

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

Consolidated Financial Statement for the  
annual period ended 31 December 2014,  
Directors' Report and Independent Audit  
Report

## INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

### **Report on the consolidated financial statements**

We have audited the attached consolidated financial statements of FCC Aqualia, S.A. (hereinafter, the Parent Company) and Subsidiaries (hereinafter, the Group), which include the consolidated statement of financial position at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the consolidated annual report corresponding to the year ended on that date.

### *Directors' responsibility in relation to the financial statements*

The Directors of the Parent Company are responsible for preparing the attached consolidated financial statements so that they express a true and fair view of the consolidated equity, consolidated financial position and consolidated profit and loss of FCC Aqualia, S.A. and subsidiaries, in accordance with the International Financial Reporting Standards adopted by the European Union and other provisions of the regulatory framework for financial reporting applicable to the Group in Spain, which are identified in Note 2 of the attached consolidated report and with internal control standards deemed necessary for the consolidated financial statements to be prepared free from any material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the attached consolidated financial statements based on our audit work. We have performed our audit in accordance with the audit regulations in force in Spain. These standards require that we meet ethical standards, and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement in the consolidated financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers the internal control relevant to the Parent Company's preparation of the consolidated financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## *Opinion*

In our opinion, the attached consolidated financial statements express, in all significant aspects, a true and fair view of the consolidated equity and consolidated financial position of FCC Aqualia, S.A. at 31 December 2014, as well as the consolidated profit from its operations and the consolidated cash flows corresponding to the period ended said date in accordance with the International Financial Reporting Standards adopted by the European Union and other provisions of the framework for financial reporting applicable in Spain.

## **Report on other legal and regulatory requirements**

The attached consolidated directors' report for 2014 contains the explanations that the Directors of the Parent Company consider appropriate regarding the position of FCC Aqualia, S.A. and subsidiaries, the evolution of its business and other matters and it does not form an integral part of the consolidated financial statements. We have verified that the accounting information contained in the directors' report coincides with that of the consolidated financial statements for 2014. Our work as auditors is limited to verifying the consolidated directors' report in the scope referred to in this paragraph and does not include the examination of any information other than that derived from the accounting records of FCC Aqualia, S.A. and subsidiaries.

DELOITTE, S.L.

Official Spanish Account Auditing Registry (ROAC) Member No S0692

[Signature]

Antonio Sánchez-Covisa Martín-González  
31 March 2015

**FCC Aqualia, S.A.  
and subsidiaries (formerly known as  
Aqualia Gestión Integral del  
Agua, S.A and subsidiaries)**

## **CONSOLIDATED FINANCIAL STATEMENT**

- Financial Statement

Consolidated statement of financial position

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated statement of changes in equity

Consolidated statement of cash flows

Consolidated annual report

- Appendix I: Subsidiaries consolidated by the full consolidation method
- Appendix II: Associates consolidated using the equity method
- Appendix III: Temporary Joint Ventures
- Appendix IV: Changes in the scope of consolidation

## **CONSOLIDATED DIRECTORS' REPORT**

**FCC AQUALIA, S.A. AND SUBSIDIARIES**  
**(CONSOLIDATED GROUP)**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014 (in thousands of euros)**

ASSETS	2014.12	2013.12 (*)
<b>NON-CURRENT ASSETS</b>	<b>1,557,389</b>	<b>1,534,212</b>
<b>1. Intangible assets (Note 4)</b>	<b>924,784</b>	<b>905,884</b>
1. Concessions	834,408	817,058
2. Goodwill	85,306	85,306
3. Other intangible assets	5,070	3,520
<b>2. Property, plant and equipment (Note 5)</b>	<b>315,431</b>	<b>314,499</b>
1. Land and buildings	30,559	31,075
2. Technical installations and other property, plant and equipment	284,872	283,424
<b>4. Investments in associates and jointly-controlled entities (Note 7)</b>	<b>130,195</b>	<b>115,691</b>
<b>5. Non-current financial assets (Note 9)</b>	<b>142,296</b>	<b>161,214</b>
<b>6. Deferred tax assets (Note 17)</b>	<b>44,683</b>	<b>36,924</b>
<b>CURRENT ASSETS</b>	<b>662,559</b>	<b>491,057</b>
<b>2. Inventories (Note 10)</b>	<b>22,909</b>	<b>23,951</b>
<b>3. Trade and other receivables</b>	<b>262,133</b>	<b>272,875</b>
1. Customer receivables – sales and service provision (Note 11)	194,544	219,561
2. Other receivables (Note 11)	67,332	53,045
3. Current tax assets	257	269
<b>4. Other current financial assets (Note 9)</b>	<b>256,603</b>	<b>111,299</b>
<b>5. Other current assets</b>	<b>356</b>	<b>940</b>
<b>6. Cash and cash equivalents (Note 12)</b>	<b>120,558</b>	<b>81,992</b>
<b>TOTAL ASSETS</b>	<b>2,219,948</b>	<b>2,025,269</b>

(\*) Restated as indicated in explanatory Note 2.b attached herein.

Notes 1 to 26 and Appendices I to IV attached herein form an integral part of the consolidated financial statements for 2014.

**FCC AQUALIA, S.A. AND SUBSIDIARIES (CONSOLIDATED GROUP)**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014 (in thousands of euros)**

<b>LIABILITIES</b>	<b>2014.12</b>	<b>2013.12 (*)</b>
<b>EQUITY (Note 13)</b>	<b>783,373</b>	<b>710,901</b>
<b>1. Equity attributed to the parent company</b>	<b>727,258</b>	<b>664,034</b>
<b>1. Shareholders' Equity</b>	<b>740,012</b>	<b>677,520</b>
1. Capital	145,000	145,000
2. Issue premium and reserves	532,483	478,207
4. Profit or loss for the year attributable to Parent Company	62,529	54,313
<b>2. Adjustments for changes in value</b>	<b>(12,754)</b>	<b>(13,486)</b>
<b>2. Non-controlling interests</b>	<b>56,115</b>	<b>46,867</b>
<b>NON-CURRENT LIABILITIES</b>	<b>747,467</b>	<b>621,297</b>
<b>1. Grants (Note 18)</b>	<b>30,061</b>	<b>27,997</b>
<b>2. Non-current provisions (Note 15)</b>	<b>100,556</b>	<b>89,113</b>
<b>3. Non-current financial liabilities (Note 14)</b>	<b>533,985</b>	<b>418,731</b>
1. Debt instruments and other marketable securities	-	72,728
2. Bank borrowings	36,434	124,187
3. Other financial liabilities	497,551	221,816
<b>6. Deferred tax liabilities (Note 17)</b>	<b>50,859</b>	<b>54,093</b>
<b>5. Other non-current liabilities</b>	<b>32,006</b>	<b>31,363</b>
<b>CURRENT LIABILITIES</b>	<b>689,108</b>	<b>693,071</b>
<b>2. Current provisions (Note 15)</b>	<b>22,075</b>	<b>19,416</b>
<b>3. Current financial liabilities (Note 14)</b>	<b>234,110</b>	<b>272,330</b>
1. Debt instruments and other marketable securities	72,573	466
2. Bank borrowings	111,852	178,198
3. Other financial liabilities	49,685	93,666
<b>4. Trade and other payables</b>	<b>432,589</b>	<b>400,840</b>
1. Accounts payable for purchases and services	184,535	187,374
2. Other payables (Note 16)	248,054	213,466
<b>5. Other current liabilities</b>	<b>334</b>	<b>485</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,219,948</b>	<b>2,025,269</b>

(\*) Restated as indicated in explanatory Note 2.b attached herein.

Notes 1 to 26 and Appendices I to IV attached herein form an integral part of the consolidated financial statements for 2014.

**FCC AQUALIA, S.A. AND SUBSIDIARIES (CONSOLIDATED GROUP)**  
**CONSOLIDATED INCOME STATEMENT FOR**  
**THE PERIOD ENDED 31 DECEMBER 2014 (in thousands of euros)**

	2014.12	2013.12 (*)
Net revenue (Note 20)	909,976	877,809
Capitalised expenses of in-house work on fixed assets (Note 5)	17,887	17,298
Other profit from operations (Note 20)	23,225	17,465
Change in inventories of finished goods and works in progress	(213)	-
Purchases (Note 20)	(327,799)	(316,792)
Employee benefits expense (Note 20)	(232,930)	(224,799)
Other operating expenses (Note 20)	(194,824)	(190,285)
Depreciation and amortisation (Notes 4 and 5)	(78,414)	(76,433)
Recognition of non-financial asset grants and others	1,203	1,120
Impairment and profit/loss from disposal of assets (Note 4)	(3,667)	54
Other profit/loss	2,843	1,728
<b>PROFIT FROM OPERATIONS</b>	<b>117,287</b>	<b>107,165</b>
Finance income (Note 20)	16,314	9,246
Finance costs (Note 20)	(49,585)	(39,223)
Changes in fair value of financial instruments	(451)	-
Exchange differences	(133)	(1,428)
Impairment and profit/loss from disposal of financial instruments	(9,463)	(348)
<b>FINANCE INCOME/COST</b>	<b>(43,318)</b>	<b>(31,753)</b>
Profit or loss of equity method measured companies (Note 7)	9,288	8,731
<b>PROFIT BEFORE TAX FOR THE YEAR FROM CONTINUING OPERATIONS (Note 17)</b>	<b>83,257</b>	<b>84,143</b>
Income tax (Note 17)	(19,783)	(27,912)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>63,474</b>	<b>56,231</b>
<b>CONSOLIDATED PROFIT FOR THE YEAR</b>	<b>63,474</b>	<b>56,231</b>
Profit (loss) attributed to non-controlling interests (Note 13)	(945)	(1,918)
<b>PROFIT ATTRIBUTED TO PARENT COMPANY</b>	<b>62,529</b>	<b>54,313</b>
<b>BASIC EARNINGS (LOSSES) PER SHARE (Euros)</b>	<b>0.44</b>	<b>0.39</b>

(\*) Restated as indicated in explanatory Note 2.b attached herein.

Notes 1 to 26 and Appendices I to IV attached herein form an integral part of the consolidated financial statements for 2014.



**FCC AQUALIA, S.A. AND SUBSIDIARIES**  
**(CONSOLIDATED GROUP)**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED**  
**31 DECEMBER 2014 (in thousands of euros)**

	2014.12	2013.12
<b>Consolidated profit for the year</b>	<b>63,474</b>	<b>56,231</b>
<b>Income and expense recognised directly in equity</b>	<b>787</b>	<b>(8,416)</b>
For cash flow hedges	240	(774)
Translation differences	2,302	(11,798)
Effect of taxes and other income/expense	(1,755)	4,156
<b>Transfer to the Income Statement</b>	<b>-</b>	<b>8</b>
For cash flow hedges	-	8
Tax effects	-	-
<b>Total recognised income/(expense)</b>	<b>64,261</b>	<b>47,823</b>
<b>a) Attributed to Parent Company</b>	<b>63,260</b>	<b>51,056</b>
<b>Attributed to non-controlling interests</b>	<b>1,001</b>	<b>(3,233)</b>

Notes 1 to 26 and Appendices I to IV attached herein form an integral part of the consolidated financial statements for 2014.

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

## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2014 (in thousands of euros)

	Share capital (Note 13)	Issue premium and reserves (Note 13)	Profit or loss for the year attributable to Parent Company (Note 13)	Adjustments for changes in value (Note 13)	Equity attributed to Parent Company (Note 13)	Non- controlling interests (Note 13)	Total equity
<b>Balance at 31/12/2012</b>	<b>145,000</b>	<b>355,197</b>	<b>62,434</b>	<b>-92</b>	<b>562,539</b>	<b>5,699</b>	<b>568,238</b>
Total recognised income/(expense)	-	-	54,313	-3,257	51,056	-3,233	47,823
Transactions with shareholders or owners	-	-	-	-	-	44,644	44,644
Capital increases/(reductions)	-	-	-	-	-	153	153
Dividends paid	-	-	-	-	-	-890	-890
Other transactions with shareholders or owners	-	-	-	-	-	45,381	45,381
Other changes in equity	-	123,010	-62,434	-10,137	50,439	-243	50,196
<b>Balance at 31/12/2013</b>	<b>145,000</b>	<b>478,207</b>	<b>54,313</b>	<b>-13,486</b>	<b>664,034</b>	<b>46,867</b>	<b>710,901</b>
Total recognised income/(expense)	-	-	62,528	732	63,260	1,001	64,261
Transactions with shareholders or owners	-	-	-	-	-	7,871	7,871
Capital increases/(reductions)	-	-	-	-	-	6,624	6,624
Dividends paid	-	-	-	-	-	-719	-719
Other transactions with shareholders or owners	-	-	-	-	-	1,966	1,966
Other changes in equity	-	54,276	-54,312	-	-36	376	340
<b>Balance at 31/12/2014</b>	<b>145,000</b>	<b>532,483</b>	<b>62,529</b>	<b>-12,754</b>	<b>727,258</b>	<b>56,115</b>	<b>783,373</b>

Notes 1 to 26 and Appendices I to IV attached herein form an integral part of the consolidated financial statements for 2014.

**FCC AQUALIA, S.A. AND SUBSIDIARIES (CONSOLIDATED GROUP)**  
**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED**  
**31 DECEMBER 2014 (in thousands of euros)**

	2014.12	2013.12 (*)
<b>Profit before tax for the year from continuing operations</b>	<b>83,257</b>	<b>84,143</b>
<b>Adjustments to profit or loss</b>	<b>130,316</b>	<b>114,394</b>
Depreciation and amortisation (Notes 4 and 5)	78,414	76,433
Other adjustments to profit or loss (net)	51,902	37,961
<b>Changes in working capital</b>	<b>31,117</b>	<b>7,384</b>
<b>Other cash flows from operating activities</b>	<b>(29,858)</b>	<b>(30,796)</b>
Dividends received	2,552	748
Income tax received/(paid)	(29,555)	(28,150)
Other amounts received/(paid) for operating activities	(2,855)	(3,394)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>214,832</b>	<b>175,125</b>
<b>Investments paid</b>	<b>(103,188)</b>	<b>(119,675)</b>
Group companies, associates and business units	(9,046)	(11,117)
Property, plant and equipment and intangible assets	(79,125)	(101,263)
Other financial assets	(15,017)	(7,295)
<b>Proceeds from divestments</b>	<b>9,350</b>	<b>13,880</b>
Group companies, associates and business units	1,078	3,677
Property, plant and equipment and intangible assets	2,089	2,421
Other financial assets	6,183	7,782
<b>Other cash flows from investing activities</b>	<b>(122,555)</b>	<b>(29,311)</b>
Interest received	13,650	9,691
Other amounts received/(paid) for investing activities	(136,205)	(39,002)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(216,393)</b>	<b>(135,106)</b>
<b>Amounts received and (paid) for equity instruments</b>	<b>6,624</b>	<b>96,652</b>
Issuance/(repayment)	6,624	152
(Purchase)/disposal of own shares	-	96,500
<b>Amounts received and (paid) for financial debt instruments</b>	<b>77,603</b>	<b>(111,417)</b>
Issue	127,227	160,359
Repayment and amortisation	(49,624)	(271,776)
<b>Dividend payments and other remuneration of equity instruments</b>	<b>(709)</b>	<b>(146)</b>
<b>Other cash flows from financing activities</b>	<b>(42,879)</b>	<b>(30,268)</b>
Interest paid	(43,903)	(33,827)
Other amounts received/(paid) for financing activities	1,024	3,559
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>40,639</b>	<b>(45,179)</b>
<b>EFFECT OF EXCHANGE DIFFERENCES AND OTHERS</b>	<b>(512)</b>	<b>576</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>38,566</b>	<b>(4,584)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>81,992</b>	<b>86,576</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note 12)</b>	<b>120,558</b>	<b>81,992</b>

(\*) Restated as indicated in explanatory Note 2.b of the attached report.

Notes 1 to 26 and Appendices I to IV attached herein form an integral part of the consolidated financial statements for 2014.

## CONSOLIDATED ANNUAL REPORT FOR 2014

### 1. BUSINESS ACTIVITIES

FCC Aqualia, S.A. (hereinafter, the Parent Company or FCC Aqualia) was incorporated in Logroño on 26 May 1980 under the name of Seragua, S.A. In June 1988, its registered offices were transferred to Madrid and in July 2002, it was renamed as Aqualia gestión integral del agua. On 2 April 2014, the resolution under which the company's registered name was changed to FCC Aqualia, S.A. was notarised.

The FCC Aqualia Group comprises the Parent Company and a series of domestic and international investees whose main business activities are related to end-to-end water management, explained in further detail below:

□ End-to-end water management consists in collection, transportation, treatment and distribution of water from wells, catchment areas and desalination plants to urban areas through pumping systems, pipelines, distribution grids and complex water treatment facilities for purification and storage. Once used, the water is captured through sewer networks and taken to treatment stations where it is treated before being returned to its natural source.

End-to-end water management requires the preservation and maintenance of water supply and sewer networks as well as purification and treatment stations, maintenance and repair of electrical, electronic and plumbing systems and equipment, among other items. All of this work helps in the detection of leaks in the systems and optimal use of the water.

The process is completed with technical, administrative and IT work performed for the purposes of customer management such as reading meters, billing and managing collection of customer receipts and staffing the customer service centre.

□ Construction, installation, operation, maintenance, management, repair, purchase, sale and development, on its own behalf or on behalf of others, of all kinds of waste treatment, recovery or removal stations, plants and equipment, water filtering and any other facilities whose purpose is water treatment.

The Temporary Joint Ventures in which the FCC Aqualia Group participates perform the same activities and are detailed in APPENDIX IV.

Likewise, the Parent Company has ownership interests in companies with similar corporate purposes and business activities. The lists of companies consolidated using the full consolidation method, the proportionate consolidation method and the equity method are shown in APPENDICES I, II and III, respectively.

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

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

The attached consolidated financial statements and the notes thereto contained in this consolidated annual report were prepared in accordance with the International Financial Reporting Standards (IFRS) passed by the European Union (IFRS-EU) at the reporting date, pursuant to EC Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002 and all the provisions and interpretations that implement such regulation.

These consolidated financial statements for 2014 were prepared using the accounting records of FCC Aqualia, S.A. and its investees. These records, taken in accordance with the local regulations applicable in each case, were adapted to the IFRS by each of the companies belonging to the Group according to procedures and operating systems established by the Group in order to implement and justify consolidation in compliance with the requirements of the IFRS.

The FCC Aqualia Group's consolidated financial statements were prepared so as to provide a true and fair view of the Group's equity and financial situation at 31 December 2014, as well as the consolidated profit from operations, changes in equity and cash flows that have taken place in the Group during the period ended at said date.

In order to present the different items composing these consolidated financial statements in a uniform manner, accounting uniformity criteria have been applied to the separate financial statements of the companies included within the consolidation scope. The closing date of the financial statements for the companies included within the consolidation scope is, in general, the same date as for the Parent Company, 31 December.

For comparative purposes, the figures from 2013 are shown in the consolidated financial statements for 2014.

The consolidated financial statements for 2014 do not include changes in accounting estimates or correction of fundamental errors from previous periods.

Furthermore, the consolidated financial statements are presented in thousands of Euros, since this is the main currency in the setting in which the Group operates.

### Going concern principle

At 31 December 2014, the Group has a negative working capital of EUR 26,549 thousand (EUR 202,014 thousand at 31 December 2013). However, “Debt instruments and other marketable securities” totalling EUR 72,573 thousand, and “Bank Borrowings” totalling EUR 111,852 thousand have been included in the refinancing process that the subsidiaries Aqualia Czech, S.L. and Severomoravske Vodovody a Kanalizace Ostrava, A.S. will conduct in 2015. The Parent Company Directors estimate that these refinancing processes will be successfully completed and, considering the Group's cash generation capacity, have prepared these consolidated financial statements under the going concern principle.

### **b) Changes in accounting policies**

- Standards and interpretations adopted by the European Union for the first time this year

The accounting policies used in preparing these consolidated financial statements are the same as those applied in the consolidated financial statements for the period ended 31 December 2013, except for the following standards and amendments, which are applicable in periods starting after 1 January 2014:

New standards, amendments and interpretations: Approved for use in the European Union		Compulsory application for periods starting after:
IFRS 10 Consolidated Financial Statements (published in May 2011)	Replaces the current consolidation requirements from IAS 27.	Annual periods starting from 1 January 2014 (1)
IFRS 11 Joint Arrangements (published in May 2011)	Replaces the current IAS 31 on joint ventures.	Annual periods starting from 1 January 2014 (1)
IFRS 12 "Disclosure of interests in other entities" (published in May 2011)	Single standard that sets forth the disclosures related to interests in subsidiaries, associates, joint ventures and non-consolidated entities.	Annual periods starting from 1 January 2014 (1)
Transition guidance: Amendment to IFRS 10, 11 and 12 (published in June 2012)	Clarification of the transition guidance for these standards.	Annual periods starting from 1 January 2014 (1)
Revised IAS 27 Separate Financial Statements (published in May 2011)	The standard is revised, given that, since IFRS 10 was issued, only the separate financial statements of an entity are included.	Annual periods starting from 1 January 2014 (1)
Revised IAS 28 Investments in associates and joint ventures (published in May 2011)	Parallel revision in relation to the issuance of IFRS 11 Joint Arrangements.	Annual periods starting from 1 January 2014 (1)
Investment Entities: Amendments to IFRS 10, IFRS 12 and IAS 27 (published in October 2012)	Exemption from consolidation for parent entities which meet the definition of investment entities.	Annual periods starting from 1 January 2014
Amendment to IAS 32 Offsetting financial assets and financial liabilities (published in December 2011)	Additional clarification of the standards for offsetting financial assets and liabilities in IAS 32.	Annual periods starting from 1 January 2014
Amendment to IAS 36 - Recoverable amount disclosures for non-financial assets (published in May 2013)	This explains when certain disclosures are necessary and extends the requirements when the recoverable value is based on the fair value less costs of disposal.	Annual periods starting from 1 January 2014
Amendments to IAS 39 - Novation of derivatives and continuation of hedge accounting (published in June 2013)	The amendments determine the cases and criteria in which novation of a derivative does not require the discontinuation of hedge accounting.	Annual periods starting from 1 January 2014

(1) The European Union has set the date for compulsory application back one year. The original date of application by the IASB was 1 January 2013.

Entry into force of IFRS 10, 11 and 12 has prompted a reassessment of the control held by the Group. As a result, the consolidation method for certain companies has been changed.

In this regard, the information referring to 2013 shown in the consolidated financial statements for comparative purposes has been restated as required under the changed standard, and thus differs from the figures shown in the consolidated financial statements for 2013. The application of these IFRS has had the following impact on the consolidated statement of financial position and income statement at 31 December 2013.

