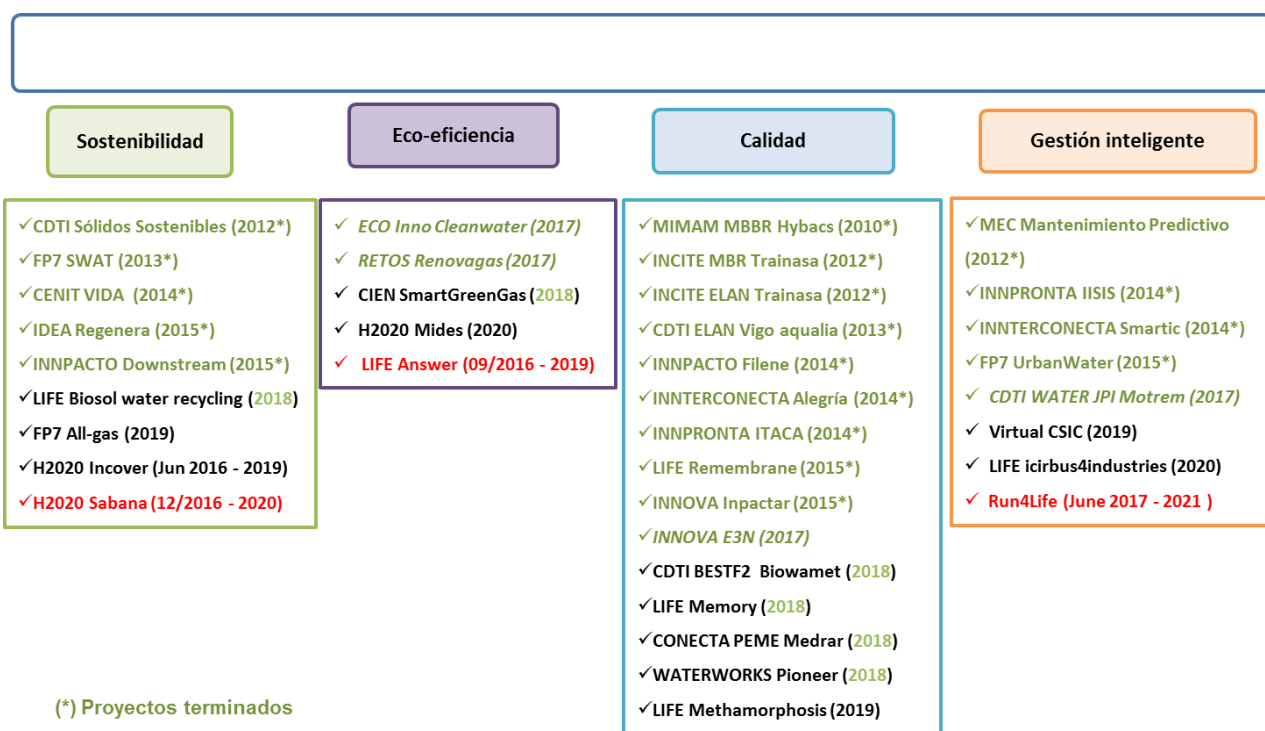
It was first implemented across the contracts in Almería and the Joint Municipal Confederation of Bajo Andarax and, subsequently, on the Níjar (Almería) and Sant Josep (Ibiza) contracts throughout 2017.

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 DiversityFinder. 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.



Sustainability

Eco-efficiency

Quality

Smart management

(\*) Completed projects

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

1. **Renovagas**, co-financed by the Mineco Innpacto 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** 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 I** (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 2,016, 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 contribute to the rapid integration of new heads of service by facilitating relationships with people who can learn and help them to expand their network of contacts in 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.

In addition, during 2017 the fourth edition of the Walto Walter Cycle, a program aimed at middle management, has been held with the aim of continuing the transformation of Aqualia's leadership style and leading it towards a more participatory model of people, the catalyst of talent, which reinforces the cohesion of the team and supported by shared language shared with all.

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 Zone's production structures. There is a Prevention Coordinator as part of the hierarchy of each Zone 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 Zones' 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 RLT (employee 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:

- Local Zone 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 the 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 9,000 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.

Together with the most common actions (press briefings, notes, articles, interviews, reports, etc.), and in order to reinforce the relationship with the information professionals that contribute to the transfer of integral water cycle management to society to the development and well-being of municipalities, the company has launched **the convening of the second Aqualia Journalism Award "Water management in the municipalities"**. 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, PRL, 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 with 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 "global" 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. In particular, actions aimed at increasing the presence of women in positions of responsibility, such as the Programme for Women's Management with High Potential, the Mentoring Programme, for the promotion of female talent and seeking to contribute to a cultural change in the company that seeks to achieve gender equality, orienting and facilitating the career of the workers of the company 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, governors, 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 employees from Aqualia, both of the central services and the 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 (the Prince of Asturias Association of 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 A.SI.QUI.PU.-DOWN BARBATE Association 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 can be found 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 prepared by the Directors of the Company, on 27 February 2018, and are identified as issued on both sides of 61 sheets of State paper of series OL numbers 4175658 to 4175718 both included, being signed, in State paper series OL, number 4175719.

**Deputy Chairman**

**Spokesperson**

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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