ASSETS	2013 Restated	2013 Fin. Stat.	Differences
<b>NON-CURRENT ASSETS</b>	<b>1,534,212</b>	<b>1,523,533</b>	<b>10,679</b>
<b>1. Intangible assets</b>	<b>905,884</b>	<b>898,847</b>	<b>7,037</b>
1. Concessions	817,058	810,024	7,034
2. Goodwill	85,306	85,306	-
3. Other Intangible Assets	3,520	3,517	3
<b>2. Property, plant and equipment</b>	<b>314,499</b>	<b>313,254</b>	<b>1,245</b>
1. Land and buildings	31,075	31,075	-
2. Technical installations and other prop., plant and eq.	283,424	282,179	1,245
<b>3. Investments in associates and jointly-controlled entities</b>	<b>115,691</b>	<b>116,538</b>	<b>(847)</b>
<b>5. Non-current financial assets</b>	<b>161,214</b>	<b>157,970</b>	<b>3,244</b>
<b>6 Deferred tax assets</b>	<b>36,924</b>	<b>36,924</b>	<b>-</b>
<b>CURRENT ASSETS</b>	<b>491,057</b>	<b>487,910</b>	<b>3,147</b>
<b>1. Inventories</b>	<b>23,951</b>	<b>23,859</b>	<b>92</b>
<b>2. Trade and other receivables</b>	<b>272,875</b>	<b>270,921</b>	<b>1,954</b>
1. Customer receivables – sales and service provision	219,561	217,059	2,502
2. Other receivables	53,045	53,593	(548)
3. Current tax assets	269	269	-
<b>3. Other current financial assets</b>	<b>111,299</b>	<b>113,409</b>	<b>(2,110)</b>
<b>4. Other current assets</b>	<b>940</b>	<b>935</b>	<b>5</b>
<b>5. Cash and cash equivalents</b>	<b>81,992</b>	<b>78,786</b>	<b>3,206</b>
<b>TOTAL ASSETS</b>	<b>2,025,269</b>	<b>2,011,443</b>	<b>13,826</b>



LIABILITIES	2013 Restated	2013 Fin. Stat.	Differences
<b>EQUITY</b>	<b>710,901</b>	<b>710,901</b>	-
<b>1. Equity attributed to the parent company</b>	<b>664,034</b>	<b>664,034</b>	-
<b>1. Shareholders' Equity</b>	<b>677,520</b>	<b>677,520</b>	-
1. Capital	145,000	145,000	-
2. Reserve issue premium	478,207	478,207	-
3. Profit or loss for the year attributable to Parent Company	54,313	54,313	-
<b>2. Adjustments for changes in value</b>	<b>(13,486)</b>	<b>(13,486)</b>	-
<b>2. Non-controlling interests</b>	<b>46,867</b>	<b>46,867</b>	-
<b>NON-CURRENT LIABILITIES</b>	<b>621,297</b>	<b>618,738</b>	<b>2,559</b>
<b>1. Grants</b>	<b>27,997</b>	<b>25,524</b>	<b>2,473</b>
<b>2. Non-current provisions</b>	<b>89,113</b>	<b>89,090</b>	<b>23</b>
<b>3. Non-current financial liabilities</b>	<b>418,731</b>	<b>418,682</b>	<b>49</b>
1. Debt instruments and other marketable securities	72,728	72,728	-
2. Bank borrowings	124,187	124,187	-
3. Other financial liabilities	221,816	221,767	49
<b>4. Deferred tax liabilities</b>	<b>54,093</b>	<b>54,079</b>	<b>14</b>
<b>5. Other non-current liabilities</b>	<b>31,363</b>	<b>31,363</b>	-
<b>CURRENT LIABILITIES</b>	<b>693,071</b>	<b>681,804</b>	<b>11,267</b>
<b>1. Current provisions</b>	<b>19,416</b>	<b>19,416</b>	-
<b>2. Current financial liabilities</b>	<b>272,330</b>	<b>269,275</b>	<b>3,055</b>
1. Debt instruments and other marketable securities	466	466	-
2. Bank borrowings	178,198	178,138	60
3. Other financial liabilities	93,666	90,671	2,995
<b>3. Trade and other payables</b>	<b>400,840</b>	<b>392,628</b>	<b>8,212</b>
1. Accounts payable for purchases and services	187,374	186,651	723
2. Other payables	213,466	205,977	7,489
<b>4. Other current liabilities</b>	<b>485</b>	<b>485</b>	-
<b>TOTAL LIABILITIES</b>	<b>2,025,269</b>	<b>2,011,443</b>	<b>13,826</b>

Profit and Loss	2013 Restated	2013 Fin. Stat.	Differences
Revenue	877,809	869,549	8,260
Capitalised expenses of in-house work on fixed assets	17,298	17,298	-
Other profit from operations	17,465	17,483	(18)
Change in inventories of finished goods and work in progress	-	-	-
Purchases	(316,792)	(314,557)	(2,235)
Employee benefits expense	(224,799)	(222,301)	(2,498)
Other operating expenses	(190,285)	(188,267)	(2,018)
Depreciation and amortisation	(76,433)	(75,200)	(1,233)
Recognition of non-financial asset grants and others	1,120	766	354
Impairment and profit/loss from disposal of assets	54	54	-
Other profit/loss	1,728	1,723	5
<b>PROFIT FROM OPERATIONS</b>	<b>107,165</b>	<b>106,548</b>	<b>617</b>
Finance income	9,246	9,193	53
Finance costs	(39,223)	(39,223)	-
Changes in fair value of financial instruments	-	-	-
Exchange differences	(1,428)	(1,428)	-
Impairment and profit/loss from disposal of financial instruments	(348)	(348)	-
<b>FINANCE INCOME/COST</b>	<b>(31,753)</b>	<b>(31,806)</b>	<b>53</b>
Profit or loss of equity method measured companies	8,731	9,402	(671)
<b>PROFIT BEFORE TAX FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>84,143</b>	<b>84,144</b>	<b>(1)</b>
Income tax	(27,912)	(27,913)	1
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>56,231</b>	<b>56,231</b>	<b>-</b>
<b>CONSOLIDATED PROFIT FOR THE YEAR</b>	<b>56,231</b>	<b>56,231</b>	<b>-</b>
Profit attributed to non-controlling interests	(1,918)	(1,918)	-
<b>PROFIT ATTRIBUTED TO PARENT COMPANY</b>	<b>54,313</b>	<b>54,313</b>	<b>-</b>

- Standards, amendments and interpretations issued by the IASB which are not yet applicable this period

- On the reporting date of these consolidated financial statements, the following standards and interpretations had been published by IASB, but had not entered into effect yet, either because their

date of entry into effect is later than the consolidated abridged financial statement reporting date, or because they had not been adopted by the European Union:

New standards, amendments and interpretations:		Compulsory application for periods starting after:
Approved for use in the European Union		
IFRIC 21 Levies (published in May 2013)	Interpretation on when to recognise a liability for a levy when it is conditional upon the entity's participation in an activity on a specified date.	17 June 2014 (1)
Amended IAS 19 Defined Benefit Plans: Employee Contributions (published in November 2013)	This amendment is issued to facilitate the possibility of deducting these contributions from the service cost in the same period in which they are paid if certain requirements are met.	1 July 2014
Annual Improvements to IFRS 2010-2012 Cycle and 2011-2013 Cycle (published in December 2013)	Minor amendments in several standards.	1 July 2014
Not approved for use in the European Union		
Amended IAS 16 and IAS 38 Acceptable methods of depreciation and amortisation (published in May 2014)	Clarifies acceptable amortisation of intangible assets and depreciation of property, plant and equipment.	1 January 2016
Amendment to IFRS 11 Accounting for acquisitions of interests in joint operations (published in May 2014)	Specifies how to account for acquisitions of interests in joint operations in which the activity constitutes a business.	1 January 2016
Annual Improvements to IFRS 2012-2014 Cycle (published in September 2014)	Minor amendments in several standards.	1 January 2016
Amendment to IFRS 10 and IAS 28 Sales or contributions of assets between an investor and its associate/joint venture (published in September 2014)	Clarification in relation to gains or losses from these operations, depending on whether they constitute a business or assets.	1 January 2016
Amendment to IAS 27 Equity method in separate financial statements (published in August 2014)	The equity method shall be allowed in an investor's separate financial statements.	1 January 2016
Amendments to IAS 16 and IAS 41: Bearer plants (published in June 2014)	Bearer plants will now be measured at cost instead of at their fair value.	1 January 2016

(1)The European Union has endorsed IFRIC 21 (EU Official Journal from 14 June 2014), amending the original effective date established by the IASB (1 January 2014) to 17 June 2014.

The Group intends to adopt these standards, amendments and interpretations issued by the IASB, which are not compulsory in the European Union at the reporting date of these consolidated financial statements, when they enter into force, if they are applicable. The Group is currently assessing their impact. Based on the analyses conducted up to this time, the Group estimates that initial application will not have a significant impact on the consolidated financial statements.

### c) Consolidation principles

#### Subsidiaries

In the consolidation, the full consolidation method was applied to the subsidiaries indicated in Appendix I, in which FCC Aqualia exercises control over the financial and operating policies of the entity, either directly or through other companies controlled in turn by the parent.

The value of the interests held by non-controlling shareholders in the equity is stated under “Non-controlling interests” in the Liabilities section of the attached consolidated statement of financial position and interests in profit/loss are shown in “Profit (loss) attributed to non-controlling interests” (Note 13) of the attached consolidated income statement.

Where applicable, goodwill is determined according to the criteria indicated in Note 2.d.2 of this consolidated Annual Report.

#### Joint ventures

The Group conducts jointly managed business by participating in companies that are controlled jointly by the Parent Company or one of its subsidiaries and others not related to the FCC Aqualia Group, as well as participating in temporary joint ventures and similar entities.

In application of IFRS 11 "Joint Arrangements", the Group consolidates its ownership interests in jointly controlled entities using the equity method and includes them in the attached consolidated statement of financial position in the “Investments accounted for using the equity method” section. The interests in the profit/loss less tax for the year of these companies is stated in the "Profit or loss of equity method measured companies" section of the attached consolidated income statement.

In turn, jointly operated assets and contracts have been integrated into the attached consolidated accounts based on the percentage of interests held in the assets, liabilities, income and expenses deriving from the operations performed by such entities, eliminating any reciprocal balances in assets and liabilities and any income and expenses not incurred with third parties.

The detail of joint ventures consolidated using the proportionate method is attached herein as Appendix II.

#### Associates

The companies listed in Appendix III, in which FCC Aqualia does not exercise control but does have significant influence, are included in the attached consolidated statement of financial position in the "Investments in associates and jointly-controlled entities" section, consolidated using the equity method. The contribution to profit/loss less tax for the year of these companies is stated in the "Profit or loss of equity method measured companies" section (Note 7) of the attached consolidated income statement. Appendix III lists the companies that have been consolidated using the equity method.

#### Transactions with Group companies

In transactions conducted between consolidated companies, the profit/loss resulting from internal transactions is eliminated and deferred until the transaction takes place with a third party unrelated to the Group.

Capitalised expenses of in-house work by the Group on fixed assets are recognised at production cost, eliminating any profit/loss arising within the Group.

Credits and debits corresponding to subsidiaries and, in the relevant proportion, those existing between subsidiaries and temporary joint ventures, as well as internal income and expenses amongst consolidated companies as a whole, are eliminated from the consolidated financial statements.

#### Uniformity

The companies within the scope of consolidation have been consolidated based on their separate financial statements which, for companies based in Spain, are prepared in accordance with the Spanish General Chart of Accounts and, for foreign companies, in accordance with their local regulations. Any and all significant adjustments needed to adapt them to International Financial Reporting Standards and/or to make them uniform with the Group's accounting criteria have been considered in the consolidation process.

### Changes in the scope of consolidation

Appendix V shows the changes that have taken place in 2014 and 2013 in the group of companies consolidated by full consolidation and using the equity method. The profit/loss of these companies is included in the consolidated income statement as of the effective acquisition date or up to the effective disposal date, as appropriate.

In the corresponding Notes to this consolidated Annual Report, under the section entitled “Change in the scope”, the effects of additions and removals of companies to and from the scope of consolidation are shown.

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

The valuation standards applied in preparing the consolidated financial statements for the FCC Aqualia Group are detailed below:

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

Concession arrangements are arrangements between a public sector concession grantor and FCC Aqualia Group companies to provide public services consisting in the distribution of drinking water, construction and operation of water and other infrastructures. Revenue from performing the service may be received directly from the users or, sometimes, through the concession grantor itself, which regulates the prices for service provision.

The concession right generally entails a monopoly on the provision of the service granted for a certain period of time, after which time, the infrastructure related to the concession required to provide the service is handed over to the concession grantor, generally without remuneration. The concession agreement must necessarily include the management or operation of the said infrastructure. Another common characteristic is the existence of obligations to purchase or build all the elements that are needed to provide the concession service throughout the duration of the contract.

These concession arrangements are accounted for in accordance with the terms of IFRIC 12, “Service concession arrangements”, which highlights two clearly distinguished phases: the first one, in which the concession operator provides construction or enhancement services, recognised according to the degree of progress as per IAS 11 “Construction Contracts”, with a balancing entry in intangible or financial assets, and the second phase, in which a series of maintenance or operation services regarding the said infrastructure are provided, recognised as per IAS 18 “Revenue”.

An intangible asset is recognised when the demand risk regarding the service is borne by the concession operator. Otherwise, if the demand risk regarding the service is borne by the concession

grantor, a financial asset is registered. Amounts paid as a fee for the award of the concession are also recognised as intangible assets.

In concessions classified as intangible assets, at the start of the concession, provisions for dismantling, removal or renovation and any actions intended to enhance or increase capacity, the income from which is foreseen in the initial contract, are recognised as the greater value of the asset and the depreciation of these assets, as well as the financial adjustments made to the said provisions, are taken to profit/loss. In turn, provisions in response to replacement and repair activities regarding the infrastructures are systematically taken to profit/loss as the obligation arises.

Interest deriving from financing the infrastructure is recognised in profit/loss, and interest accrued during construction, up to the time of commissioning of the infrastructure, is capitalised, exclusively under the intangible asset model.

Straight-line amortisation of the intangible assets takes place throughout the life of the concession.

Concessions classified as financial assets are recognised at the fair value of the construction or enhancement services provided. In accordance with the amortised cost method, the relevant income based on the effective interest rate resulting from cash flow forecasts and concession payments is taken to profit/loss.

#### d.2 Business combinations and goodwill

Assets and liabilities of companies and sub-groups acquired are stated in the consolidated statement of financial position at their fair value, disclosing the relevant deferred taxes. However, in accordance with regulations, the stated value and the allocations to different assets and liabilities items initially made can be adjusted within twelve months after the acquisition date, whenever new information arises that must be considered.

The date of inclusion in the scope of consolidation is that on which the effective control is taken, which normally coincides with the acquisition date.

Goodwill is recognised as the gains occurring between a) the sum of the fair value of the remuneration transferred for the interests acquired and the fair value on the date control of previously held interests is taken over in the case of step acquisitions, and b) the percentage of the interests acquired in the identifiable assets and liabilities.

Non-controlling interests are measured as the proportion of the acquired company's assets and liabilities.

In the case of step acquisitions made in more than one transaction (through successive purchases), the difference between the fair value on the date control of previously held interests is taken over and the carrying amount of these interests is recognised as operating income/expense.

Once control over an investee is held, as long as such control is not lost, the difference between the amount for any purchases or sales of additional interests and their carrying amount is charged to equity.

Goodwill is not amortised but it is subjected, at least at year-end, to an impairment test in order to measure it as the lesser of its recoverable value, estimated based on expected cash flows, or its cost of purchase, reduced by any impairment that may have occurred in previous years. The accounting criteria applied to calculate impairment are explained in note 2.d.5.

#### d.3 Intangible assets

This standard applies to all the other intangible asset items that are not included in the aforementioned standards about service concessions and goodwill.

These assets include computer software, which is registered at cost of purchase less accumulated amortisation and impairment losses, if any. They are amortised using the straight-line method over an estimated useful life of 4 years.

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

Property, plant and equipment items are initially measured at purchase price and subsequently stated less the corresponding accumulated depreciation and impairment, if any. The cost of the assets also includes the estimated present value of dismantling or removal of the related elements and, in cases in which they have been provided by the acquired companies, they are initially measured at the purchase date fair value.

Expenses for preservation and maintenance of the property, plant and equipment items are stated in the consolidated income statement in the period in which they occur. On the other hand, the costs of investments made to improve the capacity and/or efficiency of the assets, or to prolong the useful life thereof, are capitalised.

For assets that require a period of more than one year to be fit for use, the capitalised costs include the finance costs that have accrued prior to commissioning of the asset and have been billed by the supplier or that correspond to loans or some other type of specific or general third-party financing directly attributable to the purchase or manufacturing of the asset.



The Group's capitalised expenses of in-house work on fixed assets are shown at the accumulated cost resulting from adding internal costs, determined on the basis of internal consumption of materials, to external costs, labour costs directly incurred and general manufacturing expenses calculated according to absorption rates similar to those applied for the purposes of measuring inventories.

The Group's property, plant and equipment depreciate according to the straight-line method, applying annual depreciation rates calculated on the basis of the years of estimated useful life of the respective assets, as follows:

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

Periodically, the residual value, useful life and depreciation method of the Group's property, plant and equipment are reviewed to guarantee that the depreciation model applied is coherent with the profit deriving from operation of the assets.

#### d.5 Impairment of non-financial assets subject to amortisation or depreciation

Intangible assets with a defined useful life and property, plant and equipment items undergo an impairment test when there are signs of impairment losses in order to adjust their carrying amount to their value in use, when the latter is lower.

Goodwill and intangible assets with an indefinite useful life must undergo an impairment test at least once a year in order to discern any possible impairment losses.

Impairment losses recognised in previous periods on assets other than goodwill can be reversed if the estimates used in the impairment tests show that their value has recovered. The carrying amount of the assets whose value has recovered shall not under any circumstances exceed that which they would have had, had no impairment been recorded in previous years.

Impairment and reversal of impairment of assets is taken to profit/loss under "Impairment and profit/loss from disposal of assets".

In order to determine the recoverable value of assets subjected to impairment tests, the present value of net cash flows generated by the Cash Generating Units (CGU) associated with them has been estimated, except for flows related to payments or collections from financing transactions and income tax payments, as well as payments deriving from scheduled future renovations or

enhancements for the assets in the aforementioned cash generating units. In order to adjust the cash flows, a pre-tax discount rate has been used that includes current market assessments of the time value of money and the specific risks of each cash generating unit.

The estimated cash flows have been attained from the forecasts made by Management at each of the CGU which, in general, span periods of five years, except when the nature of the business suggests longer periods are preferable, and which include growth rates based on approved business plans that are periodically reviewed. Zero growth is considered for periods in excess of the amount of time forecasted in these plans. In addition, it must be noted that sensitivity analyses are conducted in relation to the growth of income, operating margins and discount rates, in order to predict the impact of future changes in these variables.

The cash flows from CGU abroad have been calculated in the functional currencies of these cash generating units and they are adjusted using discount rates that take the relevant risk premiums relating to these currencies into account. The present value of net cash flows thus attained has been converted at the closing exchange rate of each currency.

#### d.6 Leases

Leases are classified as finance leases whenever one can infer from the conditions thereof that the risks and rewards inherent to ownership of the asset that is the subject-matter of the agreement are substantially transferred to the lessee. All other cases are classified as operating leases.

##### ***Finance leasing***

In finance leasing transactions, the Group acts exclusively as lessee. The cost of the leased assets is stated on the consolidated statement of financial position according to the nature of the subject-matter of the contract and simultaneously, a liability is shown for the same amount. This amount shall be the lesser of the fair value of the leased asset and the present value of the minimum amounts agreed at the start of the lease, including the purchase option, when there is no reasonable doubt as to the exercise thereof. Contingent payments, service charges and taxes to be paid by and reimbursed to the lessor shall not be included in the calculation. The total finance charge of the contract is recognised on the consolidated income statement for the period in which it accrues, applying the effective interest method. Contingent payments are recognised as expenses in the period in which they are incurred.

Leased assets are depreciated, based on their nature, using similar criteria to those applied to the items of property, plant and equipment taken as a whole.

At the end of the finance lease, the Group companies generally exercise their purchase option as there are no kinds of restrictions to exercising such option in the contracts. There are no renewal agreements in the duration of the contracts or price adjustments either.

### *Operating leases*

The expenses derived from operating lease agreements are stated in the consolidated income statement in the period in which they accrue.

Any amounts that may be collected or paid when entering into an operating lease shall be treated as an advance payment or collection stated on the income statement throughout the lease period, to the extent that the benefits of the leased asset are transferred or received.

#### d.7 Investments in associates

Interests are initially measured at cost of purchase and, subsequently, they are adjusted by the portion of the interests in the profits generated by said companies which are not paid as dividends. Likewise, the value of the interests is adjusted to reflect the proportion of changes in the equity of these companies that have not been recognised in their profit/loss.

The required valuation adjustments are made whenever there are signs of impairment; in other words, if the recoverable value of the interests is lower than the carrying amount.

#### d.8 Financial assets

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

- Loans and receivables: Financial assets derived from the sale of goods or the rendering of services relative to the Group companies' trade operations, or which, while not of a commercial nature, are not equity instruments or derivatives, provide specific or determinable returns and are not traded on an active market. This category includes collection rights arising in application of IFRIC 12, "Service concession arrangements" (Note 2.d.1).
- Held-to-maturity investments: debt securities with a fixed maturity date and determinable collection amounts that are traded on an active market, regarding which the Group declares its intention and capacity to hold them until the maturity date.
- Financial assets available for sale: debt securities and equity instruments of other companies that have not been classified in any of the previous categories are included here.

### ***Initial measurement***

Financial assets are initially measured at the fair value of the consideration received plus any directly attributable transaction costs.

### ***Subsequent measurement***

- Loans, receivables and held-to-maturity investments are measured at amortised cost.
- Available-for-sale financial assets are measured at fair value, and the result of changes in this fair value is recorded in Equity until the asset is disposed of or experiences stable or permanent impairment. At that time, this accumulated sum previously recognised in Equity is transferred to the consolidated income statement. In this regard, permanent impairment is deemed to exist if the listed value of the asset has dropped by more than 40% during a period of one and a half years without its value being recovered.
- At least at year-end, the Company conducts an impairment test of the financial assets that are not stated at fair value. Objective evidence of impairment is considered to exist if the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recorded in the consolidated income statement.
- In particular, regarding valuation adjustments made in relation to trade and other receivables:
  - 1) The Parent Company calculates the relevant valuation adjustments as follows:
    - For private customers with balances due more than one year prior, a provision is made for the entire amount.
    - For private customers with balances due less than one year prior, a provision is made for a percentage based on past debts.
    - Provisions for public customer receivables are allocated on the basis of a specific analysis.
  - 2) The other Group companies calculate any valuation adjustments that may arise based on a specific analysis of the bad debt risk of each account receivable.
- Interest received from financial assets is recognised by using the effective interest method, and dividends are recognised when the shareholder's right to receive them is established. In any case, interest and dividends from financial assets accrued subsequent to the time of acquisition are recognised as income on the consolidated income statement.

### ***Classification***

Current and non-current assets are classified based on their due dates at the reporting date, and those assets that are due within twelve months after the end of the period are considered current, whereas those that exceed this period are non-current.

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

The Group derecognises financial assets when they expire or the rights to cash flows of the corresponding financial asset have been assigned and the risks and rewards inherent to ownership thereof have been substantially transferred, such as final sales of assets, transfers of commercial credits in factoring transactions in which the company does not retain any significant credit or interest risk, sales of financial assets with a repurchase agreement at fair value or securitisation of financial assets in which the assigning entity does not keep subordinated funding or grant any kind of guarantee or assume any other kind of risk.

However, the Group does not derecognise financial assets, and instead recognises a financial liability for an amount equal to the consideration received, in assignments of financial assets in which the risks and rewards inherent to ownership thereof are substantially retained, such as discounted bills, recourse factoring, sales of financial assets with repurchase agreements at a fixed price or at the sale price plus interest and securitisation of financial assets in which the assigning company retains subordinated funding or another type of guarantee which substantially absorbs all the expected losses.

#### **d.9 Inventories**

Inventories are measured at purchase price, production cost, or net realisable value, whichever is the lowest. Commercial discounts, rebates or other similar items and interest added to the nominal amount of the debits are deducted from the purchase price.

Production cost includes the cost of materials directly used and, where appropriate, direct labour costs and general manufacturing expenses.

Net realisable value represents the estimated selling price less all estimated costs for completion and costs incurred in the marketing, sale and distribution process.

The Group makes the necessary value adjustments, recognising them as an expense on the consolidated income statement when the net realisable value of the inventories is lower than the purchase price or production cost thereof.

d.10 Foreign currency

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

**Translation differences**

The financial statements of foreign companies stated in other currencies have been converted to euros at the closing exchange rate, except for:

- Capital and reserves, which have been converted at historical exchange rates.
- Items in the income statements of foreign companies that have been converted by applying the average exchange rates during the year.

The translation differences generated through the application of the closing exchange rate method are included, net of tax, in Equity in the attached consolidated statement of financial position.

**Exchange differences**

Balances receivable or payable in foreign currency are measured in euros by applying the exchange rates that are valid on at the consolidated statement of financial position date, taking any differences generated to profit/loss.

The differences that arise as a result of changes in exchange rates between the time of collection or payment and the date on which the transactions take place or the value is adjusted are taken to profit/loss for the year.

In turn, any exchange differences that take place in relation to investment financing in foreign companies, when both the investment and the financing is stated in the same currency, are recognised directly in equity as translation differences.

d.11 Grants

Grants are accounted for depending on their nature.

### **Capital grants**

Capital grants are those that entail the acquisition or construction of assets. They are measured at the amount received or the fair value of the assets received and stated as deferred income in the liabilities section of the attached consolidated statement of financial position, then taken to profit/loss as the related assets depreciate.

### **Operating grants**

Operating grants differ from the previous ones in that they are not directly related to an asset or set of assets. The amount received at the time the grant is awarded is accounted for as operating income.

#### **d.12 Provisions and contingencies**

In preparing the financial statements, the Directors of the Group have distinguished between:

- a) Provisions: payable balances covering present obligations arising as a result of past events, settlement of which is likely to result in an outflow of resources, but their amount and/or time of settlement are unknown.
- b) Contingent liabilities: these are possible obligations arising as a result of past events whose confirmation is subject to the occurrence or non-occurrence of one or more future events not within the Group's control.

The financial statement contains all the provisions for which it is estimated to be more likely than not that the obligation must be settled. Contingent liabilities are not recognised in the financial statement, but rather are reported in the notes to the annual report as long as they are not considered remote.

Provisions are measured at the present value of the best possible estimate of the amount needed to cancel or transfer the obligation, taking into account the available information regarding the event and consequences thereof, and recording any adjustments arising from the revaluation of the provision as a finance cost as they accrue.

The compensation to be received from a third party at the time the obligation is settled is stated as an asset, provided that there is no uncertainty that such repayment will be received, except in cases in which there is a legal relationship whereby a portion of the risk has been outsourced, in virtue of which the Group is not required to respond; in such a situation, the compensation shall be taken into account to estimate the amount, where applicable, shown in the relevant provision.

Provisions for dismantling, removal or renovation and those related to the environment are recognised by increasing the value of the related asset by the present value of the expenses to be incurred when operation of the asset ceases. The effect on profit/loss takes place by depreciating the asset in accordance with that indicated in the preceding sections of this note and the financial adjustment mentioned in the previous paragraph.

They are classified as current or non-current in the attached consolidated statement of financial position depending on the estimated time period for maturity of the obligations they cover; those with an estimated maturity that is longer than the average cycle for the activity that gave rise to the provision are considered non-current.

#### d.13 Financial liabilities

Financial liabilities are initially measured at the fair value of the consideration received, adjusted for directly attributable transaction costs. Subsequently, these liabilities are measured at amortised cost.

Finance costs are recorded in the consolidated income statement in accordance with the accrual criterion, using the effective interest method, and added to the instrument's carrying amount as long as they are not settled during the period in which they accrue.

Bank borrowings and other current and non-current liabilities are classified based on their due dates at the reporting date, and those assets that are due within twelve months after the end of the period are considered current, whereas those that exceed this period are non-current.

#### d.14 Financial derivatives and hedge accounting

A financial derivative is a financial instrument or some other contract whose value changes in response to changes in certain variables, such as interest rates, the price of a financial instrument, the exchange rate, a rating or credit index or based on some other variable.

Financial derivatives, besides generating profits or losses, can, under certain conditions, offset all or part of the currency, interest or value risks related to balances and transactions. Hedging is accounted for as described below:

- Cash flow hedges. In this type of hedge, changes in the value of the hedge are temporarily recognised in Equity, and taken to the consolidated income statement when the hedged transaction takes place.
- Hedging of net investments in foreign businesses. This type of hedging transaction is intended to hedge the currency risk and is accounted for like a cash flow hedge.



According to IAS 39 "Financial instruments: Recognition and measurement", in order to be considered a hedge, a financial derivative must meet the following requirements:

- Formal identification and documentation at the start of the hedging relationship, as well as the purpose thereof and the company's strategy regarding hedging.
- Documentation identifying the hedged item, the hedging instrument and the nature of the risk being hedged.
- Prospective proof of the effectiveness of the hedge.
- Ex post measurements that are objective and verifiable.

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

Financial derivatives are appraised by experts in this field that are independent from the Company and the entities that finance it.

In the valuation of the derivative, the implicit rates in the zero coupon yield curve have been used, estimating the settlements in each period and discounting them based on this zero curve.

After IFRS 13 entered into force on 1 January 2013, the guidelines for fair value measurement are now explicit and, specifically, for an adjustment in the credit risk to be considered part of the fair value measurement of the derivative instrument. Therefore, the counterparty credit risk and the company's own credit risk have been adjusted using techniques that simulate future scenarios.

In turn, effectiveness is measured by conducting a test that verifies whether the changes in fair value of the cash flows from the derivative offset the changes in fair value of the hedged risk, both retrospectively and prospectively.

In order to quantify the hedged risk, hypothetical derivative simplification is used, in which the risk is modelled by isolating the hedged risk from the other factors that affect forecasted cash flows.

At year-end, the changes in the fair value of the cash flows from the derivative identified as a hedging instrument are retrospectively compared with the hypothetical derivative that models the hedged risk, and the following ratio is calculated:

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

Hedging is considered to be highly effective when the changes in fair value of the cash flows from the real derivative offset the cash flows from the hypothetical derivative within a range of 80 to 120 %.

The same analysis is done prospectively by simulating two scenarios of changes in the estimated interest rate curve.

Scenario 1: - 25 basis points.

Scenario 2: +100 basis points.

Although certain hedging instruments have been recognised as non-hedging, this is merely for accounting purposes, given that, for financial and management purposes, all the Company' hedging contracts are, in principle, backed by an underlying financial transaction and are intended exclusively to hedge the transaction.

This occurs when the hedge does not pass the effectiveness test, which requires that the changes in fair value or in the cash flows from the hedged item that are directly attributable to the hedged risk be offset by the changes in fair value or in the cash flows of the hedging instrument within a range of 80%-120%. When this does not happen, the changes in value are taken to the income statement.

In Note 22 of this consolidated Annual Report, the financial derivatives held by the FCC Aqualia Group and other issues related to them are detailed.

#### d.15 Income tax

Pursuant to record 18/89, the FCC Group, to which FCC Aqualia Group belongs, files its taxes under the consolidated taxation system for corporate income tax, and all the group companies that meet the requirements set forth under tax legislation pertain to this system.

The expense or income deriving from income tax includes both current income tax expenses or income and deferred tax expenses or income.

Current tax is the amount that each company in the Group must pay as a result of income tax settlements for the present year, applying the relevant tax rates depending on the legislation in each jurisdiction. Deductions and other tax advantages applied to the tax rate, not including withholdings and on-account payments, as well as tax losses carried forward from previous years and effectively applied this year, reduce the current tax amount.

The deferred tax expense or income corresponds to the recognition and derecognition of deferred tax assets or liabilities. These include temporary differences, which are identified as any amounts

envisaged as payable or recoverable arising from the difference between the carrying amount of assets and liabilities and their fiscal value, as well as the tax losses carried forward and credits on account of tax deductions not levied as tax. Such amounts are stated by applying the tax rate at which they are expected to be recovered or settled to the temporary difference or relevant credit.

Income tax expense accrued by the companies that pertain to the consolidated taxation system is calculated by taking the following parameters into consideration, in addition to those mentioned above to be followed for separate taxation:

- The temporary and permanent differences arising as a result of the elimination of profit/loss from transactions carried out between companies within the tax group, which derives from the process of establishing the consolidated taxable profit.
- The deductions and credits that correspond to each company in the consolidated tax group; for these purposes, the deduction and credits are allocated to the company that performed the activity or earned the profit needed to attain the right to the tax deduction or credit.
- As regards tax losses from some of the companies in the tax group, which have been offset by other companies in the tax group, a reciprocal credit or debit arises between the relevant companies and the companies that offset the loss. If there are tax losses that cannot be offset by the rest of the companies in the tax group, these credits for tax losses carried forward are recognised as deferred tax assets, following the criteria established for recognition thereof and considering the tax group as the taxpayer.
- The Parent Company of the FCC Group registers the total amount of consolidated income tax to be paid (refunded) as a charge (payment) to Credits (Borrowings) with the tax group companies.

Deferred tax liabilities are recognised for all temporary tax differences, except when the temporary difference is the result of the initial recognition of goodwill or of other assets and liabilities in a transaction that does not affect either the tax profit or the accounting profit and is not a business combination.

In turn, deferred tax assets are only recognised if it is considered likely that the Group will have future tax benefits against which to offset them.

At the end of each year, deferred tax assets are restated, making the relevant adjustments thereto if there is doubt as to their future recovery. In addition, on each closing date, the deferred tax assets not recorded on the consolidated statement of financial position are evaluated and recognised to the degree that their recovery with future fiscal gains becomes probable.

Furthermore, in December 2014, the companies that pay tax in Spain took into account the change in the Income Tax rate introduced under Corporate Income Tax Law 27/2014, which took

effect on 1 January 2015. According to this law, the tax rate will drop from the current 30 % to 28 % in 2015 and to 25 % starting in 2016 and therefore, the deferred tax assets and liabilities at 31 December 2014 have been measured using the new rates.

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position as non-current assets or liabilities, regardless of the expected performance or settlement date, and no financial adjustments are made under any circumstances.

#### d.16 Operating income and expense

In its water supply contracts, the Group recognises the amounts corresponding to cubic metres supplied to consumers, valued at sale price, as income. This sale price is established for each contract based on the rates passed by each City Council and published in the Official Journals of the relevant province.

In construction activities, the Group recognises profit/loss according to the degree of progress, established by measuring the work executed during the period and the costs thereof, which are accounted for as they accrue. Income is recognised at the sale price of the executed work, which is governed by a contract signed by the customer.

Regarding service concession arrangements, the FCC Group recognises income from interest deriving from collection rights under the financial assets model as profit from operations, given that the value of the financial asset includes both construction services and maintenance and upkeep services which, from an operational perspective, are identical to those represented by the intangible assets model and, consequently, it is deemed that the true and fair view is best represented in this way, since both models are related to the Group's operating activities (see Note 2.d.1).

Other income and expenses are stated in accordance with the accrual criterion, i.e., when the actual flow of goods and services occurs, regardless of when the financial or monetary flow thereof takes place.

#### d.17 Estimates made

Estimates have occasionally been used in the Group's consolidated financial statements for 2014 to quantify some of the assets, liabilities, income, expenses and commitments stated therein. Basically, these estimates refer to:

- The breakdown of the cost of business combinations (Notes 2.d.2 and 4)
- The impairment losses of certain assets (Notes 4, 5, 7, 9, 10 and 11)
- The useful life of tangible and intangible assets (Notes 4 and 5)

- The sums of certain provisions (Note 15)
- The market value of certain derivatives (Note 22)
- The recoverability of deferred tax assets (Note 17)
- The Company's taxable profit/loss, which will be submitted to the authorities, will be settled in the future and have been used as the basis for accounting for certain balances relating to income tax in these financial statements (Note 17).
- The degree of progress of construction activities. (Note d.16)

While these estimates were made on the basis of the best information available regarding the events analysed at the reporting date of these consolidated financial statements, events could take place in the future that would require these amounts to be increased or decreased in future periods, which would be done in a prospective manner.

d.18 Related-party transactions

The Group makes all its related-party transactions at market values.

d.19 Pension commitments and similar obligations

In general, the Spanish companies in the Group have no supplementary pension plans in place in addition to Social Security. However, pursuant to the terms of the consolidated text of the Pension Plan and Fund Regulatory Act, in specific cases in which there are similar obligations, the companies outsource the pension commitments and other similar obligations regarding employees.

In turn, certain foreign companies in the Group have agreed to supplement the retirement benefits and other similar obligations for their employees. The valuation of the obligations accrued and, where applicable, the related assets has been done by independent actuaries using generally accepted actuarial techniques and methods and where appropriate, these amounts are shown in "Non-current provisions" of the attached consolidated statement of financial position under the heading "Obligations for long-term employee benefits", in accordance with the criteria set forth under IFRS (Note 15).

d.20 Fair value hierarchy.

The valuation of assets and liabilities measured at fair value is broken down into different levels according to the following hierarchy established in IFRS 7:

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

Level 2: Inputs other than the quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. price derivatives).

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

At 31 December 2014 and 2013 the Group only has Level 2 assets and liabilities corresponding to financial instruments measured as indicated in section d.14 Financial derivatives and hedge accounting.

#### d.21 Activities relating to the environment

In general, any operations whose main purpose is to prevent, reduce or repair damage to the environment are considered environmental activities.

In this regard, investments deriving from environmental activities are measured at the cost of purchase and capitalised as the greater cost of the asset in the period in which they are incurred.

Expenses deriving from actions designed to protect and improve the environment are carried as expenses in the period in which they are incurred.

#### d.22 Consolidated statements of cash flows

In the consolidated statement of cash flows, which is prepared using the indirect method, the following terms are used with the following meanings:

- Cash flows: inflows and outflows of cash and cash equivalents, defined as alterations in the value of highly liquid short-term investments.
- Operating activities: the Group's usual activities, as well as other activities that cannot be classified as investing or financing.
- Investing activities: the acquisition, sale or disposal by other means of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that cause changes in the size and composition of equity and liabilities but are not part of the operating activities.

d.23 Termination benefits

According to current regulations, the group companies are required to pay compensation to employees with whom, under certain conditions, labour relations are terminated.

The Parent Company Directors estimate that the liabilities that would accrue for termination benefits in the event of termination of permanent staff members that could under normal circumstances occur in the future and the amounts to be paid for such would not be significant, and therefore no provision has been allocated for this item in the financial statements for 2014.

d.24 Earnings per share

For the purposes of IAS 33, basic earnings per share are calculated as the result of dividing net profit for the year attributable to the Parent Company by the weighted average number of ordinary shares in circulation during the period, not including the average number of Parent Company shares held in Group company portfolios. In turn, diluted earnings per share are calculated as the result of dividing net profit for the year attributable to ordinary shareholders, adjusted for the effect of dilutive potential ordinary shares, by the weighted average number of ordinary shares in circulation during the period, adjusted for the weighted average number of ordinary shares that would be issued if all the potential ordinary shares were converted into Parent Company ordinary shares. For these purposes, the conversion is deemed to take place at the beginning of the year or when the potential ordinary shares are issued, if they are issued during the period.

It must be noted that the scope of IAS 33 involves consolidated financial statements whose parent meets one of the following requirements:

- Ordinary shares or potential ordinary shares that are publicly traded (in a domestic or foreign stock exchange or in an OTC market, including local and regional markets), or
- Entities that file, or are in the process of filing, their financial statements with a securities commission or other regulatory organisation for the purpose of issuing some sort of instrument in a public market.

The Parent Company Directors consider that, at 31 December 2014 and 2013, the basic earnings per share coincide with the diluted earnings per share, since these circumstances have not occurred.

### 3. PARENT COMPANY PROFIT-SHARING

The proposed share-out of profits for 2014 prepared by the Directors of the Parent Company is as follows:

<b>Profit for the year attributable to Parent Company</b>	<b>62,529</b>
Distribution:	
- Parent company reserve	10,920
- Dividends	25,428
- Consolidation reserve	26,181

### 4. INTANGIBLE ASSETS

The composition of intangible assets at 31 December 2014 and 2013 is as follows:

(thousands of euros)	Cost	Accumulated amortisation	Impairment	Net value
<b>2014</b>				
Concessions (Note 6)	1,302,526	(457,966)	(10,152)	834,408
Goodwill	85,331	-	(25)	85,306
Other intangible assets	18,701	(12,594)	(1,037)	5,070
<b>TOTAL</b>	<b>1,406,558</b>	<b>(470,560)</b>	<b>(11,214)</b>	<b>924,784</b>
<b>2013</b>				
Concessions (Note 6)	1,234,544	(409,901)	(7,585)	817,058
Goodwill	85,331	-	(25)	85,306
Other intangible assets	15,009	(11,489)	-	3,520
<b>TOTAL</b>	<b>1,334,884</b>	<b>(421,390)</b>	<b>(7,610)</b>	<b>905,884</b>

None of the intangible assets stated was generated internally and, except for goodwill, they all have a finite useful life and are therefore subject to straight-line amortisation over the period during which they are estimated to generate income, detailed as follows:

#### Estimated useful life

Concessions	5 – 50 years
Other intangible assets	4 years

Intangible assets located outside of Spanish territory come to EUR 66,599 thousand at 31 December 2014 (EUR 65,804 thousand at 31 December 2013).



Fully amortised intangible assets at 31 December 2014 come to EUR 35,221 thousand.

There are no investment commitments other than those stated, which have been allocated to provisions under “Non-current provisions” in the attached consolidated statement of financial position (see Note 13).

#### Details of intangible assets

Details of this item of the consolidated statement of financial position during 2013 and 2014 are as follows:

(thousands of euros)	Concessions	Goodwill	Other intangible assets	Amortisation	Impairment	TOTAL
<b>Balance at 31/12/2012</b>	<b>1,091,344</b>	<b>85,331</b>	<b>15,062</b>	<b>(365,954)</b>	<b>(8,027)</b>	<b>817,756</b>
Inflows	144,567	-	791	-	-	145,358
Allocations	-	-	-	(49,444)	-	(49,444)
Reversals	-	-	-	-	418	418
Outflows	(2,395)	-	(321)	1,165	-	(1,551)
Transfers	5,398	-	4	(2)	(746)	4,654
Translation differences	-	-	(665)	576	-	(89)
Change in the scope of consolidation	(4,370)	-	137	(6,985)	-	(11,218)
<b>Balance at 31/12/2013</b>	<b>1,234,544</b>	<b>85,331</b>	<b>15,008</b>	<b>(420,644)</b>	<b>(8,355)</b>	<b>905,884</b>
Inflows	67,344	-	3,484	-	-	70,828
Allocations	-	-	-	(52,566)	(4,101)	(56,667)
Reversals	-	-	-	-	434	434
Outflows	(8,768)	-	(14)	7,948	-	(834)
Transfers	-	-	13	(13)	-	-
Translation differences	-	-	(74)	65	-	(9)
Change in the scope of consolidation	9,406	-	284	(5,350)	808	5,148
<b>Balance at 31/12/2014</b>	<b>1,302,526</b>	<b>85,331</b>	<b>18,701</b>	<b>(470,560)</b>	<b>(11,214)</b>	<b>924,784</b>

#### Administrative concessions

Administrative concessions are defined as those by which a concession grantor awards a concession operator (FCC Aqualia Group), for a period of time, a contract for the construction and operation, or only the operation of infrastructures that can be operated and are needed for the provision of public services of a financial nature.

The concession operator executes the construction and operation of the public works under concession at its own risk, assuming the financial risks involved in such construction and operation processes.

The Group records the amounts furnished in accordance with the specifications and agreed to upon signature of the concession agreements and any other costs incurred in attaining the water supply and sanitation service concessions as administrative concessions.

At 31 December 2014 and 2013, the main administrative concessions are as follows:

AWARDEE	CONTRACT	TERM
<b>SPAIN</b>		
FCC Aqualia, S.A.	Almansa (Albacete)	25 years
FCC Aqualia, S.A.	Almería (Almería)	40 years
FCC Aqualia, S.A.	Arcos de la Frontera (Cádiz)	25 years
FCC Aqualia, S.A.	Badajoz (Badajoz)	50 years
FCC Aqualia, S.A.	Barbate (Cádiz)	25 years
FCC Aqualia, S.A.	Cáldar (Gran Canaria)	25 years
FCC Aqualia, S.A.	Ingenio (Gran Canaria)	35 years
FCC Aqualia, S.A.	Jaén (Jaén)	30 years
FCC Aqualia, S.A.	L'Atmella de Mar (Tarragona)	25 years
FCC Aqualia, S.A.	La Línea de la Concepción (Cádiz)	40 years
FCC Aqualia, S.A.	Lloret de Mar (Girona)	25 years
FCC Aqualia, S.A.	Los Alcázares (Murcia)	20 years
FCC Aqualia, S.A.	Talavera de la Reina (Toledo)	25 years
FCC Aqualia, S.A.	Salamanca (Salamanca)	25 years
FCC Aqualia, S.A.	Santander (Cantabria)	25 years
FCC Aqualia, S.A.	Vélez – Málaga (Málaga)	20 years
FCC Aqualia, S.A.	Valverde del Camino (Huelva)	25 years
Aguas Municipais de Arteixo, S.A.	Arteixo (La Coruña)	30 years
Depurplán 11, S.A.	Water treatment in towns of Bajo Aragón (Teruel)	21 years
Entemanser, S.A.	Adeje and other sites (Tenerife)	10-20 years
Aqua Campiña, S.A.	Écija (Seville)	25 years
FCC Aqualia – CY II - Ute Aguas de Alcalá	Alcalá de Henares (Madrid)	25 years
FCC Aqualia – FCC Ute Aguas de Mérida	Mérida (Badajoz)	30 years
FCC Aqualia – FCC Ute Aguas de Oviedo	Oviedo (Asturias)	50 years
Aqualia – FCC Ute Aguas de Vigo	Vigo (Pontevedra)	25 years
Aquajerez, S.L.	Jerez de la Frontera (Cádiz)	25 years
Aquacartaya, S.L.	Cartaya (Huelva)	25 years
Empresa Gestora de Aguas Linenses, S.L.	La Línea de la Concepción (Cádiz)	25 years
Aguas de las Galeras, S.L.	Puerto de Santa María (Cádiz)	25 years
Aguas de Alcázar Empresa Mixta, S.A.	Alcázar de San Juan (Ciudad Real)	25 years
AIE Costa Tropical de Granada	Granada (Granada)	25 years
	Rest of Spain	5 - 50 years
<b>INTERNATIONAL</b>		
Abrantaqua, S.A.	Abrantes (Portugal)	25 years
Aguas de Campo Maior, S.A.	Campo Maior (Portugal)	30 years
Aguas de Elvas, S.A.	Elvas (Portugal)	30 years
Aguas de Cartaxo, S.A.	Cartaxo (Portugal)	35 years
Água do Fundao, S.A.	Fundao (Portugal)	30 years
Acque di Caltanissetta, S.P.A	Caltanissetta (Sicily – Italy)	30 years

## 2014

A detail of the intangible assets figures for the main concession contracts operated by the Group is shown below:

CONTRACT	Administrative concessions			Intangible assets, concession agreement		Advances for Int. Assets Concession agreement	TERM
	COST	ACC. AM.	IMPAIRMENT	COST	ACC. AM.		
Alcalá de Henares (Madrid)	8,040	(3,396)	-	8,434	(2,879)	-	25 years
Algeciras (Cádiz)	460	(249)	-	15,619	(4,543)	-	50 years
Almansa (Albacete)	5,754	(461)	-	34	(2)	-	25 years
Almería (Almería)	10,780	(5,756)	-	17,838	(4,644)	-	40 years
Arcos de la Frontera (Cádiz)	7,937	(718)	-	3,250	(268)	-	25 years
Badajoz (Badajoz)	15,436	(8,237)	-	37,359	(12,918)	-	50 years
Barbate (Cádiz)	4,189	(432)	-	3,000	(310)	-	25 years
Denia (Alicante)	-	-	-	10,995	(4,523)	-	35 years
Fraga (Huesca)	91	(13)	-	4,157	(514)	-	25 years
Ingenio (Gran Canaria)	6,138	(2,981)	-	-	-	-	35 years
Jaén (Jaén)	9,135	(5,337)	-	57	(54)	-	30 years
L'Ametlla de Mar (Tarragona)	8,415	(3,347)	-	592	(256)	-	25 years
La Línea de la Concepción (Cádiz)	8,712	(6,020)	-	130	(67)	-	40 years
La Nucia (Alicante)	29	(29)	-	21,804	(6,772)	-	30 years
Lleida (Lleida)	38,098	(1,472)	-	11,179	(458)	-	25 years
Lloret de Mar (Girona)	22,253	(8,011)	(3,858)	299	(153)	-	25 years
Los Alcázares (Murcia)	7,946	(4,833)	-	312	(241)	-	20 years
Mérida (Badajoz)	15,642	(6,990)	-	3,619	(1,696)	-	30 years
Moguer (Huelva)	5,739	(1,031)	-	1,674	(274)	-	-
Oviedo (Asturias)	17,945	(6,415)	(3,904)	19,131	(5,889)	-	50 years
Puente Genil (Córdoba)	3,324	(2,991)	-	43	(36)	897	-
Salamanca (Salamanca)	6,961	(1,550)	(1,076)	43	(9)	-	25 years
Sanlúcar de Barrameda (Cádiz)	17,268	(2,920)	-	-	-	-	40 years
Santander (Cantabria)	72,632	(25,328)	-	13,718	(4,718)	-	25 years
Sant Josep (Ibiza)	-	-	-	11,576	(4,238)	-	28 years
Soller (Majorca)	27	(10)	-	5,851	(1,374)	639	-
Talavera de la Reina (Toledo)	16,985	(10,280)	-	189	(110)	-	25 years
Valverde del Camino (Huelva)	5,701	(513)	-	500	(45)	-	25 years
Vélez – Málaga (Málaga)	6,750	(2,721)	-	208	(9)	-	20 years
Vigo (Pontevedra)	16,353	(15,048)	-	70,983	(53,932)	-	25 years
Adeje (Tenerife)	53,467	(24,511)	-	63,658	(23,780)	-	5 - 50 years
Écija (Seville)	9,560	(5,121)	-	25	(17)	-	25 years
Jerez de la Frontera (Cádiz)	83,406	(5,714)	-	18,580	(1,274)	-	25 years
Cartaya (Huelva)	7,592	(304)	-	1,100	(44)	-	25 years
La Línea de la Concepción (Cádiz)	9,880	-	-	-	-	-	12 years
Puerto de Santa María (Cádiz)	2,000	(47)	-	-	-	-	25 years
Alcázar de San Juan (Ciudad Real)	1,855	(79)	-	12,552	(1,563)	-	25 years
Municipal WWTP (Teruel)	-	-	-	16,618	(4,528)	-	21 years
Costa Tropical Granada Municipalities	316	(203)	-	16,711	(8,683)	-	25 years
Abrantes (Portugal)	-	-	-	9,851	(2,068)	-	25 years
Campo Maior (Portugal)	-	-	-	4,032	(918)	-	30 years
Elvas (Portugal)	-	-	-	5,784	(1,092)	-	30 years
Cartaxo (Portugal)	10,177	(1,648)	-	10,143	(1,158)	-	35 years
Fundao (Portugal)	2,000	(244)	-	2,466	(258)	-	30 years
Caltanissetta (Italy)	-	-	-	20,746	(7,017)	14,820	30 years
Others	190,854	(83,896)	(1,175)	131,032	(45,778)	691	5 - 50 years
<b>TOTAL</b>	<b>709,847</b>	<b>(248,856)</b>	<b>(10,013)</b>	<b>575,632</b>	<b>(209,110)</b>	<b>17,047</b>	

In 2014, the Group recognised a total of EUR 67,344 thousand corresponding to the activities developed in Spain, mainly under the following contracts:

- Aguas de Lleida (Lleida), for a total of EUR 22,730 thousand, for the supply and distribution of drinking water, as well as sewerage and treatment of waste water for 25 years. This contract was already being implemented by UTE Aqualia – FCCSA (Lleida), in which the Group has a 50 % interest.

On 30 January 2014 the contract that the temporary joint venture had was assigned to FCC Aqualia, for the latter to provide the service as of said date. This assignment was authorised by the City Council.

- Callosa del Segura (Alicante), for a total of EUR 3,140 thousand, for end-to-end management of the public water services in said town for 20 years.

- San Juan del Puerto (Huelva), for a total of EUR 2,242 thousand, for management of the public drinking water supply and sewerage services in this town for 25 years.

- Aguas de Alcalá de Henares (Madrid), for a total of EUR 1,547 thousand, for the purchase of a 12.50 % interest in UTE Aguas de Alcalá, in which the Group's interests have risen from 37.50 to 50 %. This temporary joint venture is responsible for the municipal water supply and sanitation service in Alcalá de Henares for 25 years.

- Guijuelo (Salamanca) joint municipalities and the surrounding district, for a total of EUR 1,166 thousand for water supply and sewerage.

- Arcos de la Frontera (Cádiz), for a total of EUR 3,113 thousand, for the agreement to make investments related to the end-to-end water supply and sanitation management contract in said town.

- La Línea de la Concepción (Cádiz), for a total of EUR 9,880 thousand, for the management of the town's municipal water supply service for 12 years. Thus, the FCC Aqualia Group continues to manage the water services end to end in this town, as it has been doing uninterruptedly since 1986.

- Alcázar de San Juan (Ciudad Real), for a total of EUR 6,355 thousand, for the concession paid to the city council of this town through Aguas de Alcázar Empresa Mixta, in which the Group has a 52.38 % interest after subscribing the capital increase made by said company to select a private company to participate in its shareholding structure and management.

**2013**

CONTRACT	Administrative concessions			Intangible assets, concession agreement		Advances for Int. Assets Concession agreement	TERM
	COST	ACC. AM.	IMPAIRMENT	COST	ACC. AM.		
Alcalá de Henares (Madrid)	6,030	(2,306)	-	6,325	(1,872)	-	25 years
Algeciras (Cádiz)	460	(242)	-	15,619	(4,240)	-	50 years
Almansa (Albacete)	5,754	(230)	-	34	(1)	-	25 years
Almería (Almería)	10,780	(5,477)	-	17,838	(3,911)	-	40 years
Arcos de la Frontera (Cádiz)	7,937	(404)	-	137	(137)	-	25 years
Badajoz (Badajoz)	15,436	(7,995)	-	37,359	(12,069)	-	50 years
Barbate (Cádiz)	4,189	(265)	-	3,000	(190)	-	25 years
Denia (Alicante)	-	-	-	10,995	(4,135)	-	35 years
Fraga (Huesca)	91	(10)	-	4,157	(343)	-	25 years
Ingenio (Gran Canaria)	6,138	(2,736)	-	-	-	-	35 years
Jaén (Jaén)	9,538	(5,072)	-	57	(54)	-	30 years
L'Ametlla de Mar (Tarragona)	8,415	(3,010)	-	592	(233)	-	25 years
La Línea de la Concepción (Cádiz)	8,712	(5,740)	-	108	(62)	-	40 years
La Nucia (Alicante)	29	(27)	-	21,579	(5,847)	221	30 years
Lleida (Lleida)	20,467	(1,351)	-	6,080	(470)	-	25 years
Lloret de Mar (Girona)	22,253	(7,121)	(4,099)	299	(144)	-	25 years
Los Alcázares (Murcia)	7,946	(4,461)	-	312	(231)	-	20 years
Mérida (Badajoz)	15,642	(6,441)	-	3,619	(1,574)	-	30 years
Oviedo (Asturias)	17,945	(6,051)	-	19,131	(5,472)	-	50 years
Salamanca (Salamanca)	6,961	(1,099)	-	43	(7)	-	25 years
Sanlúcar de Barrameda (Cádiz)	17,268	(2,232)	-	-	-	-	40 years
Santander (Cantabria)	72,632	(22,417)	-	13,718	(4,164)	-	25 years
Sant Josep (Ibiza)	-	-	-	11,076	(3,911)	-	28 years
Talavera de la Reina (Toledo)	16,518	(9,460)	-	189	(110)	-	25 years
Valverde del Camino (Huelva)	5,701	(285)	-	500	(25)	-	25 years
Vélez – Málaga (Málaga)	6,750	(2,464)	-	-	-	-	20 years
Vigo (Pontevedra)	16,353	(14,830)	-	70,771	(51,090)	-	25 years
Adeje (Tenerife)	53,467	(21,835)	-	63,658	(20,224)	-	15 years
Écija (Seville)	9,560	(4,738)	-	25	(17)	-	25 years
Jerez de la Frontera (Cádiz)	83,406	(2,373)	-	18,580	(529)	-	25 years
Cartaya (Huelva)	7,300	-	-	1,100	-	-	25 years
Municipal WWTP (Teruel)	-	-	-	16,618	(3,654)	-	21 years
Abrantes (Portugal)	-	-	-	9,851	(1,731)	-	25 years
Campo Maior (Portugal)	-	-	-	4,032	(784)	-	30 years
Elvas (Portugal)	-	-	-	5,784	(900)	-	30 years
Cartaxo (Portugal)	10,372	(1,376)	-	10,143	(907)	-	35 years
Fundao (Portugal)	2,000	(178)	-	2,000	(178)	-	30 years
Caltanissetta (Italy)	-	-	-	26,398	(6,642)	11,767	30 years
Others	193,493	(81,561)	(3,486)	129,179	(41,554)	6,371	5 - 50 years
<b>TOTAL</b>	<b>669,543</b>	<b>(223,787)</b>	<b>(7,585)</b>	<b>530,906</b>	<b>(177,412)</b>	<b>18,359</b>	

In 2013, the Group was awarded new concessions for a total of EUR 128,530 thousand, corresponding mainly to the following contracts:

- Jerez de la Frontera (Cádiz), for a total of EUR 83,406 thousand in administrative concessions, for the end-to-end water management concession for 25 years in said town and EUR 18,580

thousand in intangible assets under the concession arrangement for the investment commitment contained in the contract.

- Cartaya (Huelva), for a total of EUR 8,400 thousand, for the end-to-end water management concession for 25 years.
- San Lorenzo de El Escorial (Madrid), for a total of EUR 2,385 thousand, for the sewerage contract fee for 25 years in said town.
- Castelló d'Empuries (Girona), for a total of EUR 3,032 thousand, for adding sanitation services to the end-to-end water management in said town.

#### Other intangible assets

“Other intangible assets” includes mainly computer software purchased from third parties, which experiences straight-line amortisation over four years, and other asset items related to the concession contracts.

#### Goodwill

The breakdown of goodwill (net of impairment) at 31 December 2014 and 2013 in the attached consolidated statement of financial position is as follows:

Amounts in thousands of euros	31.12.2014	31.12.2013
Depurplan 11, S.A.	18	18
Aqualia Industrial Solutions, S.A. UNIP.	2,523	2,523
Merger goodwill	82,765	82,765
<b>TOTAL</b>	<b>85,306</b>	<b>85,306</b>

The merger goodwill arose in 2002 and 2011 when the parent company merged with several of its subsidiaries, giving rise to goodwill through the difference between the cost of purchase of these subsidiaries and the net value of their identifiable assets, considering the market value as the maximum limit, less any liabilities payable and provisions constituted.

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

As regards the estimates made and the sensitivity analysis of the goodwill impairment tests, the main issues are mentioned below:

- Merger goodwill. For the hypotheses used in estimating cash flows, FCC Aqualia as a whole has been considered a cash generating unit, without considering the contracts furnished by the acquired companies at that time separately.

The main hypotheses used have been made with annual revenue growth estimates ranging from 2% to 4% and in calculating the constant income, it must be noted that a zero growth rate was considered. Current cash flow forecasts are not highly sensitive, and can bear increases in the discount rate in excess of 3 percentage points, as well as a decrease in cash flows of 55% without incurring in impairment.

- Aqualia Industrial Solutions goodwill. In order to calculate the revenue and profit hypotheses, the sum of this company and Aqualia Infraestructuras has been taken as a cash generating unit because the two companies plan to merge in 2015.

## 5. PROPERTY, PLANT AND EQUIPMENT

The net composition of property, plant and equipment at 31 December 2014 and 2013 is as follows:

(thousands of euros)	Cost	Accumulated depreciation	Net value
<b>2014</b>			
<b>Land and buildings</b>	<b>49,417</b>	<b>(18,858)</b>	<b>30,559</b>
Land and natural resources	6,203	(34)	6,169
Structures for internal use	43,214	(18,824)	24,390
<b>Technical installations and other property, plant and equipment</b>	<b>649,718</b>	<b>(364,846)</b>	<b>284,872</b>
Technical installations	471,778	(234,480)	237,298
Machinery and transport means	96,112	(74,756)	21,356
Assets in progress	13,039	-	13,039
Other property, plant and equipment	68,789	(55,610)	13,179
<b>TOTAL</b>	<b>699,135</b>	<b>(383,704)</b>	<b>315,431</b>
<b>2013</b>			
<b>Land and buildings</b>	<b>49,067</b>	<b>(17,992)</b>	<b>31,075</b>
Land and natural resources	6,153	(33)	6,120
Structures for internal use	42,914	(17,959)	24,955
<b>Technical installations and other property, plant and equipment</b>	<b>626,075</b>	<b>(342,651)</b>	<b>283,424</b>
Technical installations	454,736	(220,366)	234,370
Machinery and transport means	92,622	(71,327)	21,295
Assets in progress	12,192	-	12,192
Other property, plant and equipment	66,525	(50,958)	15,567
<b>TOTAL</b>	<b>675,142</b>	<b>(360,643)</b>	<b>314,499</b>

The details of the different property, plant and equipment accounts during 2013 and 2014 were as follows:

(in thousands of euros)	Land and natural resources	Structures for internal use	LAND AND BUILDINGS	Tech. Facilities	Machinery and transport means	Fixed assets in progress	Other property, plant and equipment	TECHNICAL INSTALLATIONS AND OTHER PROPERTY, PLANT AND EQUIPMENT	DEPRECIATION	TOTAL
<b>Balance at 31/12/2012</b>	6,752	45,432	52,184	486,690	95,863	10,005	63,754	656,312	-360,137	348,359
Inflows	-	-	-	645	1,302	18,195	2,065	22,207	-	22,207
Allocations	-	-	-	-	-	-	-	-	-25,954	-25,954
Reversals	-	-	-	-	-	-	-	-	-	-
Outflows	-3	-86	-89	-1,264	-1,723	-3	-1,802	-4,792	3,644	-1,237
Transfers	40	367	407	6,653	2,342	-15,183	378	-5,810	748	-4,655
Translation differences	-508	-2,799	-3,307	-37,851	-6,275	-837	-664	-45,627	23,620	-25,314
Change in the scope of consolidation	-128	-	-128	-137	1,112	14	2,794	3,783	-2,562	1,093
<b>Balance at 31/12/2013</b>	6,153	42,914	49,067	454,736	92,621	12,191	66,525	626,073	-360,641	314,499
Inflows	7	28	35	2,092	1,034	17,855	1,920	22,901	-	22,936
Allocations	-	-	-	-	-	-	-	-	-25,848	-25,848
Reversals	-	-	-	-	-	-	-	-	-	-
Outflows	-4	-195	-199	-1,386	-1,168	-72	-800	-3,426	2,408	-1,217
Transfers	5	772	777	12,919	3,447	-16,885	475	6,880	-733	-
Translation differences	-55	-305	-360	-4,185	-690	-119	-73	-5,067	2,706	-2,721
Change in the scope of consolidation	97	-	97	7,602	868	69	742	2,357	-1,596	7,782
<b>Balance at 31/12/2014</b>	6,203	43,214	49,417	471,778	96,112	13,039	68,789	649,718	-383,704	315,431



The Group companies enter into the insurance policies deemed necessary to cover the potential risks to which the property, plant and equipment items may be exposed.

At 31 December 2014 the property, plant and equipment items located outside of Spanish territory have a carrying amount of EUR 277,428 thousand, located mainly in the European Union and Mexico (EUR 281,286 thousand at 31 December 2013).

The sum of fully depreciated property, plant and equipment items that, however, are still in use in production activities, given that they are in good condition, comes to EUR 116,958 thousand at 31 December 2014 (EUR 471,372 thousand at 31 December 2013).

Capitalised interest in 2014 comes to EUR 93 thousand (EUR 210 thousand in 2013), and accumulated interest capitalised from the outset comes to EUR 3,809 thousand (EUR 3,716 thousand in 2013).

#### Assets with restrictions on title

Within the scope of its activities, the Group purchases or builds assets that are returned to the City Councils that granted the concessions at the end of the contracts.

The Group companies estimate that the periodic maintenance plans for their facilities, the cost of which is taken to expenses in the year they are incurred, are sufficient to ensure that the related assets are returned in good condition at the end of the concession period and that, therefore, no relevant expenses will be incurred as a result of the return.

#### Property, plant and equipment purchase commitments

In the course of its activities, all the companies in the FCC Aqualia Group that engage in the concession business have firm commitments to purchase property, plant and equipment items (see Note 6).

#### Group capitalised expenses of in-house work on assets

The FCC Aqualia Group, through its specialised companies, performs construction work and builds infrastructures related to water contracts, which are mainly provided in the Czech Republic and will not be returned to the city councils that awarded the contract. The amount capitalised for this item comes to EUR 17,887 thousand at 31 December 2014 (EUR 17,298 thousand at 31 December 2013).

### Finance leasing

At year-end 2014 and 2013, the Company has a transport item acquired under a finance lease, with a carrying amount of EUR 33 thousand at 31 December 2014 (EUR 43 thousand at 31 December 2013).

The reconciliation between the amount for minimum future lease payments and the carrying amount is as follows (in thousands of euros):

	31.12.2014	31.12.2013
<b>Minimum future payments</b>	<b>33</b>	<b>43</b>
Finance costs not yet accrued	-	-
<b>Present value (Note 14.c)</b>	<b>33</b>	<b>43</b>

At the end of the finance lease, the FCC Aqualia Group companies generally exercise their purchase option as there are no kinds of restrictions to exercising such option in the contracts.

The finance leasing agreements signed by the Group companies do not include fees for amounts determined on the basis of future economic events or indexes and therefore no expenses for contingent payments have been incurred during the year.

### Operating leases

In its capacity as lessee, the operating lease payments recognised by the Group as an expense at 31 December 2014 come to EUR 18,090 thousand (EUR 19,942 thousand at 31 December 2013). These amounts correspond mainly to leases of machinery used in engaging in the Group's activities and leases on buildings for internal use.

## **6. SERVICE CONCESSION ARRANGEMENTS**

This note gives an overall perspective on the investments that the Group makes in concession businesses, which are recognised in diverse items of the assets section of the attached consolidated statement of financial position.

The following chart shows the total amount of these assets that the Group companies have in service concession arrangements, which are contained in the intangible assets, non-current financial assets and

investments in companies accounted for using the equity method sections of the attached consolidated statement of financial position at 31 December 2014 and 2013.

CONCESSIONS AT 31.12.2014 (thousands of euros)	Intangible assets (Note 4)	Collection rights under concession agreement		Loans to concession operating joint ventures (Note 7)	Carrying amount, concession operating joint ventures (Note 7)	Total Investment
		Non-current (Note 9.a)	Current (Note 9.b)			
Cost	1,302,526	25,251	5,273	51,989	78,206	1,463,245
Amortisation	(457,966)	-	-	-	-	(457,966)
Impairment	(10,152)	-	-	-	-	(10,152)
<b>TOTAL</b>	<b>834,408</b>	<b>25,251</b>	<b>5,273</b>	<b>51,989</b>	<b>78,206</b>	<b>995,127</b>

CONCESSIONS AT 31.12.2013 (thousands of euros)	Intangible assets (Note 4)	Collection rights under concession agreement		Loans to concession operating joint ventures (Note 7)	Carrying amount, concession operating joint ventures (Note 7)	Total Investment
		Non-current (Note 9.a)	Current (Note 9.b)			
Cost	1,234,544	25,578	2,929	49,395	66,345	1,378,791
Amortisation	(409,901)	-	-	-	-	(409,901)
Impairment	(7,585)	-	-	-	-	(7,585)
<b>TOTAL</b>	<b>817,058</b>	<b>25,578</b>	<b>2,929</b>	<b>49,395</b>	<b>66,345</b>	<b>961,305</b>

Furthermore, under the concession agreements, the concession operators controlled by the Group are required to purchase or build property, plant and equipment items related to the concessions, totalling EUR 62,920 thousand at 31 December 2014 (EUR 84,261 thousand at 31 December 2013).

## 7. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES

This section contains the value of investments made in companies consolidated by applying the equity method, which includes both the interests and the non-current loans granted to these companies, as well as jointly operated entities which, as indicated in Note 2.c), have been accounted for using the equity method. In the periods ended at 31 December 2014 and 2013, there have been no impairment losses because the market value is equal to or greater than the values attained as explained in the preceding paragraph.

The breakdown of interests held per company is shown in Appendix II, where the companies consolidated by the equity method are listed, and the detail for each period, per item, is as follows:

(thousands of euros)	Interests (Note 6)	Uncalled capital payments (Note 6)	LT Loans (Note 6)	ENDING BALANCE
<b>Balance at 31/12/2012</b>	<b>64,310</b>	<b>(54)</b>	<b>49,963</b>	<b>114,219</b>
Acquisitions	17	-	-	17
Profit-sharing	8,731	-	-	8,731
Dividends paid	(1,738)	-	-	(1,738)
Uncalled capital payments	-	2	-	2
Capital payments	-	-	-	-
Translation differences	(3,772)	-	-	(3,772)
Loans granted/(repaid)	-	-	(568)	(568)
Others	(1,203)	3	-	(1,200)
<b>Balance at 31/12/2013</b>	<b>66,345</b>	<b>(49)</b>	<b>49,395</b>	<b>115,691</b>
Acquisitions	4,368	-	-	4,368
Profit-sharing	9,288	-	-	9,288
Dividends paid	(3,721)	-	-	(3,721)
Uncalled capital payments	-	(1)	-	(1)
Capital payments	-	-	-	-
Translation differences	2,697	-	-	2,697
Loans granted/(repaid)	-	-	2,594	2,594
Others	(721)	-	-	(721)
<b>Balance at 31/12/2014</b>	<b>78,256</b>	<b>(50)</b>	<b>51,989</b>	<b>130,195</b>

In 2014, the main acquisition made by the Group comes to EUR 4,295 thousand, corresponding to 49 % of the share capital acquired in Aguas del Puerto Empresa Municipal, S.A., which ceases to be a municipal company, becoming a public-private entity.

The assets, liabilities, revenue and profit/loss for 2014 and 2013 corresponding to the Group's interests in the share capital of each associate and jointly-controlled entity, according to the information included in the respective financial statements, are shown below.

	(thousands of euros)	
	2014	2013
<b>Financial Position</b>		
Non-current assets	241,199	216,077
Current assets	80,220	65,650
Non-current liabilities	171,983	156,983
Current liabilities	73,328	59,237
<b>Profit/Loss</b>		
Net revenues	88,290	114,411
Net profit from operations	22,879	20,996

In relation to investments accounted for using the equity method, the FCC Aqualia Group has constituted guarantees for a sum of EUR 3,434 thousand at 31 December 2014 (EUR 4,220 thousand at 31 December 2013) at financial institutions in order to secure maintenance of the interests in the capital of the related subsidiaries throughout the term of the loan agreement.

## 8. JOINT VENTURES

The Group companies engage in part of their activities by participating in businesses in which the FCC Aqualia Group exercises joint control with external partners, mainly through temporary joint ventures (TJV or UTEs, in Spanish) and Economic Interest Groupings (EIG or AIEs, in Spanish). These businesses have been consolidated using the proportionate method, as indicated in Note 2 of this consolidated Annual Report.

The main financial figures of the different joint ventures at 31 December 2014 and 2013 are shown below:

Joint ventures	Amounts in thousands of euros
<b>2014</b>	
Revenue	98,838
Gross profit from operations	19,273
Net profit from operations	14,015
Non-current assets	86,917
Current assets	7,619
Non-current liabilities	21,875
Current liabilities	69,027

Joint ventures	Amounts in thousands of euros
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2013	
Revenue	94,774
Gross profit from operations	20,697
Net profit from operations	12,871
Non-current assets	118,333
Current assets	7937
Non-current liabilities	18,525
Current liabilities	106,695

Appendix IV lists the jointly-operated businesses held with third parties unrelated to the Group under contracts such as temporary joint ventures.

These businesses managed through temporary joint ventures mean that the participating partners share the joint liability for the activities carried out.

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

The most significant items under “Non-current financial assets” and “Other current financial assets” in the attached consolidated statement of financial position are broken down as follows:

### a) Non-current financial assets

Non-current financial assets are broken down as shown:

(Amounts in thousands of euros)	2014	2013
Financial assets available for sale	84	84
Non-current loans	142,041	160,986
Held-to-maturity assets	171	144
<b>Total</b>	<b>142,296</b>	<b>161,214</b>

### Financial assets available for sale

Breakdown of the balance at 31/12/2014:

	% effective interests	(in thousands of euros)		
		Cost	Impairment loss	Carrying amount
Sevilla Seed Capital , S.A.	4.19	601	(517)	84
		<b>601</b>	<b>(517)</b>	<b>84</b>

Breakdown of the balance at 31/12/2013:

	% effective interests	(in thousands of euros)		
		Cost	Impairment loss	Carrying amount
Sevilla Seed Capital , S.A.	4.19	601	(517)	84
		<b>601</b>	<b>(517)</b>	<b>84</b>

### Non-current loans

The scheduled due dates for the non-current loans that Group companies have granted to third parties and companies in the FCC group are as follows:

#### DUE DATES OF NON-CURRENT LOANS AT 31 DECEMBER 2014

Amounts in thousands of euros	2016	2017	2018	2019	2020 and later	Total
Non-commercial loans	12,459	9,456	8,661	8,631	87,772	126,979
Deposits and guarantees	612	1	1	-	14,448	15,062
<b>Total</b>	<b>13,071</b>	<b>9,457</b>	<b>8,662</b>	<b>8,631</b>	<b>102,220</b>	<b>142,041</b>

#### DUE DATES OF NON-CURRENT LOANS AT 31 December 2013

Amounts in thousands of euros	2015	2016	2017	2018	2019 and later	Total
Non-commercial loans	22,004	9,226	8,121	7,952	99,896	147,199
Deposits and guarantees	638	-	1	-	13,148	13,787
<b>Total</b>	<b>22,642</b>	<b>9,226</b>	<b>8,122</b>	<b>7,952</b>	<b>113,044</b>	<b>160,986</b>

Non-commercial loans are categorised into the following types:

Amounts in thousands of euros	2014	2013
Non-current loans to FCC Group companies	764	5,434
Non-current loans to public entities	100,930	116,172
Non-current guarantees and deposits constituted	15,062	13,787
Non-current collection rights, concession agreement (Note 6)	25,251	25,578
Non-current loans to employees	34	15
<b>TOTAL NON-COMMERCIAL LOAN BALANCE</b>	<b>142,041</b>	<b>160,986</b>

The non-current loans to public entities correspond mainly to amounts loaned to city councils to finance the implementation of work and facilities in the water system. These loans accrue interest at a floating rate based on the Euribor and are repaid mainly through the rates in the related concession agreements.

<b>NON-CURRENT LOANS TO PUBLIC ENTITIES</b>		
(Amounts in thousands of euros)		
	<b>2014</b>	<b>2013</b>
Adeje City Council	240	841
Agaete City Council	294	-
Alboraya City Council	4,275	4,519
Aller City Council	373	419
Almería City Council	-	2,357
Ávila City Council	5,165	5,874
Baena City Council	707	1,247
Bell-Lloch City Council	70	75
Bollullos City Council	1,396	1,377
Calasparra City Council	382	502
Callosa del Segura City Council	1,693	4,225
Caravaca de la Cruz City Council	676	1,178
Chiclana City Council	373	622
Chipiona City Council	766	1,369
El Escorial City Council	3,735	4,142
El Vendrell City Council	227	246
Gáldar City Council	5,250	8,858
Granadilla de Abona City Council	-	601
Güímar City Council	294	352
Hellín City Council	24	27
Hondón de los Frailes City Council	168	207
Ingenio City Council	0	789
Jaén City Council	31,075	29,878
Albuera City Council	313	368
La Guardia City Council	452	490
La Línea de la Concepción City Council	1,675	4,814
Lepe City Council	8,502	8,601
Lora del Río City Council	1,025	1,185
Los Alcázares City Council	406	406
Magán City Council	280	302
Martos City Council	430	562
Matalascañas City Council	3,179	2,133
Medina del Campo City Council	104	117
Mula City Council	969	1,535
Oviedo City Council	311	644
Puerto de la Cruz City Council	2,618	4,493
Quintanar de la Orden City Council	106	144



NON-CURRENT LOANS TO PUBLIC ENTITIES		
(Amounts in thousands of euros)		
Ribera del Fresno City Council	379	550
Ronda City Council	3,164	3,288
San Pedro del Pinatar City Council	400	948
Sant Fost City Council	1,455	1,484
Segurilla City Council	7	10
Solana de Los Barros City Council	181	211
Talavera de la Reina City Council	218	369
Turcia City Council	10	-
Ubrique City Council	1,168	1,280
Vélez-Málaga City Council	3,187	3,620
Campo de Gibraltar District	5,538	5,491
Llanos Villamartín Irrigation Community	333	188
Watering Community	41	-
Costa Tropical de Granada joint municipalities	7,124	3,234
Tordera City Council	172	-
<b>TOTAL</b>	<b>100,930</b>	<b>116,172</b>

Guarantees and deposits constituted correspond mainly to those set up by Group companies under legal or contractual obligations in the course of engaging in their activities. They are primarily made in relation to public entities for deposits received from customers for water supply services.

#### b) Other current financial assets

The composition of the balance at 31 December 2014 and 2013 is as follows:

Amounts in thousands of euros	2014	2013
<b>Other borrowings</b>	<b>239,790</b>	<b>101,463</b>
Current loans to equity method consolidated companies	9,451	8,662
Current loans to FCC Group companies	206,187	69,640
Current loans to third parties not related to the group	17,897	17,765
Current collection rights under concession agreement (Note 6)	5,273	2,929
Dividend receivable from joint ventures and associates	58	2,459
Dividends receivable from equity method consolidated companies	833	-
Dividends receivable from companies not related to the group	91	8
<b>Deposits and guarantees constituted</b>	<b>16,813</b>	<b>9,836</b>
<b>TOTAL</b>	<b>256,603</b>	<b>111,299</b>

The increase seen in the “Current loans to FCC Group companies” is the result of larger loans granted to FCC, S.A. and Asesoría Financiera y de Gestión, S.A., to which the Parent Company has loaned EUR 129,209 thousand and EUR 65,162 thousand, respectively, at 31 December 2014.

The average rate of return obtained in 2014 for these items was 4.25 % (5.55% in 2013).

There are no restrictions on the availability of these amounts, except for “Deposits and guarantees constituted”, as these correspond to the same amounts furnished as a guarantee on certain contracts, which will be recovered when the guarantees expire.

## 10. INVENTORIES

The details of the "Inventories" balance at 31 December 2014 and 2013 are as follows:

<i>(Amounts in thousands of euros)</i>	2014	2013
Raw materials and other purchases	12,366	12,282
Advances on inventories	10,563	11,708
Impairment	(20)	(39)
<b>TOTAL</b>	<b>22,909</b>	<b>23,951</b>

Raw materials and other purchases include replacements, fuel and other materials needed in the course of the business activities.

## 11. TRADE AND OTHER RECEIVABLES

### a) Customer receivables – sales and service provision

The details of the "Customer receivables – sales and service provision" balance at 31 December 2014 and 2013 are as follows:

<i>(thousands of euros)</i>	2014	2013
Outstanding payments on certified production and receivables from sales	208,838	229,162
Customer credit assignments, third parties	(86,902)	(85,366)
Production executed and pending certification	72,928	72,698
Withholdings as guarantee	1,512	1,359
Outstanding payments on production billed to FCC Group companies	39,207	36,906
Provision for bad debts	(41,039)	(35,198)
<b>TOTAL CUSTOMER RECEIVABLES – SALES AND SERVICE PROVISION BALANCE</b>	<b>194,544</b>	<b>219,561</b>

The “Outstanding payments on certified production and receivables from sales” item contains the amounts for certifications sent to customers on work executed and services rendered not yet collected at the consolidated statement of financial position date.

The difference between the amount for production registered for each of the projects, measured according to the criteria stated in Note d.16) “Operating income and expense” and the amount certified for each one is stated as “Production executed and pending certification”.

The “Non-recourse customer credit assignments, third parties” item corresponds to collection rights assigned without recourse at 31 December 2014 and 2013 to a bank syndicate in which Banco Santander acts as the agent bank, based on a contract signed on 15 July 2011 for an initial period of 3 years which was renewed in June 2014 so that it now expires on the same date as the FCC Group's refinancing agreement. According to said contract, the Parent Company acts on its own behalf and also as the agent for two subsidiaries, Entemanser, S.A. and Aigues de Vallirana, S.A.U.

The changes in the provisions for bad debt during 2014 and 2013 are as follows:

(thousands of euros)	2014	2013
Beginning balance	35,198	32,506
Net sums allocated	5,841	2,692
Ending balance	41,039	35,198

Net allocations during the period have been charged to “Other operating expenses” in the attached consolidated income statement for 2014.

#### b) Other receivables

The details of the "Other receivables" balance at 31 December 2014 and 2013 are as follows:

(thousands of euros)	2014	2013
Receivable from Government for grants awarded (Note 17)	33,621	29,983
Sundry receivables	20,184	23,062
Advance remuneration	53	-
<b>TOTAL OTHER RECEIVABLES BALANCE</b>	<b>53,858</b>	<b>53,045</b>

## 12. CASH AND CASH EQUIVALENTS

Through the administrative management of its cash resources, the Group's aim is to optimise such resources, controlling its liquidity and needs and endeavouring to maintain, through efficient fund management, a low balance in its bank accounts and, in the event of cash deficits, using financing facilities as profitably as possible in the Group's interests.

The cash management of subsidiaries that are fully controlled, directly or indirectly, by FCC Aqualia, is done centrally. The liquidity positions of these investees flow to the parent of the FCC Group, to which the FCC Aqualia Group pertains.

Details of the composition of this item at 31 December 2014 and 2013 are as follows:

(thousands of euros)	2014	2013
Cash on hand	120,558	81,595
Debt securities held to maturity	-	397
<b>TOTAL</b>	<b>120,558</b>	<b>81,992</b>

Per currency, the cash and cash equivalent position is as follows for 2014 and 2013:

CASH ON HAND AND CASH EQUIVALENTS		
Breakdown per currency (thousands of euros)	2014	2013
Czech Koruna	15,915	11,206
US Dollars	-	768
Euros	104,487	66,449
Algerian Dinar	-	827
Mexican Pesos	73	1,142
Bosnian Marka	36	4
Saudi Arabian Riyal	47	1596
<b>TOTAL</b>	<b>120,558</b>	<b>81,992</b>

In 2014 and 2013, the Group's cash balances earned interest at market rates.

There are no unavailable cash or cash equivalent amounts at 31 December 2014 or 31 December 2013.

### 13. EQUITY

The consolidated statement of changes in equity at 31 December 2014 and 2013 shows the trends in equity attributed to the Parent Company's shareholders that took place in the respective years.

#### Equity attributable to Parent Company shareholders

##### a) Share capital

FCC Aqualia, S.A.'s share capital is made up of 145,000,000 ordinary bearer shares with a nominal value of EUR 1 each.

All the shares have the same rights and are fully subscribed and paid out.

The interests in the Parent Company's share capital are as follows:

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

The Company's shares are not listed.

#### b) Issue premium and reserves

The components of this heading at 31 December 2014 and 2013 are the following:

Amount in thousands of euros	2014	2013
Parent Company reserves	498,443	374,222
Consolidation reserve	34,040	103,985
	<b>532,483</b>	<b>478,207</b>

#### b.1) Parent Company reserves

A series of reserves set up by the Group's Parent, FCC Aqualia, S.A., in compliance with applicable legal provisions and, where applicable, with profits retained from previous years.

The details at 31 December 2014 and 2013 are as follows:

<b>RESERVES</b>		
<i>(Amounts in thousands of euros)</i>		
	<b>31/12/2014</b>	<b>31/12/2013</b>
Legal reserve	29,000	29,000
Voluntary reserves	445,009	324,926
Special reserves	76	76
Goodwill Reserves	24,358	20,220
<b>TOTAL</b>	<b>498,443</b>	<b>374,222</b>

### Issue premium

The Spanish Companies Law expressly permits the use of the issue premium balance to increase capital, and it does not establish any specific restrictions whatsoever regarding the availability of this balance for other purposes.

### Legal reserve

Pursuant to the Spanish Companies Law, an amount equal to 10% of the Parent Company's profit for the year must be allocated to the legal reserve until this reserve reaches at least 20% of the capital. The legal reserve cannot be shared out to shareholders, except in the case of liquidation.

The part of the legal reserve balance that exceeds 10% of the already increased capital may be used to increase capital.

Except for the aforementioned purpose, until it exceeds 20% of the share capital, this reserve may only be used to offset losses, provided that there are no other sufficient reserves available for such purpose.

### Voluntary reserves

These are reserves that have been voluntarily allocated using profits from the Parent Company after sharing out dividends and allocating the relevant amounts to the legal reserve in accordance with current legislation, and there are no limitations or restrictions placed on the availability of this amount.

### Goodwill Reserves

Pursuant to the terms of article 273.4 of the consolidated text of the Spanish Companies Law, the Parent Company is allocating a restricted reserve fund for the goodwill amount that appears in assets in the

consolidated statement of financial position for a period of 20 years, the balance of which at 31 December 2014 is EUR 24,358 thousand (EUR 20,220 thousand at 31 December 2013). This reserve is restricted.

## b.2) Consolidation reserve

This item of the attached consolidated statement of financial position includes the reserves in fully consolidated and equity method consolidated companies generated since they were acquired.

The amounts contained in this item for each of the most significant companies at 31 December 2014 and 2013 are as follows:

CONSOLIDATION RESERVE (in thousands of euros)		
	2014	2013
FCC Aqualia, S.A.	(2,704)	83,444
Aqualia Industrial Solutions, S.A. Unipersonal	826	1,365
FCC Aqualia América, S.A., Unipersonal	(1,349)	(1,612)
Abrantaqua, S.A.	147	120
Acque di Caltanissetta, S.p.A.	-	(75)
AISA Montenegro	737	213
Aguas de Campo Maior, S.A.	(573)	(542)
Aguas de Elvas, S.A.	(435)	(445)
Aigües de Vallirana, S.A.	910	747
AIE Costa Tropical de Granada	(670)	(631)
AIE ITAM Delta de la Tordera	(11)	(13)
Aqualia Czech, S.L.U.	8,786	7,286
Aqualia Infraestructuras, S.A.	1,649	6,061
Aqualia Infraestructuras de México, S.A de C.V.	4,043	1,769
Aqualia Infraestructuras Inzenyring	(4,782)	(4,353)
Aqualia New Europe, B.V.	(895)	(787)
Colaboración, Gestión y Asistencia, S.A.	(116)	1,566
Constructora de Infraestructuras de Aguas de Queretaro SA de CV	(685)	(329)
Constructora de Infraestructuras de Aguas de Potosí SA de CV	(1,118)	622
Depurplan 11, S.A.	769	741
Entemanser, S.A.	(13,176)	(14,753)
FS Colaboración y Asistencia, S.A.	-	(1,751)
Girona, S.A.	1,463	1,439
Hidrotec Tecnología del Agua, S.L.U.	619	484
Infraestructura y distribución general del agua, S.L.U.	(1,296)	(1,005)
Inversora Riutort, S.L.	289	284
Orasqualia Construction, S.A.E.	601	2,054
Orasqualia DEVEL Waste T.P.S.A.E.	5,076	2,806
HA Proyectos especiales Hidráulicos S.R.L. de C.V.	341	704
Proveiments d'aigua, S.A.	246	236
Shariket Tahlya Miyah Mostaganem	18,420	12,926
Shariket Miyeh Ras Djinet	5,320	3,703
SmVak	(1,663)	(2,090)
Sociedad Española de Aguas Filtradas, S.A.	2,443	3,131

CONSOLIDATION RESERVE (in thousands of euros)		
	2014	2013
Suministro de Aguas de Querétaro, S.A. de C.V.	195	188
Tratamiento Industrial de aguas, S.A.	9,907	159
Other companies	726	323
<b>Total Consolidation Reserve</b>	<b>34,040</b>	<b>103,985</b>

The drop in FCC Aqualia, S.A.'s consolidation reserve from EUR 83,444 thousand at 31 December 2013 to EUR (2,704) thousand at 31 December 2014 is due to the distribution each year of dividends from subsidiaries, which become Parent Company reserves the following year.

c) Adjustments for changes in value

This item includes changes, net of tax, in the fair value of available-for-sale financial assets (Note 9) and cash flow hedging derivatives (Note 22), as well as translation differences that arise when the financial statements of subsidiaries stated in other currencies are converted into euros, according to the criteria described in Note 2.d.10.

The detail at 31 December 2014 and 2013 is as follows (in thousands of euros):

	2014	2013
Valuation adjustments	(3,042)	(2,629)
Translation differences	(9,712)	(10,857)
	<b>(12,754)</b>	<b>(13,486)</b>

The amounts contained in Valuation adjustments for each of the most significant companies at 31 December 2014 and 2013 are as follows (in thousands of euros):

	2014	2013
Aqualia Czech, S.L.U	-	(338)
Aquos el Realito, S.A. de C.V.	(1,993)	(1,502)
Depurplan 11, S.A.	(1,049)	(789)
	<b>(3,042)</b>	<b>(2,629)</b>

The amounts for translation differences for each of the subsidiaries with functional currencies other than the euro at 31 December 2014 and 2013 are:

Amounts in thousands of euros	2014	2013
<b>Algeria</b>	<b>(1,612)</b>	<b>(1,766)</b>
Shariket Tahlya Miyah Mostaganem S.p.a.	(1,214)	(1,320)
Shariket Miyeh Ras Djinet S.p.a.	(398)	(446)



Amounts in thousands of euros	2014	2013
<b>Mexico</b>	<b>(792)</b>	<b>(861)</b>
Aqualia Infraestructuras de México, S.A. de C.V.	(451)	(518)
Suministro Aguas de Querétaro, S.A. de C.V.	2	(1)
Constructora de Infraestructuras de Agua de Querétaro, S.A. de C.V.	(31)	(24)
Aquos El Realito, S.A. de C.V.	(344)	(354)
HA Proyectos especiales Hidráulicos S.R.L. de C.V.	(12)	(14)
Constructora de Infraestructuras de Aguas de Potosí, S.A. de C.V.	44	50
<b>Egypt</b>	<b>(1,272)</b>	<b>(2,580)</b>
Orasqualia Devel. Waste. T.P.	(884)	(2,094)
Orasqualia Construction S.A.E.	(349)	(399)
Orasqualia O&M	(39)	(87)
<b>Czech Republic</b>	<b>(6,222)</b>	<b>(5,615)</b>
Aqualia Czech, S.L.U.	3,309	2,640
Smvak	(9,705)	(8,403)
Aqualia Infraestructuras Inzenyring, s.r.o.	184	156
Ovod Spol, s.r.o.	(10)	(8)
<b>Colombia</b>	<b>5</b>	<b>8</b>
Sera. Q.A. Duitama E.S.P. S.A.	5	8
<b>Abu Dhabi</b>	<b>181</b>	<b>(43)</b>
Aqualia Mace LLC	181	(43)
<b>Total translation differences</b>	<b>(9,712)</b>	<b>(10,857)</b>

Net investments abroad in currencies other than the euro represent approximately 9% of the FCC Aqualia Group's equity (9% in 2013). The main net investment balances abroad, grouped by geographic market and stated in thousands of euros, are listed below:

Amounts in thousands of euros	2014	2013
Mexico	2,244	245
Czech Republic	67,228	61,725
<b>TOTAL</b>	<b>69,472</b>	<b>61,970</b>

d) Consolidated profit attributed to the Parent Company per company.

The detail of consolidated profit attributed to the Parent Company per company is broken down as follows:

Amounts in thousands of euros	2014	2013
Abrantaqua, S.A.	43	28
Acque di Caltanissetta, S.p.A	2,028	(1,179)
Aguas de Archidona, S.L.	(13)	6

Amounts in thousands of euros	2014	2013
Aguas de Denia, S.A.	4	3
Aguas de las Galeras, S.L.	485	-
Aguas de Narixa, S.A.	(48)	45
Aguas de Priego, S.L.	5	(112)
Aguas de Ubrique, S.A.	(12)	(99)
Aguas del Puerto Empresa Municipal, S.A.	(365)	-
AIE Aquagest Medioambiente, S.A. - Aqualia	(26)	(9)
AIE Costa Tropical de Granada	670	631
AIE ITAM Delta de la Tordera	11	13
Aigües de Blanes, S.A.	16	(4)
Aigües de Girona Salt i Sarrià del Ter	33	53
Aigües de Vallirana, S.A.U.	336	163
Aigües del Tomoví, S.A.	152	(134)
Aqua Campiña, S.A.	(245)	158
Aqua Management Solutions B.V.	(31)	(31)
Aquacartaya, S.L.	559	(15)
Aquaervas - Aguas de Elvas, S.A.	51	9
Aquafundalia – Agua do Fundão, S.A.	35	(27)
Aquajerez, S.L.	(1,418)	32
Aqualia Czech, S.L.	(4,607)	(4,649)
Aqualia Industrial Solutions, S.A.U.	(1,115)	(539)
Aqualia Infraestructuras de México, S.A. de C.V.	409	2,275
Aqualia Infraestructuras Inzenyring, s.r.o.	249	64
Aqualia Infraestructuras Montenegro	591	524
Aqualia Infraestructuras Mostar	16	14
Aqualia Infraestructuras, S.A.	1,058	(6,244)
Aqualia MACE LLC	1,728	1,199
Aqualia New Europe B.V.	(185)	(108)
Aquamaior – Aguas de Campo Maior, S.A.	(87)	(31)
Aquos El Realito, S.A. de C.V.	810	277
Augas Municipais de Arteixo, S.A.	55	(675)
Cartagua – Aguas do Cartaxo, S.A.	(22)	(147)
Colaboración, Gestión y Asistencia, S.A.	(2)	(16)
Compañía de Servicios Medioamb. do Atlántico, S.A.	28	13
Concesionaria de Desalación de Ibiza, S.A.	270	195
Conservación y Sistemas, S.A.	1,658	262
Constructora de Infraestructuras de Aguas de Potosí, S.A. de C.V.	18	(1,740)
Constructora de Infraestructuras de Aguas de Querétaro, S.A. de C.V.	(203)	(356)
Depurplan 11, S.A.	325	278
Depurtebo, S.A.	(2)	18
EMANAGUA - Empresa Municipal de Aguas de Níjar, S.A.	2	28
Empresa Gestora de Aguas Linenses, S.L.	(47)	-
Empresa mixta Abastament en Alta Costa Brava, S.A.	52	61
Empresa Mixta d'Aigües de la Costa Brava, S.A.	47	53
Empresa mixta de Aguas de Jódar, S.A.	(32)	(10)
Empresa Mixta de Aguas de Langreo, S.L.	79	110
Empresa Mixta de Aguas de Ubrique, S.A.	37	-
Empresa Mixta de Aguas y Servicios, S.A.	46	29
Empresa Municipal Aguas de Algeciras, S.A.	229	86
Empresa Municipal Aguas de Benalmádena, S.A.	487	671
Empresa Municipal Aguas de Toxiria, S.A.	22	52
Empresa Municipal de Aguas de Linares, S.A.	(131)	(124)
Entemanser, S.A.	3,009	1,749
FCC Aqualia América, S.A.U.	202	263

Amounts in thousands of euros	2014	2013
FCC Aqualia, S.A.	32,315	36,081
FS Colaboración Gestión y Asistencia, S.A.	168	85
Generávila, S.A.	(3)	(1)
Gestión de Servicios Hidráulicos de Ciudad Real AIE	40	37
Girona, S.A.	121	77
HA Proyectos Especiales Hidraulicos S.R.L. de CV	(45)	(360)
Hidrotec Tecnología del Agua, S.L.U.	2,411	135
Infraestructuras y Distribución General de Agua, S.L.	298	53
Inversora Riutort, S.L.	-	5
Nueva Sociedad de Aguas de Ibiza, S.A.	19	14
Orasqualia Construction, S.A.E.	(320)	(194)
Orasqualia Devel. Waste Treatment Plant S.A.E.	1,523	2,270
Orasqualia Operation and Maintenance, S.A.E.	286	110
Ovod spol, s.r.o.	98	59
Proveïments d'Aigua, S.A.	23	20
Severomoravske Vodovody a Kanalizace Ostrava a.s.	6,607	6,576
Shariket Miyeh Ras Djinet	1,085	1,617
Shariket Tahlya Miyah Mostaganem	3,374	5,493
Sociedad Española de Aguas Filtradas, S.A.	143	(688)
Sociedad Ibérica del Agua, S.A.U.	7	8
Suministro de aguas de Querétaro, S.A. de C.V.	57	55
Tratamiento Industrial de Aguas, S.A.	7,058	9,748
<b>TOTAL</b>	<b>62,529</b>	<b>54,313</b>

#### e) Non-controlling interests

This section of the attached consolidated statement of financial position contains the portion of equity and profit for the year after tax of those subsidiaries in which the Group's non-controlling shareholders have interests.

The details of the balance of these items at year-end for the main companies with non-controlling interests are as follows:

Amounts in thousands of euros	Net Equity	Translation differences	Profit/Loss	Total
<b>2014</b>				
Abrantaqua, S.A.	225	-	29	254
Aguas de Alcazar Empresa Mixta S.A.	755	-	-	755
Aqua Campiña, S.A.	(808)	-	(27)	(835)
Aquajerez	(49)	-	(1,362)	(1,411)
Aqualia Czech S.L.U.	42,400	4,239	(4,426)	42,213
Aqualia infraestructuras Inzenyring	(4,422)	262	239	(3,921)
Aqualia New Europe B.V.	6,980	-	(178)	6,802
Acque di Caltanissetta, S.P.A.	35	-	31	66
Entemanser, S.A.	1,570	-	93	1,663
SmVak	666	2,208	6,522	9,396
Aguas do Cartaxo, S.A.	758	-	(14)	744
Aqua Management Solutions B.V.	(14)	-	(70)	(84)
Others	364	-	109	473
<b>TOTAL</b>	<b>48,460</b>	<b>6,709</b>	<b>946</b>	<b>56,115</b>

Amounts in thousands of euros	Net Equity	Translation differences	Profit/Loss	Total
<b>2013</b>				
Abrantaqua, S.A.	100	-	18	118
Aqua Campiña, S.A.	(967)	-	18	(949)
Aqualia Czech S.L.U.	40,958	2,212	(4,467)	38,703
Aqualia infraestructuras Inzenyring	(4,009)	235	62	(3,712)
Aqualia New Europe B.V.	566	-	(103)	463
Acque di Caltanissetta, S.P.A.	53	-	(18)	35
Entemanser, S.A.	1,517	-	54	1,571
SmVak	245	3,120	6,491	9,856
Aguas do Cartaxo, S.A.	856	-	(98)	758
Aqua Management Solutions B.V.	55	-	(69)	(14)
Others	7	-	31	38
<b>TOTAL</b>	<b>39,381</b>	<b>5,567</b>	<b>1,919</b>	<b>46,867</b>

In 2014, the main changes are due to the capital increase executed by Aqualia New Europe B.V. for a total of EUR 13,300 thousand, 49 % of which was subscribed by non-controlling shareholders.

In 2013, the main changes were related to the sale of 49% of Aqualia Czech, S.L. and Aqualia Infraestructuras Inzenyring, s.r.o. to third parties unrelated to the Group, with the FCC Aqualia Group keeping the remaining 51%.

## 14. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

In 2014, Fomento de Construcciones y Contratas, S.A. and a group of companies including the Parent Company signed a Refinancing Agreement with the Group's main lenders, replacing most of its bank borrowings with intra-group debt.

### a) Current and non-current bank borrowings

The detail at 31 December 2014 and 2013 is as follows (in thousands of euros):

2014	NON-CURRENT	CURRENT	TOTAL
Credit facilities and loans	15,101	3,761	18,862
Limited recourse debts for project financing	21,333	108,091	129,424
	<b>36,434</b>	<b>111,852</b>	<b>148,286</b>

  

2013	NON-CURRENT	CURRENT	TOTAL
Credit facilities and loans	6,853	172,729	179,582
Limited recourse debts for project financing	117,334	5,469	122,803
	<b>124,187</b>	<b>178,198</b>	<b>302,385</b>

At 31 December 2014, the limit on the credit policies and loans granted to the FCC Aqualia Group beyond the aforementioned Refinancing Agreement comes to a total of EUR 149,003 thousand (EUR 376,133 thousand at 31 December 2013), of which, EUR 717 thousand is available (EUR 75,535 thousand at 31 December 2013).

The average interest rate for the bank borrowings is basically the result of the conditions in the different interbank markets, indexed to the Euribor and the Pribor.

The following table shows a breakdown per currency of the non-current and current bank borrowings for credit facilities and loans drawn at 31 December 2014 and 2013:

## 2014

Amounts in thousands of euros	CZECH		TOTAL
	KORUNA	EUROS	
Credit facilities and loans	-	18,862	18,862
Limited recourse debts for project financing	107,433	21,991	129,424
<b>TOTAL</b>	<b>107,433</b>	<b>40,853</b>	<b>148,286</b>

## 2013

Amounts in thousands of euros	CZECH		TOTAL
	KORUNA	EUROS	
Credit facilities and loans	-	179,582	179,582
Limited recourse debts for project financing	111,897	10,906	122,803
<b>TOTAL</b>	<b>111,897</b>	<b>190,488</b>	<b>302,385</b>

In 2006 the Parent Company signed a loan agreement for a total of 4,800 million Czech Koruna with a bank syndicate that included HVB Bank Czech Republic a.s. as the agent bank. The amount of this loan was used for the purchase of 98.67 % of the capital of the Czech company Severomoravske vodovody a kanalizace Ostrava a.s. and it has been refinanced on several occasions, requiring, among other commitments, that the majority shareholder of FCC Aqualia grant the Parent Company a participating loan for EUR 149,250 thousand, which was considered shareholder equity for the purposes set forth in the financing agreement. The balance of this loan at 31 December 2014 comes to EUR 149,250 thousand (EUR 149,250 thousand at 31 December 2013).

This loan accrues interest with a fixed and a floating component. The fixed component is based on the one-year Euribor and the floating portion is calculated based on the returns obtained by FCC Aqualia compared to the returns obtained by the sector in which it operates, also taking into account the cost of debt in the sector in which this company operates. In all cases, the contract has set a maximum rate of Euribor + 6 %.

The maturity of the participating loan is linked to the maturity of the financing agreement (Note 14.c).

Moreover, the financing agreement contained a pledge agreement with HVB Bank Czech Republic, a.s. in virtue of which all of the shares of Severomoravske Vodovody a kanalizace Ostrava a.s. owned by FCC Aqualia are pledged to the bank in its capacity as agent bank.

The loan for 4,800 million Czech Koruna signed in 2006 was refinanced in previous years and partial repayments have been made, such that, at 31 December 2014, the amounts owed in relation to this loan come to 3,020 million Czech Koruna, equivalent to EUR 107,433 thousand, which are classified as "Limited recourse debts for project financing" in current liabilities in the consolidated statement of financial position. The loan accrues interest at a rate indexed to the PRIBOR plus 4.25 basis points, and matures in September 2015.

The Directors of the Parent Company estimate that these liabilities will be refinanced in 2015 as mentioned in Note 2.a.

In addition to the pledge on the Severomoravske Vodovody a kanalizace Ostrava a.s. shares owned by FCC Aqualia, guarantees have been provided, consisting of pledges on Aqualia Czech, S.L.'s bank accounts and a contingent guarantee from FCC Aqualia up to a maximum amount of 350 million Czech Koruna in the event of a potential refinancing for changes not set forth in legislation.

The remaining bank borrowings, totalling EUR 40,853 thousand at 31 December 2014, have the following conditions:

Company	Amount in 2014	Initial date	Due date	Interest rate
<b>Credit facilities and loans</b>				
AIE Costa Tropical de Granada	4,847	3.01.2014	3.01.2024	4M EURIBOR + 4%
Abrantaqua, S.A.	4,000	10.05.2010	9.05.2017	6M EURIBOR + 4.250%
Aquafundalia – Agua do Fundão, S.A.	1,240	17.01.2014	17.01.2020	3M EURIBOR + 4.800%
Aquamaior – Aguas de Campo Maior, S.A.	1,975	28.08.2014	28.05.2021	6M EURIBOR + 4.000%
Entemanser, S.A.	6,650	20.05.2014	26.06.2018	3.66%
Interest	150			
<b>Total credit facilities and loans</b>	<b>18,862</b>			
<b>Limited recourse debts for project financing</b>				
Aguas de las Galeras, S.L.	7,500	01.06.2014	1.06.2019	9.00%
Aquacartaya, S.L.	4,450	13.12.2013	13.12.2018	9.00%
Depurplan 11, S.A.	10,041	24.04.2008	1.12.2026	3.21%
<b>Total limited recourse debts for project financing</b>	<b>21,991</b>			
<b>Total</b>	<b>40,853</b>			

#### b) Debt instruments and other marketable securities

This current liability corresponds to Severomoravske Vodovody a Kanalizace Ostrava a.s. for the issue of non-convertible debt instruments in November 2005 for a total of 2,000 million Czech Koruna (EUR 72,573 thousand in current financial liabilities at 31 December 2014 and EUR 72,729 thousand in non-current financial liabilities and EUR 466 thousand in current financial liabilities at 31 December 2013, respectively).

These debt instruments are traded in the Prague Stock Exchange (Czech Republic), accrue 5% fixed interest annually and mature in November 2015. The Directors of the Parent Company believe the issue will be refinanced upon maturity.

### c) Other non-current financial liabilities

The details of this item of the consolidated statement of financial position are as follows:

Amounts in thousands of euros	2014	2013
FCC, S.A. participating loan (Note 14.a)	149,250	149,250
FCC, S.A. loan	249,296	4,500
Guarantees and deposits received	26,447	24,852
TCI loan	34,316	-
Non-current accounts payable for purchases	2,213	5,979
Non-current obligations under finance leases	21	32
Others	36,008	37,203
<b>TOTAL</b>	<b>497,551</b>	<b>221,816</b>

In 2012, the FCC Aqualia Group received a loan from its parent for a total of EUR 4,500 thousand, which matures in 2026 and accrues interest at 8.6 %. This balance remains unchanged at 31 December 2013 and 2014.

Based on the Restructuring Framework Agreement and the Financing Agreement signed by a group of companies led by FCC, S.A., including the Parent Company and other FCC Aqualia Group Companies, and almost all their lenders, on 26 June 2014 a loan agreement was signed between FCC and the aforementioned companies in FCC Aqualia Group.

This loan was implemented through FCC's express, irrevocable and unconditional acceptance of the position of borrower, but acting in a cumulative and joint and several manner with the companies that were previously financed, the liabilities at 31 December 2014 held by the FCC Aqualia Group with FCC, S.A. coming to EUR 225,412 thousand.

The loan contracts mature on the same date as the Financing Agreement for FCC, S.A., in other words, final maturity in June 2018. Therefore, the companies have stated this loan as non-current financial debt.

This interest rate applied is 6.95 % for the first year.

Finally, the Parent Company has stated a total of EUR 19,384 thousand in financial debt at 31 December 2014 (EUR 0 thousand at 31 December 2013) for the assignment of interests in TJVs jointly held in 2014, mainly the one that managed the Lleida contract, which is now implemented by FCC Aqualia, S.A.

In addition, in 2013, FCC Aqualia Group established Aquajerez, S.L. to implement the contract in Jerez de la Frontera (Cádiz). The non-controlling shareholder of this company granted the company financing



totalling EUR 29,069 thousand as a participating loan, which earns interest at a fixed rate of 3% plus floating interest based on free cash flows, with an aggregate limit of 10% annually. The balance of this loan at 31 December 2014 and 2013, totalling EUR 30,092 thousand and EUR 29,069 thousand, is included in the "Others" item.

In 2014, FCC Aqualia Group obtained a loan from the TCI investment fund ("The Children's Investment Fund) to finance payment of the fee on a concession contract, which accrues 9 % interest annually and matures in 2019.

At 31 December 2014, EUR 34,316 thousand of this loan has been drawn.

#### d) Other current financial liabilities

The detail is as follows:

Amounts in thousands of euros	2014	2013
Borrowings with FCC Group companies for Income Tax	26,215	23,462
Other current financial debt with FCC Group companies	8,010	8,673
Current bills payable	73	132
Current accounts payable for purchases	7,719	53,017
Guarantees and deposits received	2,582	2,072
Current financial debt, third parties	4,625	6,299
Current obligations under finance leases	11	11
Liabilities from current speculative int. fin. deriv.	450	-
<b>TOTAL</b>	<b>49,685</b>	<b>93,666</b>

Current financial debts with FCC Group Companies accrue market interest, except for the financial debt arising as a result of certain companies in the FCC Aqualia Group that are members of the FCC Tax Group.

In 2014, the "Current accounts payable for purchases" balance was reduced when the advance fee payable by Aquajerez was paid in April 2014, with EUR 40,543 thousand stated in current liabilities in the consolidated statement of financial position.

At 31 December 2014 the Group has registered a liability for interest rate financial derivatives because the financial derivatives taken out by Aqualia Czech, S.A. for hedging purposes cannot be considered as such and therefore, in these financial statements they are measured at fair value and stated as finance costs for current financial derivative valuation totalling EUR 450 thousand.

e) **Due dates on bank borrowings and other non-current financial liabilities.**

The scheduled due dates at 31 December 2014 and 2013 are as follows:

2014

Amounts in thousands of euros	2016	2017	2018	2019	2020 AND LATER	TOTAL
Non-current bank borrowings	2,576	2,645	7,358	6,338	17,517	36,434
Other non-current financial liabilities	7,418	2,423	369,448	2,102	116,160	497,551
<b>TOTAL</b>	<b>9,994</b>	<b>5,068</b>	<b>376,806</b>	<b>8,440</b>	<b>133,677</b>	<b>533,985</b>

2013

Amounts in thousands of euros	2015	2016	2017	2018	2019 AND LATER	TOTAL
Non-current bank borrowings	109,476	3,061	2,435	1,799	7,416	124,187
NC Debt instruments and other marketable securities	72,729	-	-	-	-	72,729
Other non-current financial liabilities	157,694	3,281	2,091	1,875	56,874	221,815
<b>TOTAL</b>	<b>339,899</b>	<b>6,342</b>	<b>4,526</b>	<b>3,674</b>	<b>64,290</b>	<b>418,731</b>

## 15. CURRENT AND NON-CURRENT PROVISIONS

The detail of provisions at 31 December 2014 and 2013 is as follows (in thousands of euros):

	2014	2013
<b>Non-current</b>		
Obligations for long-term staff benefits	1,599	1,560
Lawsuits	1,856	1,638
Guarantees and legal or contractual obligations	6,379	7,907
Activities that enhance or increase concession capacity	62,920	56,649
Other risks and expenses	27,802	21,359
<b>TOTAL NON-CURRENT PROVISIONS</b>	<b>100,556</b>	<b>89,113</b>
<b>Current</b>		
Settlement and losses on projects	20,414	19,098
Termination benefits for project employees	121	318
Other provisions	1,540	-
<b>TOTAL CURRENT PROVISIONS</b>	<b>22,075</b>	<b>19,416</b>

The details in 2014 and 2013 in the different provisions is as follows:

(Amounts in thousands of euros)	Non-current provisions	Current provisions
<b>Balance at 31/12/2012</b>	<b>71,681</b>	<b>12,105</b>
Allocations	32,307	13,148
Reversals	(2,117)	(5,827)
Applied to intended purpose	(12,643)	-
Translation differences	(115)	(10)
<b>Balance at 31/12/2013</b>	<b>89,113</b>	<b>19,416</b>
Allocations	31,690	9,357
Reversals	(5,873)	(6,699)
Applied to intended purpose	(14,362)	-
Translation differences	(12)	1
<b>Balance at 31/12/2014</b>	<b>100,556</b>	<b>20,535</b>

In 2014, net allocations have been made for a total of EUR 28,475 thousand, the most important of which correspond to Lleida investment commitments totalling EUR 5,323 thousand for assignment of the water supply contract that was previously managed by UTE Aqualia FCC, Alcázar de San Juan for a total of EUR

4,500 thousand, Arcos de la Frontera for a total of EUR 3,007 thousand and San Juan del Puerto for a total of EUR 800 thousand, Chiclana de la Frontera for a total of EUR 775 thousand and EUR 1,953 thousand for financial adjustments to the provision.

Furthermore, in 2014 the Company has allocated the estimated amounts for contractual liability that may entail likely payment obligations in the future as regards two Spanish local administrations, for EUR 4,400 thousand and EUR 4,800 thousand, respectively. Both amounts are charged to “Other operating expenses – Other current administrative expenses” in the attached consolidated income statement for 2014.

In turn, provisions applied in 2014 for a total of EUR 14,362 thousand include the investment commitments implemented in 2014 in Vigo for a total of EUR 2,547 thousand, Abrantes for EUR 523 thousand, Elvas for EUR 532 thousand, Cartaxo for EUR 634 thousand, Fundao for EUR 647 thousand, Fraga for EUR 1,087 thousand and Barbate for EUR 918 thousand, to name a few.

In 2013, net allocations totalled EUR 37,511 thousand, the most important of which correspond to investment commitments in Jerez de la Frontera for EUR 18,580 thousand, Abrantes for EUR 2,768 thousand, Matalascañas for EUR 1,402 thousand, Cartaya for EUR 1,100 thousand and EUR 800 thousand for financial adjustments to the provision.

In turn, provisions applied in 2013 for a total of EUR 12,643 thousand include the investment commitments implemented in Abrantes for a total of EUR 1,216 thousand, Elvas for EUR 561 thousand, Cartaxo for EUR 1,493 thousand, Fundao for EUR 598 thousand, Fraga for EUR 1,468 thousand, Bajo Andarax for EUR 297 thousand and Matalascañas for EUR 1,110 thousand, to name a few.

The expected payment schedule at 31 December 2014 deriving from obligations covered with non-current provisions is as follows:

2014 (thousands of euros)	UP TO 5 YEARS	MORE THAN 5 YEARS	BALANCE AT 31/12/2014
Obligations for long-term staff benefits	-	1,599	1,599
Lawsuits	1,837	19	1,856
Guarantees and legal or contractual obligations	4,012	2,367	6,379
Activities that enhance or increase concession capacity	22,811	40,109	62,920
Other provisions for risks and expenses	27,598	204	27,802
<b>TOTAL</b>	<b>56,258</b>	<b>44,298</b>	<b>100,556</b>

#### Obligations for long-term staff benefits

This item of non-current provisions contains provisions that cover pension and similar commitments, such as medical and life insurance, by Group companies.

### Lawsuits

These cover the risks of companies in FCC Aqualia Group that are involved in lawsuits as defendants in certain proceedings for liability arising from the activities they engage in.

### Guarantees and legal or contractual obligations

This item contains provisions to cover expenses for obligations that arise from contractual and legal obligations that are not of an environmental nature, such as the dismantling of facilities upon completion of certain contracts and expenses earmarked to guarantee service quality.

### Activities that enhance or increase concession capacity

These are allocated when the Group is required to perform activities that improve the infrastructure when such activities do not give rise to increased revenue from the concession in exchange. They have a balancing entry in "Intangible assets under concession arrangements".

### Other risks and expenses

This item contains likely risks that are not included in the previous sections.

## **16. OTHER PAYABLES**

The details of the "Other payables" balance at 31 December 2014 and 2013 are as follows (in thousands of euros):

	2014	2013
Government - Tax payables for VAT (Note 17)	12,208	1,967
Government - Payable to Social Security Authorities (Note 17)	6,366	8,807
Government - Payable for withholdings (Note 17)	9,114	5,108
Government - Payable for other items (Note 17)	58,277	57,737
Remuneration payable	3,766	3,664
Customer advances	26,334	18,509
Other non-commercial debts and payables	117,330	115,786
Current tax liabilities	1,185	1,888
<b>TOTAL OTHER PAYABLES BALANCE</b>	<b>234,580</b>	<b>213,466</b>

“Government - Payable for other items” contains the amounts collected by FCC Aqualia Group companies from their customers on behalf of government authorities for fees, currently pending payment (Note 17).

“Other non-commercial debts and payables” contains outstanding balances payable by the Group for services provided.

## 17. TAX MATTERS

This note describes the sections in the attached consolidated statement of financial position and consolidated income statement that are related to the tax obligations of each of the companies pertaining to the Group, such as deferred tax assets and liabilities, tax payables and receivables and income tax expense.

FCC Aqualia, S.A. and the subsidiaries that meet the requirements set in Spanish taxation regulations are included in record 18/89, under which the FCC Group files incomes taxes under the consolidated taxation system, with Fomento de Construcciones y Contratas, S.A. acting as the parent of the group.

FCC Aqualia, S.A. and the subsidiaries that are part of the FCC Aqualia Group, as well as the temporary joint ventures therein, have all the periods that have not been statute-barred available for tax inspections on all the applicable taxes. The criteria that the tax authorities may adopt in relation to the periods open to inspection could result in contingent tax liabilities not subject to objective quantification. Regarding the periods that have been inspected, in certain cases, the aforementioned tax authorities have applied different criteria, leading to claims proceedings, in relation to which the corresponding Group companies have filed for appeal. However, the Directors of the Parent Company estimate that any liabilities that could arise, in relation to both the periods open for inspection and the claims filed, would not significantly affect the Group's equity.

No significant amounts have been recognised in equity for taxes in 2014 and 2013.

### a) Deferred tax assets and liabilities

Deferred tax assets correspond mainly to provisions that are not tax deductible during the year, time limits on deducting depreciation of assets carried forward and tax losses from TJVs that recognise their profits in the following year, whereas deferred tax liabilities are mainly related to non-returnable grants, tax gains from TJVs that are taken to profit in the following year and capitalisation of concession arrangement finance charges.

<b>DEFERRED TAX ASSETS</b>		
<i>(Amounts in thousands of euros)</i>		
	<b>31/12/2014</b>	<b>31/12/2013</b>
Provisions	18,516	16,877
Pension Plans	414	-
Repayment	6,282	3,247
TJV profits recognised in following year and adjustments thereto	2,683	3,946
Intra-group asset purchase and sale transactions	3,162	6,602
Translation differences	5,046	2,208
Other differences	8,580	4,044
<b>TOTAL</b>	<b>44,683</b>	<b>36,924</b>

<b>DEFERRED TAX LIABILITIES</b>		
<i>(Amounts in thousands of euros)</i>		
	<b>31/12/2014</b>	<b>31/12/2013</b>
TJV profits recognised in following year and adjustments thereto	3,014	6,657
Finance leases	10	60
Free depreciation	20,059	19,912
Impairment of goodwill	-	12
Translation differences	5,145	1,968
Assignment of goodwill	17,249	20,480
Other adjustments	5,382	5,004
<b>TOTAL</b>	<b>50,859</b>	<b>54,093</b>

The scheduled due dates for deferred taxes are shown below:

	Amounts in thousands of euros						
	2015	2016	2017	2018	2019	2020 AND LATER	TOTAL
Deferred tax assets	16,036	1864	1269	1269	1504	22,741	<b>44,683</b>
Deferred tax liabilities	11,787	1,667	1,661	1,661	1,659	32,424	<b>50,859</b>

#### b) Government

The detail of current assets and liabilities held with Government at 31 December 2014 and 2013 is as follows:

#### Current assets

	2014	2013
Tax receivables for grants awarded (Note 11)	33,621	29,983
	<b>33,621</b>	<b>29,983</b>

### Current liabilities

	2014	2013
Personal income tax and corporate income tax (income from work and income from personal property) withholdings (Note 16)	9,114	5,108
Value Added Tax (Note 16)	12,208	1,967
Payable to Social Security Authorities (Note 16)	6,366	8,807
Other Government liabilities (Note 16)	58,277	57,737
	<b>85,965</b>	<b>73,619</b>

The “Other Government liabilities” item contains outstanding taxes and fees in which the Group handles collection on behalf of the government authority for the services provided to customers.

#### c) Income tax expense

The income tax expense accrued during the period comes to EUR 19,783 thousand, as stated in the attached consolidated income statement (EUR 27,913 thousand in 2013). The reconciliation between the accounting profit and the taxable profit is shown below (amounts in thousands of euros):

#### **2014**

Consolidated pre-tax accounting profit for the year			83,257
	<u>Increases</u>	<u>Decreases</u>	
Consolidation adjustments and eliminations	1,175	(10,463)	(9,288)
Permanent differences	7,949	(5,180)	2,769
<b>Adjusted consolidated accounting profit</b>			<b>76,738</b>
Temporary differences:			
- Provisions	15,254	(6,632)	8,622
- Repayments	13,233	-	13,233
- TJV profits transferred to following year	18,483	(11,804)	6,679
- Other adjustments	6,653	-	6,653
- Translation differences and Fair value assets	6,439	-	6,439
- Adjustment for tax advances on intra-group profits	1,083	(839)	244
<b>Consolidated taxable profit (fiscal income)</b>			<b>118,608</b>
<b>Adjusted consolidated accounting profit</b>			<b>76,738</b>
Income tax rate			21,083
Deductions and credits			(936)



Other adjustments	(364)
<b>Corporate Income Tax accrued</b>	<b>19,783</b>

The impact of the changes in the tax rate in Spain on the income statement has a net effect of an increased expense of EUR 1,372 thousand for income tax.

At 31 December 2014, a net decrease of EUR 9,288 thousand in Consolidation adjustments and eliminations corresponds mainly to equity method consolidated companies.

## 2013

Consolidated pre-tax accounting profit for the year			
	<u>Increases</u>	<u>Decreases</u>	84,143
Consolidation adjustments and eliminations	3,877	(12,508)	(8,631)
Permanent differences	17,634	(1,787)	15,847
Offsetting of previous years' losses			(235)
<b>Adjusted consolidated accounting profit</b>			<b>91,125</b>
Temporary differences:			
- Provisions	2,492	(4,084)	(1,592)
- Repayments	11,327	(1)	11,326
- TJV profits transferred to following year	20,042	(15,701)	4,341
- Other adjustments	1,253	388	1,641
- Translation differences and Fair value assets	6,402	-	6,402
- Adjustment for tax advances on intra-group profits	939	(475)	465
<b>Consolidated taxable profit (fiscal income)</b>			<b>113,707</b>
<b>Adjusted consolidated accounting profit</b>			<b>91,125</b>
Income tax rate			25,174
Deductions and credits			(617)
Other adjustments			3,355
<b>Corporate Income Tax accrued</b>			<b>27,912</b>

Deductions and credits are related to environmental protection, foreign investments, R&D and reinvestment of profits from the sale of assets.

## 18. GRANTS

The details of this section for each year are as follows (in thousands of euros):

	2014	2013
<b>Balance at 1 January</b>	27,997	25,303
Additional amounts recognised during the year	3,333	1,371
Amounts derecognised during the year	(402)	(384)
Grants for tangible and intangible assets taken to profit/loss	(1,174)	(1,120)
Changes in scope	307	2,827
<b>Balance at 31 December</b>	<b>30,061</b>	<b>27,997</b>

FCC Aqualia Group has recognised EUR 3,333 thousand in 2014 (EUR 1,371 thousand in 2013), the most important item being the amounts in Italy, totalling EUR 1,470 thousand. In 2013, the most important amounts were recognised in Spain, totalling EUR 871 thousand to finance certain investments that the Group is undertaking in San Feliu de Guixols.

In turn, the Group recognised EUR 10,933 thousand (EUR 9,520 thousand in 2013) in the consolidated income statement for operating grants (Note 20), grants awarded by the city councils of towns in which the Group provides end-to-end water management services and in recognition of concession operators with operating deficits in said concessions, as set forth in the respective specifications and contracts.

The outstanding amounts receivable at 31 December 2014 and 2013 for this item as indicated in Notes 11 and 17.

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

At 31 December 2014, FCC Aqualia, along with other companies in the FCC Group, is listed as the guarantor in syndicated loans signed by the Parent Company, Fomento de Construcciones y Contratas, S.A., for a total of EUR 3,668,000 thousand (EUR 3,261,996 thousand at 31 December 2013).

At 31 December 2014, the Group has provided guarantees to third parties, mainly public entities and private customers, to secure the performance of construction and contracting work, for a total of EUR 173,039 thousand (EUR 230,226 thousand at 31 December 2013).

FCC Aqualia, S.A. and subsidiaries in the Group are involved in lawsuits as defendants in certain proceedings for liability arising from the different activities in which they engage, in the performance of the contracts awarded and provisions have been allocated in relation thereto (see Note 15). For this reason, the resulting liabilities would not significantly affect the Group's equity.

As indicated in Note 8, participation by Group companies in joint arrangements managed under temporary joint operations, equity accounts, economic interest groupings and other entities with similar legal status entail that the participants share the joint and several liability for the activities conducted.

The Directors of the Parent Company estimate that no significant liabilities will arise as a result of these joint and several guarantees.

## 20. INCOME AND EXPENSES

### Profit from operations

The Group companies state their profit from operations in the “Net Revenue” section, except for operating grants, which are recognised as “Other profit from operations” in the consolidated income statement.

Revenue comprises two main items:

- Sales of water. This is the amount corresponding to the number of cubic metres supplied to consumers, valued at sale price. The sale price is established for each contract based on the rates passed by the relevant public entity in each case.
- Sales of works and services. This is the amount corresponding to construction work and activities that the Group performs in relation to the provision of end-to-end water services in the towns in which contracts have been awarded.

The amount for sales of work is calculated by applying the degree of progress criterion, consisting in assessing the units of work performed during the period at sale price, which is set forth in the contract, and at the same time recognising the expenses incurred in such work.

The difference between the amount for production of each of the contracts and the amount billed for each one up to the reporting date of the consolidated statement of financial position, for both water and work, is stated as “Production executed and pending certification” under “Customer receivables – sales and service provision” (Note 11).

Revenue is broken down per type of business activity as shown in the following table:

<b>REVENUES PER BUSINESS ACTIVITY</b>		
<i>(Amount in thousands of euros)</i>		
	<b>31.12.2014</b>	<b>31.12.2013</b>
Water supply	514,785	508,291
Sanitation	129,429	120,721
Treatment	89,415	87,243
Water works	104,523	102,073
Other income	71,824	59,481
<b>TOTAL</b>	<b>909,976</b>	<b>877,809</b>

The Group's revenue is broken down by geographic location as follows:

<b>GEOGRAPHIC LOCATION</b>		
<i>(Amounts in thousands of euros)</i>	<b>31/12/2014</b>	<b>31/12/2013</b>
<b>Spain</b>		
Andalusia	229,661	209,173
Aragon	10,038	10,512
Asturias	33,732	32,342
Balearic Islands	34,677	33,112
Canary Islands	52,313	57,295
Cantabria	22,447	21,652
Castile-La Mancha	56,716	53,622
Castile-Leon	42,263	42,090
Catalonia	62,468	49,242
Region of Valencia	34,295	34,660
Extremadura	37,675	37,836
Galicia	45,922	42,083
La Rioja	4,332	4,171
Madrid	19,145	9,853
Murcia	32,579	29,700
Navarre	1,857	1,786
Basque Country	8,047	12,904
<b>International</b>		
Saudi Arabia	5,855	6,433
Algeria	8,432	9,544
Bosnia	2017	69
Chile	7,628	21,049
United Arab Emirates	256	304
Egypt	209	283
Italy	36,590	33,503
Mexico	14,832	14,616
Montenegro	3,966	4,872
Portugal	14,556	15,847
Czech Republic	83,883	86,672
Romania	61	2,584
Tunisia	1,871	-
Uruguay	1,653	-
<b>TOTAL</b>	<b>909,976</b>	<b>877,809</b>

The details of "Other profit from operations" are as follows:

Amounts in thousands of euros	2014	2013
Income from operating grants (Note 18)	10,933	9,520
Income from diverse services	6,441	5,831
Surplus provisions for risks and expenses	5,851	2,114
	<b>23,225</b>	<b>17,465</b>

### Purchases

The details of the Purchases balance are as follows:

Amounts in thousands of euros	2014	2013
Work performed by subcontractors and other companies	105,807	101,235
Materials and services purchased	221,992	215,557
	<b>327,799</b>	<b>316,792</b>

### Employee benefits expense

The details of employee benefits expenses are shown below:

Amounts in thousands of euros	2014	2013
Wages and salaries	176,920	170,078
Accrued social security taxes	52,790	51,564
Other employee benefits expenses	3,220	3,157
	<b>232,930</b>	<b>224,799</b>

The average number of employees in the Group, divided by job category, is as follows:

CATEGORIES	AVERAGE NO. OF EMPLOYEES	
	2014	2013
Management and advanced degree holders	294	277
Technicians and intermediate degree holders	1,136	1,131
Administrative and similar staff	816	739
Other staff on payroll	4,744	4,744
<b>TOTAL</b>	<b>6,990</b>	<b>6,891</b>

At year-end 2014, the Group employs 6,978 workers (6,928 workers at year-end 2013), broken down by job category and gender as follows:

JOB CATEGORY	No. of employees		Male		Female	
	2014	2013	2014	2013	2014	2013
Management and advanced degree holders	297	276	250	230	47	46
Technicians and intermediate degree holders	1,140	1,134	739	726	401	403
Administrative and similar staff	832	748	292	249	540	499
Other staff on payroll	4,709	4,770	4,178	4,208	531	562
<b>TOTAL</b>	<b>6,978</b>	<b>6,928</b>	<b>5,459</b>	<b>5,413</b>	<b>1,519</b>	<b>1,510</b>

### Other operating expenses

The details of other operating expenses are shown below:

Amounts in thousands of euros	2014	2013
Outsourced services	144,495	146,425
Taxes	20,846	17,993
Losses, impairment and changes in trade provisions	14,057	16,069
Other current operating expense	15,426	9,798
<b>TOTAL</b>	<b>194,824</b>	<b>190,285</b>

### Finance income and costs

The detail of finance income is as follows:

Amounts in thousands of euros	2014	2013
Income from interests in equity instruments	104	-
Interest earned on loans to third parties	6,093	4,324
Interest earned on loans to FCC Group companies	8,767	3,661
Other finance income	1,441	1,261
<b>TOTAL</b>	<b>16,314</b>	<b>9,246</b>

The detail of finance costs is as follows:

Amounts in thousands of euros	2014	2013
Interest paid on loans to FCC Group companies	14,063	6,158
Interest paid on borrowings with third parties	35,522	33,065
<b>TOTAL</b>	<b>49,585</b>	<b>39,223</b>

## 21. INFORMATION ABOUT THE ENVIRONMENT

The activities that FCC Aqualia Group engage in are directly linked to protection of the environment, given that the underlying theme of our actions is efficient end-to-end water management, in conjunction with the different public authorities, endeavouring to guarantee the availability of water resources in a manner that enables sustainable growth for the populations where we provide services.

In the performance of our activities, a series of actions have been identified that lead to better protection of the environment, endeavouring to meet efficiency goals as part of our responsibility as public service providers. Among these actions, the following can be spotlighted:

- Water quality control at the uptake as well as in distribution. To this end, the technical and human capabilities of a network of drinking water quality control laboratories are fostered. The vast network of laboratories available to the company includes the lead laboratories accredited by the ENAC in Jerez de la Frontera, L rida,  vila, Oviedo and the Canary Islands.
- Through the use of Lims and GesLAB software tools, which are connected in real time to the National Consumer Water Information System (SINAC in Spanish) within the Ministry of Health, both consumers and the public authorities are informed of the quality of the water supplied. More than 1,194,433 analyses have been performed, with less than 0.2 % showing any kind of irregularity. Along the same lines, in harmony with Regional Consumer Health Surveillance Programmes and as set forth in R.D. 140/2003, FCC Aqualia Group follow Self-monitoring and Water Supply Management Protocols in all the contracts in which they are responsible for the management. To this end, FCC Aqualia Group have developed their own Sanitary Water Supply Management Guide as a support document for production managers.
- Customer service 24 hours a day, 365 days a year, through the Customer Service Centre (Aqualia Contact), which makes it possible to reduce the response time to leakage issues in the distribution networks to a minimum, with the subsequent savings in water. The short time that customers wait when reporting a leak (19 seconds) makes it possible to implement a fast and effective protocol for action in order to solve any type of incident in the network, which leads to enhanced water distribution yields. Thanks to this customer service centre, the rate of customer complaints is less than one per one thousand, with an assistance level of 92%.
- Optimisation of electricity consumption, not only as one of the significant costs in water management but also because lower consumption means less CO2 is produced, helping to slow climate change. With this aim in mind, we are working on becoming certified for energy efficiency in services. In this regard, implementation of renewable energy sources, mainly biomass and photovoltaic energy, is sought in the different contracts in which the Aqualia Group provides

service. More than 37.3 million kW/h of electricity were produced at wastewater treatment stations using cogeneration and biogas as a fuel.

- All of our contracts are managed under an Environmental Management System certified in accordance with ISO 14001, with the aim of establishing specific plans to identify the environmental impact of work sites in each contract, reduce consumption of natural resources and waste generation, and to establish waste management systems that foster waste material separation and recycling. In our endeavour for the best environmental management, the Aqualia Management System includes specific indicators to gauge environmental performance that measure electricity consumption per cubic metre of treated water, reagents consumed in different treatment phases, the amounts of sludge generated in filtering processes and the reduction of contamination in filtered water. This process has been expanded through certification under UNE-EN-ISO 50001:2011 for energy efficiency at our facilities. Finally, our carbon footprint has been calculated and verified in accordance with UNE-EN ISO14064-1:2012.
- Interactive communication channels with customers: The Group currently has a corporate website available in 5 languages, which offers general information about the Group, and several local websites for certain towns in which the Aqualia Group provides services, offering more specific local and customised information about Aqualia's presence in the relevant towns.
- Furthermore, through both the corporate and local Aqualia Group websites access is offered to the virtual office, aqualiaOnline, through which users can perform numerous procedures without having to visit our offices, such as registering for service, making changes in user information, requesting and downloading electronic bills, and so on.
- Eliminating the environmental impact of wastewater dumping by implementing and properly using the latest technology applicable at the wastewater treatment stations that the Group operates. The aim of these techniques is not only to minimise the impact of treated wastewater that is dumped into natural streams but also to minimise the impact arising from sludge extraction by recovering it for other purposes, as well as minimising the effect of odours and noise generated in the treatment process. Last year, more than 496 Hm<sup>3</sup> of wastewater were treated before being released into natural streams in optimal conditions so that they had no impact on the environment.
- Developing R&D&i projects focusing mainly on enhancing water treatment options. Work continued in this field with the development of projects already underway for the incorporation of advanced sludge treatment, the use of membrane technology in wastewater treatment, application of ultrasound to enhance the wastewater digestion processes and the use of ozone in the treatment process. R&D&i projects that study new treatment possibilities in the industrial water field through the use of membranes, reverse osmosis, anaerobic reactors and advanced oxidation have also been



developed. With these goals in mind, we are starting to participate in projects such as the use of micro-algae for nutrient elimination and biofuel production, the application of biofiltration and ultra-violet rays for industrial reuse of water or generation of energy using wastewater.

- Courses are included in the internal training programmes on environmental issues, environmental liability laws, how the environmental management system works, energy efficiency programmes, etc., that enhance the FCC Aqualia team's knowledge in dealing with these issues in their daily activities. Awareness programmes are also carried out in conjunction with the public authorities so that the users served by FCC Aqualia Group are fully aware of the environmental implications of end-to-end water management activities, the annual children's drawing contest, which aims to raise awareness amongst young people about water issues, being of particular note in this area. In 2014, 42,500 students from more than 1,100 schools in Spain, Portugal, Italy and the Czech Republic participated.
- Participation in environmental protection projects in certain contracts managed by FCC Aqualia Group, where it is possible to collaborate with interested public authorities in relation to the recovery of highly relevant eco-systems such as lagoons, wetlands, native forests, etc.

## 22. FINANCIAL RISK MANAGEMENT POLICY

The concept of financial risk refers to variations that may occur in the financial instruments taken out by the Group due to political, market and other factors and the repercussions of these changes on the consolidated financial statements.

The FCC Aqualia Group's risk management philosophy, in harmony with the philosophy followed by the FCC Group, is consistent with its business strategy, seeking maximum efficiency and solvency at all times. To this end, strict financial risk control and management criteria have been established, consisting in identifying, measuring, analysing and controlling the risks incurred in the course of the Group's operations, and the risk policy is appropriately integrated into the organisation.

### Capital risk management

FCC Aqualia Group, following the guidelines set by its majority shareholder, manages its capital to ensure that the companies in the Group will be able to continue as profitable businesses while at the same time maximising shareholder returns by maintaining an optimal balance between debt and shareholder equity.

The Group's joint strategy continues to focus on geographic diversification, opening up markets in Western Europe, Eastern Europe, Algeria and Mexico, primarily.

The Group's capital structure includes debt (comprising the loans and credit facilities detailed in Note 14), cash and cash equivalents (Note 12) and shareholder equity, which includes capital, reserves and profits not shared out, as mentioned in Note 13.

The Group's Finance Department, responsible for financial risk management, periodically reviews the capital structure, solvency and liquidity ratios as part of the FCC Group finance policy.

The capital costs and associated risks in each investment project are analysed by the Operations Department and the Finance Division for subsequent approval or denial by the relevant Committee, or by the Parent Company Board of Directors, with any reports required from other functional divisions of the Group.

One of the aims of investment analysis is to keep the net debt to EBITDA ratio at a reasonable level and within the levels agreed upon with financial institutions.

#### Currency risk

FCC Aqualia Group's current position in the international markets (see Note 13.c) makes the concept of currency risk, for the Group as a whole, moderately relevant.

However, regardless of the significance of the risk, the Aqualia Group's policy is to reduce the negative effect that such risk could have on its consolidated financial statements, as regards changes due to transactions and assets, as much as possible.

The Group actively manages its currency risk by contracting financial transactions in the same currency as the asset is stated in. In other words, every effort is made to get the financing required for local activities by the company within the country of origin of the investment in the local currency in order to naturally hedge, or match, the cash flows generated and the financing.

#### Interest rate risk

Given the nature of activities in which working capital management plays a key role, the Group's standard practice is to establish the index that most accurately reflects trends in inflation as the benchmark for its financial debt. Therefore, the Group's policy is to attempt to link its current financial assets, which to a great extent provide natural hedging for its current financial liabilities, and its debt to floating interest rates. In operations with long time horizons, whenever the financial structure so

requires, the debt is indexed to a fixed interest rate for a term that coincides with the maturity cycle of the corresponding operation, all within the possibilities offered in the market.

### Solvency risk

At 31 December 2014, FCC Aqualia Group's net financial debt comes to EUR 324,405 thousand (EUR 381,529 thousand in 2013), as shown in the following table, which represents 41% (54% in 2013) of the equity at said date:

	2014	2013
Bank borrowings (Note 14)	148,286	302,385
Debt instruments and other marketable securities (Note 14)	72,573	73,194
Non-current financial debt with group companies (Note 14)	398,546	153,750
Other interest-earning financial debt	82,161	45,790
Other current financial assets (Note 9)	(256,603)	(111,299)
Cash on hand and cash equivalents (Note 12)	(120,558)	(81,992)
<b>Net interest-bearing debt</b>	<b>324,405</b>	<b>381,529</b>

The most representative ratios for measuring solvency are as follows:

	31 December 2014
Net Debt / EBITDA ratio	1.66
Finance income/cost / EBITDA ratio	22.18 %
	31 December 2013
Net Debt / EBITDA ratio	2.12
Finance income/cost / EBITDA ratio	17.75 %

### Liquidity Risk

This risk is caused by temporary lags between the resources generated by the activity and the need for funds to pay debts, working capital needs, etc.

At 31 December 2014, the Group has a negative working capital of EUR 26,549 thousand (EUR 202,014 thousand at 31 December 2013). However, "Debt instruments and other marketable securities" totalling EUR 72,573 thousand, and "Bank Borrowings" totalling EUR 111,852 thousand have been included in the refinancing process that the subsidiaries Aqualia Czech, S.L. and Severomoravske Vodovody a Kanalizace Ostrava, A.S. will conduct in 2015. The Parent Company Directors estimate that these refinancing processes will be successfully completed and, considering the Group's cash generation capacity, have prepared these consolidated financial statements under the going concern principle.

As indicated in Note 19 “Guarantees to third parties and other contingent liabilities”, FCC Aqualia, S.A. acts as guarantor in the syndicated loans signed by its parent, “Fomento de Construcciones y Contratas, S.A.”

#### Financial derivatives for risk hedging

The main financial risk that is hedged by FCC Aqualia Group using derivatives is related to changes in the floating interest rates that the group companies' financing is indexed to.

At 31 December 2014 and 2013, FCC Aqualia Group has the following interest rate hedges in place, which qualify as cash flow hedges:

Amounts in thousands of euros	2014 Fair value	2014 Notional	2013 Fair value	2013 Notional	Maturity
<b>Fully consolidated companies</b>					
Aqualia Czech, S.L.	-	-	(947)	88,461	2,015
Depurplán, S.A.	(1,344)	6,187	(1,128)	6,733	2,025
	<b>(1,344)</b>	<b>6,187</b>	<b>(2,075)</b>	<b>95,194</b>	
<b>Companies consolidated using the equity method</b>					
Aquos el Realito, S.A. de C.V.	(2,254)	27,066	(2,254)	27,066	2,025

At 31 December 2014 and 2013, FCC Aqualia Group has the following interest rate hedges in place, which do not qualify as cash flow hedges:

Amounts in thousands of euros	2014 Fair value	2014 Notional	2013 Fair value	2013 Notional	Maturity
<b>Fully consolidated companies</b>					
Aqualia Czech, S.L.	(451)	81,766	-	-	2,015
	<b>(451)</b>	<b>81,766</b>	<b>-</b>	<b>-</b>	

To a lesser extent, as mentioned above, the Group actively manages its currency risk by contracting financial transactions in the same currency as the asset is stated in. In other words, every effort is made to get the financing required for local activities by the company within the country of origin of the investment in the local currency in order to naturally hedge, or match, the cash flows generated and the financing.

As indicated in Note 13.c), the most significant net assets stated in a currency other than the euro held by the FCC Aqualia Group at 31 December 2014 are located in the Czech Republic. To hedge the currency

risk of these assets, FCC Aqualia Group has taken out borrowings in the same currency (Czech Koruna) broken down as shown in Note 14.a).

Changes in fair value of the cash flow hedges are stated, net of tax effects, in “Adjustments for changes in value” in equity and are recognised in profit/loss for the year to the extent that the hedged item affects the consolidated income statement.

The financial derivatives have been appraised by experts in this field that are independent from the Group and the entities that finance it, using generally accepted methods and techniques.

## 23. INFORMATION ON RELATED-PARTY TRANSACTIONS

### *Board of Directors.*

In 2014 and 2013 the members of the Board of Directors of the Parent Company, in their capacity as board members, did not receive any fixed or variable remuneration. Moreover, no advances, loans or any other type of guarantees have been granted to such members of the Board of Directors, nor are there any obligations in place regarding pensions or life insurance for such parties.

At year-end 2014, none of the members of the Board of Directors of FCC Aqualia, S.A. or the parties related to them as defined in the Spanish Companies Law have reported any conflicts of interest to the other members of the Board of Directors.

### *Senior Management:*

The members of senior management (10 men and 2 women) of the Parent Company have, as a whole, received remuneration totalling EUR 1,789 thousand.

### *Duty of loyalty:*

At year-end 2014, none of the members of the Board of Directors of FCC Aqualia, S.A. or the parties related to them as defined in the Spanish Companies Law have reported any conflicts of interest to the other members of the Board of Directors.

Neither the directors of FCC Aqualia, S.A. nor any parties acting on their behalf have performed other operations with the Group during the year beyond the scope of ordinary trade for each company or under conditions other than normal market conditions.

No relevant transactions have taken place that entail the transfer of resources or obligations between the Parent Company or other Group companies and the directors or senior management thereof.

Furthermore, FCC Aqualia Group has established the required mechanisms to detect, determine and resolve any possible conflicts of interest between Group companies and their board members, senior management and significant shareholders, as indicated in article 25 of the Board Regulations.

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

## a) Revenue

(thousands of euros)	2014	2013
FCC ÁMBITO, S.A.	1,099	1,301
AIE AQUAGEST-AQUALIA	33	33
MANTENIMIENTO DE INFRAESTRUCTURAS, S.A.	18	25
FCC CONSTRUCCION, S.A.	2,000	1,384
FCC, S.A.	11,017	9,784
AGUAS DEL PUERTO EMPRESA MUNICIPAL, S.A.	2,365	-
FCC SERVICIOS INDUSTRIALES Y ENERGÉTICOS	169	1,143
FCC MEDIO AMBIENTE, S.A.	2	2
AIE ITAM DELTA DE LA TORDERA	-	559
AIE COSTA BRAVA ABASTAMENT AQUALIA-SOREA	45	44
EMPRESA MIXTA DE AGUAS Y SERVICIOS, S.A.	39	132
AIE COSTA TROPICAL DE GRANADA	645	630
CIA. DE SERVICIOS MEDIOAMBIENTALES DO ATLANTICO, S.A.	219	235
EMPRESA MPAL AGUAS DE BENALMADENA, S.A.	4,203	1,880
AGUAS DE LANGREO, S.L.	109	106
AQUALIA MACE LLC	256	304
AGUAS DE NARIXA, S.A.	537	393
AUGAS MUNICIPAIS DE ARTEIXO, S.A.	-	38
ENERSTAR VILLENA S.A.	34	-
ECOPARQUE MANCOMUNIDAD DEL ESTE S.A.	1	-
HA PROY. ESPEC. HIDR.	807	1,649
GESTION Y VALOR INT.CENTRO, S.L.	71	386
ORASQUALIA DEVEL.WASTE T.P. S.A.E.	107	260
ORASQUALIA O&M	102	22
EMPR.MUNICIPAL DE AGUAS DE ALGECIRAS, SA	9,097	9,320
AGUAS DE UBRIQUE, S.A.	590	831
NUEVA SOCIEDAD DE AGUAS DE IBIZA, S.A.	2	2
GENERA VILA, S.A.	82	148
EMPRESA MUNICIPAL AGUAS DE TOXIRIA, S.A.	944	905
EMP. MIXTA MUNICIPAL DE AGUAS DE NIJAR, S.A.	4,423	3,867
SHARIKET TAHLYA MIYAH MOSTAGANEM, S.P.A.	4,246	5,210
SHARIKET MIYEH RAS DJINET, S.P.A.	4,155	4,324
AIGÜES DE TOMOVI, S.A.	818	1,135
EMP.MUNICIPAL AGUAS DE LINARES, S.A.	4,079	3,906
CONCESIONARIA DESALACION DE IBIZA, S.A.	311	303
ABASTECIMIENTO ALTA COSTA BRAVA EMPRESA MIXTA	18	116
AGUAS DE PRIEGO, S.L.	282	529
EMPRESA MIXTA DE AGUAS DE JODAR, S.A.	556	494
SERVIÁ CANTÓ, S.A.	-	1
AGUAS DE ARCHIDONA, S.L.	584	528
CONST. DE INFRAESTRUCTURAS DE AGUAS DE POTOSÍ, SACV	403	887
<b>TOTAL GROUP COMPANIES AND ASSOCIATES</b>	<b>54,468</b>	<b>52,816</b>

## b) Materials and other services purchased

(thousands of euros)	2014	2013
FCC AMBITO, S.A.	(13)	4
FCC CONSTRUCCION, S.A.	-	19
FCC, S.A.	422	421
SISTEMAS Y VEHICULOS DE ALTA TECNOLOGIA, S.A.	1	1
FCC MEDIO AMBIENTE, S.A.	2	1
HORMIGONES Y MORTEROS PREP., S.A. UNIP.	8	145
ARRIBERRI, S.L.	1	1
HORMIGONES PREMEZCLADOS DEL NORTE, S.A.	1	-
HORMIGONES REINARES, S.A.	1	-
AIE COSTA TROPICAL DE GRANADA	-	15
EMPR. MUNICIPAL DE AGUAS DE ALGECIRAS, SA	1,862	1,695
NUEVA SOCIEDAD DE AGUAS DE IBIZA, S.A.	107	110
EMPRESA MIXTA MUNICIPAL DE AGUAS DE NIJAR	851	719
AIGÜES DE TOMOVI, S.A.	24	29
ABAST. ALTA COSTA BRAVA EMPRESA MIXTA	1	1
PREFABRICADOS DELTA	29	21
HORMIGONES CALAHORRA, S.A.	5	2
<b>TOTAL GROUP COMPANIES AND ASSOCIATES</b>	<b>3,302</b>	<b>3,184</b>



## c) Outsourced work

(thousands of euros)	2014	2013
FCC AMBITO, S.A.	99	37
PREFABRICADOS DELTA, S.A.	-	13
FCC CONSTRUCCION, S.A.	21	96
FCC, S.A.	636	630
FCC SERVICIOS INDUSTRIALES Y ENERGÉTICOS, S.A.	95	256
SERVIÁ CANTÓ, S.A.	87	162
COMPAÑÍA DE CONTROL DE RESIDUOS	124	104
GAMA SUR GIBRALTAR, S.L.	2	9
ECOACTIVA DE MEDIO AMBIENTE, S.A.	10	11
FCC MEDIO AMBIENTE, S.A.	10	12
EMPRESA MUNICIPAL AGUAS DE TOXIRIA, S.A.	2	-
TRATAMIENTOS Y RECUPER. INDUSTRIALES, S.A.	2	-
HORMIGONES Y MORTEROS PREP., S.A. UNIP.	2	6
EMPRESA MIXTA DE AGUAS Y SERVICIOS, S.A.	16	54
PROVEIMENTS D' AIGUA, S.A.	62	92
FCC LOGISTICA S.A. UNIPERSONAL	-	1
AIGÜES DE TOMOVI, S.A.	9	9
HORMIGONES REINARES, S.A.	-	2
<b>TOTAL GROUP COMPANIES AND ASSOCIATES</b>	<b>1,177</b>	<b>1,494</b>

## d) Other operating expenses

(thousands of euros)	2014	2013
FCC VERSIA, S.A.	4	50
FCC AMBITO, S.A.	42	4
FCC ACTIVIDADES DE CONSTRUCCIÓN INDUSTRIAL	-	-
FCC CONSTRUCCION, S.A.	26	18
FCC, S.A.	21,514	16,594
FEDEMES, S.L.	84	3
COMPAÑÍA DE CONTROL DE RESIDUOS	-	1
FCC MEDIO AMBIENTE, S.A.	1	4
SERVICIOS ESPECIALES DE LIMPIEZA, S.A.	18	23
ÁRIDOS Y CANTERAS DEL NORTE, S.A.	-3	-1
HORMIGONES Y MORTEROS PREP., S.A. UNIP.	-	-1
EMP. MUNICIPAL AGUAS DE LINARES	18	-
AIE ITAM DELTA DE LA TORDERA	15	15
AGUAS DE ARCHIDONA, S.L.	1	-
AGUAS DE LANGREO, S.L.	22	22
PROVEIMENTS D'AIGUA, S.A.	8	-
EMPR. MUNICIPAL DE AGUAS DE ALGECIRAS, SA	50	219
AIGÜES DE TOMOVI, S.A.	2	-
AGUAS DE DENIA, S.A.	256	256
AGUAS DE ARCHIDONA, S.L.	-	5
ORASQUALIA DEVEL.WASTET.P.S.A.E.	1	2
AGUAS DE PRIEGO, S.L.	1	1
<b>TOTAL GROUP COMPANIES AND ASSOCIATES</b>	<b>22,060</b>	<b>17,215</b>

## e) Finance income

(thousands of euros)	2014	2013
FCC, S.A.	4,958	1,647
C.G.T. CORPORACION GRAL.DE TRANSP., S.A.	-	6
ASESORIA FINANCIERA Y DE GESTION, S.A.	1,429	28
EMPRESA MUNICIPAL DE AGUAS DE ALGECIRAS	60	65
AIE COSTA TROPICAL DE GRANADA	173	-
COMPAÑÍA DE SERVICIOS MEDIOAMBIENTALES DO ATLANTICO	11	13
CONDUCCIO DEL TER, S.L.	-	-
EMPRESA MUNICIPAL DE AGUAS DE BENALMADENA, S.A.	206	499
EMPRESA MUNICIPAL DE AGUAS DE TOXIRIA, S.A.	10	11
EMPRESA MUNICIPAL DE AGUAS DE NIJAR, S.A.	99	125
EMPRESA MIXTA AGUAS DE LANGREO, S.A.	276	293
AIGUES DEL TOMOVI, S.A.	9	20
EMPRESA MUNICIPAL DE AGUAS DE LINARES, S.A.	3	9
AGUAS DE NARIXA, S.A.	327	343
AGUAS DE PRIEGO, S.L.	194	148
AGUAS DEL PUERTO EMPRESA MUNICIPAL, S.A.	205	-
CONST.DE INFRAEST.DE AGUAS POTOSI, SACV	304	-
EMPRESA MIXTA DE AGUAS DE JODAR, S.A.	74	76
AGUAS DE ARCHIDONA, S.L.	40	41
CONSTRUCTORA DE INFRAESTRUCTURA AGUAS DE QUERETARO, SACV	298	337
<b>TOTAL GROUP COMPANIES AND ASSOCIATES</b>	<b>8,676</b>	<b>3,661</b>

## f) Finance costs

At 31 December 2014, finance costs with FCC group companies come to EUR 14,118 thousand, corresponding entirely to Fomento de Construcciones y Contratas, S.A. (EUR 6,158 thousand at 31 December 2013). In turn, finance costs with associates come to EUR 13 thousand (EUR 56 thousand at 31 December 2013), corresponding to Orasqualia Construction SAE.

## 24. FEES PAID TO THE ACCOUNTS AUDITORS

The fees relating to accounts auditing services and other professional services provided during the year to the different companies pertaining to FCC Aqualia Group by the main auditor and other auditors participating in the auditing of the different group companies, as well as by entities related to them, are shown in the following table:

Amounts in thousands of euros	2014	2013
<b>Auditing service fees</b>	<b>463</b>	<b>421</b>
Main auditor	267	386
Other auditors	196	35
<b>Fees for other services</b>	-	-
Main auditor	-	-
Other auditors	-	-
<b>Fees for other verification work</b>	<b>52</b>	<b>39</b>
Main auditor	6	1
Other auditors	46	38
<b>TOTAL</b>	<b>515</b>	<b>460</b>

## 25. OTHER DISCLOSURES

a) Information about deferrals on payments made to suppliers. Additional provision three “Duty of disclosure” of Law 15/2010, of 5 July.

In relation to the Group companies based in Spain, pursuant to Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, which sets forth measures to fight payment default in trading transactions, a detail of the total payments made to suppliers during the year is shown below, highlighting those paid after the statutory deferral period, the weighted average number of days past due and the outstanding balance payable to suppliers that, at year-end, has been deferred longer than the statutory term for payment:

Payments made and outstanding payments on the closing date (thousands of euros)	2014		2013	
	Sum	%	Sum	%
Within statutory term	69,419	28%	60,626	27%
Others	174,683	72%	161,876	73%
<b>TOTAL PAYMENTS MADE DURING YEAR</b>	<b>244,102</b>	<b>100%</b>	<b>222,502</b>	<b>100%</b>
APP - days of payment exceeded	70		64	
<b>Deferrals in excess of maximum statutory term on closing date</b>	<b>41,627</b>		<b>40,496</b>	

b) Earnings per share

Diluted earnings per share coincides with basic earnings per share, detailed as follows:

Amounts in thousands of euros	2014	2013
Net profit for the year (thousands of euros)	63,474	56,231
Weighted average number of shares in circulation	145,000	145,000
<b>Basic earnings per share (euros)</b>	<b>0.44</b>	<b>0.39</b>

## 26. EVENTS AFTER REPORTING DATE

At the reporting date, no relevant events have occurred that would entail significant changes to the information shown in the notes herein.

**APPENDIX I**
**FCC AQUALIA AND SUBSIDIARIES (CONSOLIDATED GROUP)  
SUBSIDIARIES (CONSOLIDATED BY FULL CONSOLIDATION)**

COMPANY	GROUP INTERESTS %	AUDITOR
<b>FCC Aqualia América, S.A.U.</b> C/ Uruguay, 11 – Vigo (PONTEVEDRA)	100.00%	-
<b>Acque di Caltanissetta, S.p.A</b> Viale Sicilia 17693100 Caltanissetta - ITALY	98.46%	ERNST & YOUNG SL
<b>Aguas de Alcázar Empresa Mixta, S.A.</b> C/ Rondilla Cruz Verde, 1 - Alcázar de San Juan (CIUDAD REAL)	52.38%	CENTIUM AUDITORES SL
<b>Aguas de las Galeras, S.L.</b> Avda. Camino de Santiago, 40 – MADRID	100.00%	DELOITTE SL
<b>Aigües de Vallirana, S.A.U.</b> C/ Conca de Tremp, 14 – Vallirana (BARCELONA)	100.00%	-
<b>Aqualia Infraestructuras Montenegro</b> Bulevar Svetog Petra Centinjskog I A – 81000 Podgorica - MONTENEGRO	100%	-
<b>AquaElvas - Aguas de Elvas, S.A.</b> Rua Paco Bandeira, 14 - Assunção - Elvas - PORTUGAL	100.00%	DELOITTE SL
<b>Aquamaior – Aguas de Campo Maior, S.A.</b> Rua Mayor Talaya, 28 – Nossa Senhora de Expectação – Campo Maior – PORTUGAL	100.00%	DELOITTE SL
<b>Abrantaqua, S.A.</b> Parque Lena – Alferrarede Abrantes – PORTUGAL	60.00%	OLIVEIRA, REIS & ASOCIADOS
<b>Aqua Campiña, S.A.</b> C/Blas Infante, 6 – Écija (SEVILLE)	90.00%	AUDINFOR SL
<b>Aqua Management Solutions B.V.</b> Prins Bernhardplein 200 – Amsterdam - THE NETHERLANDS	30.60%	DELOITTE SL
<b>Aquacartaya, S.L.</b> Avda. San Francisco Javier, 27 – SEVILLE	100.00%	DELOITTE SL
<b>Aquafundalia – Agua do Fundão, S.A.</b> Rua Fernando Pessoa, 195 6230 479 Fundao - PORTUGAL	100.00%	DELOITTE SL
<b>Aquajerez, S.L.</b> C/ Cristalería, 24 - CÁDIZ	51.00%	ERNST & YOUNG SL
<b>Aqualia Infraestructuras, S.A.</b> Avda. Camino de Santiago, 40 – MADRID	99.99%	DELOITTE SL
<b>Aqualia Infraestructuras Inzenyring, s.r.o.</b> Mariennské Hory, Slavnikovcu 571/21 Ostrava - CZECH REPUBLIC	100.00%	ABC AUDIT SRO
<b>Aqualia Infraestructuras de México, S.A. de C.V.</b> Carrizal, 33 - Santiago de Queretaro - Queretaro - MEXICO	100.00%	DELOITTE SL
<b>Aqualia Infraestructuras Mostar</b> Dr. Ante Estarcevic BB – MOSTAR (SERBIA)	100.00%	-
<b>Aqualia Czech, S.L.</b> Avda. Camino de Santiago, 40 – MADRID	51.00%	ERNST & YOUNG SL
<b>Aqualia Industrial Solutions, S.A.U.</b> C/ Federico Salmón, 13 – MADRID	100.00%	DELOITTE SL
<b>Aqualia New Europe B.V.</b> C/Calude Debussylann, 24 – Amsterdam (THE NETHERLANDS)	51.00%	DELOITTE SL
<b>Cartagua – Aguas do Cartaxo, S.A.</b>	60.00%	OLIVEIRA, REIS &

**FCC AQUALIA AND SUBSIDIARIES (CONSOLIDATED GROUP)  
SUBSIDIARIES (CONSOLIDATED BY FULL CONSOLIDATION)**

COMPANY	GROUP INTERESTS %	AUDITOR
Zona Industrial do Cartaxo, Lote 20 – Cartaxo - PORTUGAL		ASOCIADOS
<b>Colaboración, Gestión y Asistencia, S.A.</b> C/ Federico Salmón, 13 – MADRID	100.00%	-
<b>Compañía Onubense de Aguas, S.A.</b> C/Martín Alonso Pinzón, 8 – HUELVA	60.00%	-
<b>Conservación y Sistemas, S.A.</b> C/ Federico Salmón, 13 – MADRID	100.00%	DELOITTE SL
<b>Depurplan 11, S.A.</b> C/ Madre Rafols, 2 – ZARAGOZA	100.00%	AUDINFOR SL
<b>Depurtebo, S.A.</b> C/ San Pedro, 57 - Zuera – ZARAGOZA	100.00%	-
<b>Empresa Gestora de Aguas Linenses, S.L.</b> C/ Federico Salmón, 13 – MADRID	100.00%	-
<b>Empresa Mixta de Butarque, S.A.</b> C/Princesa, 3 - (MADRID)	70.00%	-
<b>Entemanser, S.A.</b> C/Castillo, 13 – ADEJE (SANTA CRUZ DE TENERIFE)	97.00%	DELOITTE SL
<b>FS Colaboración Gestión y Asistencia, S.A.</b> Avda, Camino de Santiago, 40. MADRID	100.00%	-
<b>SEVEROMORAVSKE VODOVODY A KANALIZACE OSTRAVA a.s.</b> Varenská 2723/51 70200 Ostrava – CZECH REPUBLIC	50.47%	ERNST & YOUNG SL
<b>Hidrotec Tecnología del Agua, S.L.U.</b> C/Pinzel, 25 – SEVILLE	100.00%	DELOITTE SL
<b>Infraestructuras y Distribución General de Agua, S.L.</b> C/La Presa, 14 – Tijoco Bajo-ADEJE (SANTA CRUZ DE TENERIFE)	100.00%	-
<b>Inversora Riutort, S.L.</b> C/ Alfonso XIII – Sabadell (BARCELONA)	100.00%	-
<b>Ovod spol, s.r.o.</b> Jaselská 47 - Opava - CZECH REPUBLIC	100.00%	ABC AUDIT SRO
<b>Sociedad Ibérica del Agua, S.A.U.</b> C/ Federico Salmón, 13 – MADRID	100.00%	-
<b>Sociedad Española de Aguas Filtradas, S.A.</b> C/ Jacometrezo, 4 – MADRID	100.00%	DELOITTE SL
<b>Tratamiento Industrial de Aguas, S.A.</b> C/ Federico Salmón, 13 – MADRID	100.00%	DELOITTE SL

Note: This appendix forms an integral part of the attached notes to the consolidated financial statements.

**APPENDIX II**
**FCC AQUALIA AND SUBSIDIARIES (CONSOLIDATED GROUP)**
**ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (CONSOLIDATED BY PROPORTIONATE METHOD)**

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



**APPENDIX III**
**FCC AQUALIA AND SUBSIDIARIES (CONSOLIDATED GROUP)  
ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (CONSOLIDATED BY EQUITY METHOD)**

COMPANY	INTERESTS %	2014 change (Note 7)	2013 change (Note 7)	AUDITOR
<b>Aguas de Priego, S.L.</b> Plaza Constitución, 3. Priego de Córdoba (CORDOBA)	49.00%	5	(31)	AUDINFOR SL
<b>Aguas de Archidona, S.L.</b> Plaza Ochavada, 1 – 29300 Archidona - MALAGA	48.00%	59	78	CENTIUM AUDITORES SL
<b>Aguas del Puerto Empresa Municipal, S.A.</b> C/ Aurora 1 - 11500 - EL PUERTO DE SANTA MARÍA (CÁDIZ)	48.98%	3,930	-	-
<b>Aqualia MACE LLC</b> P.O. Box 105547 – Abu Dhabi, U.A.E.	24.99%	2,062	1,077	DELOITTE SL
<b>Compañía de Servicios Medioamb. do Atlántico, S.A.</b> Carretera de Cedeira, km1 - Narón (LA CORUÑA)	49.00%	322	308	AUDINFOR SL
<b>Girona, S.A.</b> Travesía del Carril, 2 – GERONA	33.61%	1,688	1,621	CATAUDIT AUDITORS ASSOCIATS SL
<b>Aguas de Denia, S.A.</b> Pedro Esteve, 17 - Denia (ALICANTE)	33.00%	403	403	-
<b>Aguas de Ubrique, S.A.</b> Avenida España, 9 - Ubrique (CÁDIZ)	49.00%	(12)	(99)	-
<b>Aguas de Narixa, S.A.</b> C/Málaga, 11 – Nerja (MÁLAGA)	50.00%	252	345	AUDINFOR SL
<b>Aigües de Blanes, S.A.</b> Canigó, 5. Blanes - GIRONA	16.47%	55	36	CD AUDITORS
<b>Aigües de Girona Salt i Sarrià del Ter</b> Ciutadans, 11 - GIRONA	26.88%	195	215	CATAUDIT AUDITORS ASSOCIATS SL
<b>Aigües del Tomoví, S.A.</b> c/ Vella, 1 – El Vendrell (TARRAGONA)	49.00%	642	356	GM AUDITORS SL
<b>Aigües del Segarra Garrigues, S.A.</b> C/Santa Clara, 4 – Tárrega (LÉRIDA)	1.00%	-	-	-
<b>Constructora de Infraestructuras de Aguas de Querétaro, S.A. de C.V.</b> C/Minería Edificio B Ciudad de Méjico, Distrito Federal (MEXICO)	24.50%	(929)	(719)	DELOITTE SL
<b>Constructora de Infraestructuras de Aguas de Potosí, S.A. de C.V.</b> Bulevar Manuel Avila Camacho, 36 Méjico, Distrito Federal (MEXICO)	24.50%	(1,040)	(1,045)	-
<b>Concesionaria de Desalación de Ibiza, S.A.</b> Rotonda de Sta. Eulalia, s/n – Ibiza (BALEARIC ISLANDS)	32.00%	1,072	1,430	BDO AUDITORES S.L.
<b>EMANAGUA - Empresa Municipal de Aguas de Níjar, S.A.</b> Plaza de la Glorietta, 1 – Níjar (ALMERÍA)	49.00%	220	218	CENTIUM AUDITORES SL
<b>Empresa Municipal Aguas de Algeciras, S.A.</b> C/Virgen del Carmen, s/n - Algeciras (CÁDIZ)	49.00%	229	86	ABANTE UNICONTROL AUDITORES SLP
<b>Empresa Municipal Aguas de Benalmádena, S.A.</b> Exp. Ap.Tivoli, s/n - Arroyo de la Miel (MÁLAGA)	50.00%	1,797	1,981	AUDINFOR SL
<b>Empresa mixta de Aguas de Jódar, S.A.</b> Plaza de España, 1- Jódar (JAEN)	49.00%	(32)	(9)	CENTIUM AUDITORES SL
<b>Empresa Mixta de Aguas de Langreo, S.L.</b>	49.00%	828	749	AUDINFOR SL

**FCC AQUALIA AND SUBSIDIARIES (CONSOLIDATED GROUP)**  
**ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (CONSOLIDATED BY EQUITY METHOD)**

COMPANY	INTERES TS %	2014 change	2013 change	AUDITOR
C/Alonso del Riesgo, 3 – Langreo (ASTURIAS) <b>Empresa Municipal Aguas de Toxiria, S.A.</b>	49.00%	84	62	CENTIUM AUDITORES SL
Plaza de la Constitución – Torredonjimeno (JAÉN) <b>Empresa Municipal de Aguas de Linares, S.A.</b>	49.00%	(131)	(124)	CENTIUM AUDITORES SL
C/ Cid Campeador, 7 - Linares (JAEN) <b>Empresa Mixta de Aguas de Ubrique, S.A.</b>	49.00%	110		DELOITTE SL
C/JUZGADO S/N - 11600 - UBRIQUE (CÁDIZ) <b>Generávila, S.A.</b>	36.00%	71	77	-
Plaza de la Catedral, 11 – ÁVILA <b>Aquos El Realito, S.A. de C.V.</b>	44.00%	4,745	4,379	DELOITTE MÉXICO
San Luis Potosí (MEXICO) <b>Orasqualia Devel. Waste Treatment Plant S.A.E.</b>	45.00%	20,149	16,813	DELOITTE SL
2112 South Tower – El Cairo (EGYPT) <b>Orasqualia Construction, S.A.E.</b>	50.00%	(168)	1,306	KPMG
2112 South Tower – El Cairo (EGYPT) <b>Orasqualia Operation and Maintenance, S.A.E.</b>	50.00%	855	496	DELOITTE SL
Nile City Towers – El Cairo - EGYPT <b>HA Proyectos Especiales Hidraulicos S.R.L. de CV</b>	50.00%	283	327	GRANT THORNTON SC
Neuquén – MEXICO CITY <b>Nueva Sociedad de Aguas de Ibiza, S.A.</b>	40.00%	85	66	-
C/Bartolomé Rosselló, 18 - (IBIZA) <b>Proveïments d'Aigua, S.A.</b>	15.12%	331	315	ANTONI RIERA ECONOMISTES AUDITORS
Asturias, 13 - GIRONA <b>Sera.Q.A. Duitama, S.A.</b>	30.60%	51	56	-
(COLOMBIA) <b>Shariket Tahlya Miyah Mostaganem</b>	25.50%	28,482	24,841	MUSTAPHA HEDDAD
Cité Abdoni Ilot, 36 – Dar el Beida (ALGERIA) <b>Shariket Miyeh Ras Djinet</b>	25.50%	11,063	9,872	MUSTAPHA HEDDAD
Cité Abdoni Ilot, 36 – Dar el Beida (ALGERIA) <b>Suministro de aguas de Querétaro, S.A. de C.V.</b>	25.00%	437	423	DELOITTE MEXICO
Santiago de Querétaro – Querétaro Arteaga (MEXICO) <b>Aguas Municipais de Arteixo, S.A.</b>	51.00%	61	7	-
Pza. Alcalde Ramón Dopico – Arteixo (LA CORUÑA) <b>Prestadora de Servicios Acueducto El Realito SACV</b>	24.50%	2	2	-
Bvd. Manuel Avila Camacho, 36. MIGUEL HIDALGO (MEXICO)				
<b>Total</b>		<b>78,256</b>	<b>66,345</b>	

**APPENDIX IV**
**FCC AQUALIA AND SUBSIDIARIES (CONSOLIDATED GROUP)  
TEMPORARY JOINT VENTURES**

NAME	PARTICIPANTS	GROUP INTERESTS %
UTE Abastecimiento Villalón	FCC Aqualia, S.A. – FCC Construcción, S.A.	80%
UTE Abastecimiento Zaragoza	FCC Aqualia, S.A. – Ingeniería de Instrumentación y Control, S.A.	70%
UTE Actuación 11 Teruel	Aqualia Infraestructuras, S.A. – ATECMA	50%
UTE Agnita Eptisa - aisa	Aqualia Infraestructuras S.A - EPTISA	50%
UTE Agua Santo Domingo	FCC Aqualia, S.A. - Agua y energía	70%
UTE Aguas de Alcalá	FCC Aqualia, S.A. – Canal de Isabel II – SUFI, S.A.	50.00%
UTE Aguas del Doramás	FCC Aqualia, S.A. – Eicoh Explot. S.L. – Eléct. Maspalomas, S.A.	50%
UTE Aguas Tomelloso	FCC Aqualia, S.A. - FCC, S.A.	80%
UTE Aigües de Lleida	FCC Aqualia, S.A. – FCC, S.A.	100%
UTE Aigües Els Poblets	FCC Aqualia, S.A. – HIDROSAL	95%
UTE Ampliación EDAR Girona	Aqualia Infraestructuras, S.A. – FCC Construcción, S.A. Isolux	33%
UTE Ampliación EDAR Lleida	Aqualia Infraestructuras, S.A. – FCC Construcción, S.A.	50%
UTE Ampliación IDAM Sant Antoni	FCC Aqualia, S.A. – Infilco, S.A.	50%
UTE Ampliación ITAM Delta de la Tordera	Aqualia Infraestructuras, S.A. - FCC Construcción, S.A.	33.34%
UTE Aqualbal	FCC Aqualia, S.A. – Aqualia Infraestructuras, S.A. – FCC, S.A.	100%
UTE aqualia Infilco	FCC Aqualia, S.A. – Infilco, S.A.	50%
UTE aqualia Inima (Depuración poniente almeriense)	FCC Aqualia, S.A. – Inima, S.A.	75%
UTE aqualia Intagua	FCC Aqualia, S.A. – Intagua.	50%
UTE aqualia Riofabar Piloña	FCC Aqualia, S.A.	100%
UTE aqualia-FCC-Myasa	FCC Aqualia, S.A. - FCC, S.A. – Myasa	74%
UTE Aseos EMT	Conservación y Sistemas, S.A. - FCC, S.A.	50%
UTE Azud Villagonzalo	FCC Aqualia, S.A. – FCC, S.A.	80%
UTE Bombeo Valmojado	FCC Aqualia, S.A. – FCC, S.A.	80%
UTE Bypass Sur	Conservación y Sistemas, S.A. – SICE, S.A.	50%
UTE C-17 Servei	Conservación y Sistemas, S.A. – ETRA CATALUÑA, S.A.	50%
UTE Camí Sa Vorera	FCC Aqualia, S.A. – FCC, S. A.	80%
UTE Cangas	FCC Aqualia, S.A. - FCC, S.A.	50%
UTE Cap Djinet	Aqualia Infraestructuras, S.A. – Inima	50%
UTE CC. Clot Arago	Conservación y Sistemas, S.A. – APLEIN INGENIEROS	60%
UTE Centro Deportivo Denia	FCC Aqualia, S.A.	100%
UTE Centro Deportivo Granadilla de Abona	FCC Aqualia, S.A. – FCC, S.A.	80%
UTE Colectores A Guarda 2012	FCC Aqualia, S.A. – DEMAIN, S.L.	50%
UTE Conducción el Viso y Depósitos	FCC Aqualia, S.A. – Juan Nicolás Gómez e Hijos, S.A.	70%
UTE Conexión Parraces Arévalo	FCC Aqualia, S.A. – Sociedad Española Aguas Filtradas, S.A.	100%
UTE Conservación Alcorcón	Conservación y Sistemas, S.A. - FCC, S.A.	50%
UTE Conservación de Galerías	Conservación y Sistemas, S.A. - FCC, S.A.	50%

**FCC AQUALIA AND SUBSIDIARIES (CONSOLIDATED GROUP)  
TEMPORARY JOINT VENTURES**

NAME	PARTICIPANTS	GROUP INTERESTS %
UTE Conservación Getafe	Conservación y Sistemas, S.A. -FCC, S.A.	80%
UTE Conservación y Sistemas	Conservación y Sistemas, S.A. - FCC, S.A.	40%
UTE Consorcio Louro	FCC Aqualia, S.A. – Civis Global, S.L.	70%
UTE Contenedores Mostoles	Conservación y Sistemas, S.A. - FCC, S.A.	70%
UTE Control Calidad Agua Huesca	FCC Aqualia, S.A. - Sociedad Española Aguas Filtradas, S.A.	100%
UTE Costa Tropical	FCC Aqualia, S.A. – Acciona Agua, S.A.	51%
UTE Costa Tropical II	FCC Aqualia, S.A. – Acciona Agua, S.A.	51%
UTE Costa Tropical III	FCC Aqualia, S.A. – Acciona Agua, S.A.	51%
UTE del Aeropuerto de Lanzarote	S.E. Aguas Filtradas, S.A. - Jaime e Isaac Rguez., S.A.	60%
UTE Denia	FCC Aqualia, S.A.	100%
UTE Depósito Hervencia	FCC Aqualia, S.A. – Aqualia Infraestructuras, S.A.	100%
UTE Desaladora Bajo Almanzora	FCC Aqualia, S.A. – FCC, S.A. –FCC Construcción, S.A. – aqualia infraestructuras, s.a.	30%
UTE EDAM Oeste	Aqualia Infraestructuras, s.a. – FCCCO – Transformaciones y Servicios	50%
UTE EDAM Santa Eulalia	FCC Aqualia, S.A. – Aqualia Infraestructuras, S.A.	100%
UTE EDAR A Guarda 2012	FCC Aqualia, S.A. – DEMAIN, S.L	50%
UTE EDAR A Guarda 2013	FCC Aqualia, S.A. – DEMAIN, S.L	50%
UTE EDAR Almansa	FCC Aqualia, S.A. - FCC, S.A.	95%
UTE EDAR Avila	Aqualia Infraestructuras, S.A. – Volconsa	100%
UTE EDAR Baeza	Aqualia Infraestructuras, S.A. – Explotaciones las Misiones, S.L.- Martín Casillas, S.L.	50%
UTE EDAR Chipiona	FCC Aqualia, S.A. – Sociedad Española Aguas Filtradas, S.A.	100%
UTE EDAR Ciudad Valdeluz	FCC Aqualia, S.A.	100%
UTE EDAR Cuerva	FCC Aqualia, S.A. - FCC, S.A.	95%
UTE EDAR Gijón	Aqualia Infraestructuras, S.A. – FCCCO – Degremont, S.A.	30%
UTE EDAR La Ranilla	FCC Aqualia, S.A. – Aqualia Infraestructuras, S.A. - FCC,S.A. – FCC Construcción,SA.	50%
UTE EDAR Reinosa	FCC Aqualia, S.A. - FCC, S.A.	95%
UTE EDAR San Vicente de la Barquera	FCC Aqualia, S.A. - FCC, S.A.	95%
UTE EDAR Valdepeñas	FCC Aqualia, S.A. – Aqualia Infraestructuras, S.A. – FCC Construcción, S.A.	50%
UTE Eix-Llobregat	Conservación y Sistemas, S.A. – ISTEM, S.L.	50%
UTE Emergencia EDAR Terrasa	Aqualia Infraestructuras, S.A. – FCC Construcción, S.A.	50%
UTE Eptisa – Aqualia Infraestructuras Zimnicea	Aqualia Infraestructuras, S.A. - Eptisa	50%
UTE ETAP Las Heras	Aqualia Infraestructuras, S.A. – TECONSA	50%
UTE ETAPS Este	FCC Aqualia, S.A. – Iragaz Watin S.A.	65%
UTE Explotación ITAM Tordera	FCC Aqualia, S.A. – Acciona Agua, S.A.	50%
UTE Explotación Piscinas Vigo	FCC Aqualia, s.a – Idonea CYS, S.L:	50%
UTE Explotación Presas del Segura	FCC Aqualia, S.A. – Explotación y control	60%
UTE FS Badajoz	FCC Aqualia, S.A. – FS Colaboración y Asistencia, S.A.	100%
UTE Gestión Cangas	FCC Aqualia, S.A. – Civis Global, S.L.	70%
UTE Gestión de Fangos Menorca	FCC Aqualia, S.A. - third parties	55%

**FCC AQUALIA AND SUBSIDIARIES (CONSOLIDATED GROUP)  
TEMPORARY JOINT VENTURES**

NAME	PARTICIPANTS	GROUP INTERESTS %
UTE Gestión Piscina de Mula	FCC Aqualia, S.A. – FCC, S.A.	80%
UTE Gestión Piscinas Vigo	FCC Aqualia, S.A. – Idonea Cys, S.L.	50%
UTE Groupement Solidaire Jerba	FCC Aqualia, S.A. Aqualia Infraestructuras, S.A. – Inima, S.A.	50%
UTE Guadiana	FCC Aqualia, S.A. - FCC, S.A.	80%
UTE HIDC-HIDR-INV. Do centr ACE	FCC Aqualia, S.A. – Lena Ambiente	50%
UTE Ibiza	FCC Aqualia, S.A. – Acciona Agua, S.A.	50%
UTE IDAM Sant Antoni	FCC Aqualia, S.A. – Infilco Española, S.A.	50%
UTE IDAM Sant Antoni II	FCC Aqualia, S.A. – Infilco Española, S.A.	50%
UTE Instalaciones Madrid Este	Conservación y Sistemas, S.A. -FCC SIE- Ferrovial Servicios, S.A. - Indra Sistemas, S.A.	23.13%
UTE La Canda	Conservación y Sistemas, S.A. - FCC, S.A.	70%
UTE La Sagra	FCC Aqualia, S.A.	100%
UTE Limpieza Carril Bus	Conservación y Sistemas, S.A. - FCC, S.A.	70%
UTE Lotes A y B Fuenlabrada 2010	Conservación y Sistemas, S.A. - FCC, S.A.	50%
UTE Louro	FCC Aqualia, S.A. - Movexvial	65%
UTE Mancomunidad de Órbigo	FCC Aqualia, S.A. – FCC, S.A.	80%
UTE Mantenimiento Presas del Segura	FCC Aqualia, S.A. – Ing. De Instrumentación y Control	80%
UTE Mantenimiento Protecciones Conf. Hidro. del Tajo	FCC Aqualia, S.A. - S.E. Aguas Filtradas, S.A.	100%
UTE Mejora Abastecimiento Seseña	FCC Aqualia, S.A. – Juan Nicolás Gómez e Hijos, S.L.	50%
UTE Mérida	FCC Aqualia, S.A. - FCC, S.A.	90%
UTE Mieres Pico Seana	Aqualia Infraestructuras, S.A.	100%
UTE Molina	FCC Aqualia, S.A. - FCC, S.A.	95%
UTE Mostaganem	Aqualia Infraestructuras, S.A. – Inima	50%
UTE Nigrán	FCC Aqualia, S.A. - FCC, S.A.	90%
UTE Níjar	FCC Aqualia, S.A. – Aqualia Infraestructuras, S.A. – FCC, S.A.	80%
UTE Novelda	FCC Aqualia, S.A.	100%
UTE Obras de Alcalá	FCC Aqualia, S.A. – Sufi, S.A.	55%
UTE Oviedo	FCC Aqualia, S.A. - FCC, S.A.	95%
UTE OYM Cap Djinet	FCC Aqualia, S.A. – Inima	50%
UTE OYM Mostaganem	FCC Aqualia, S.A. – Inima	50%
UTE Pavimento Zona I	Conservación y Sistemas, S.A. - FCC, S.A.	50%
UTE Potabilizadora de Els Poblets	FCC Aqualia, S.A. – Hidrosal	70%
UTE Ranilla Construcción	Aqualia Infraestructuras, S.A. – FCC Construcción, S.A. – CODESA	42.50%
UTE Redes CABB	FCC Aqualia, S.A. – Iragaz Watin S.A.	65%
UTE Redondela	FCC Aqualia, S.A. - FCC, S.A.	90%
UTE Reforma Plaza del cristo	FCC Aqualia, S.A. – FCC, S.A.	80%
UTE Repostado Entrevías	Conservación y Sistemas, S.A. - FCC, S.A.	50%
UTE Salamanca	FCC Aqualia, S.A. - FCC, S.A.	95%
UTE San Mateo	Aqualia Infraestructuras, S.A.	100%
UTE Saneamiento Canet y L'Almardá	FCC Aqualia, S.A. – Aqualia Infraestructuras, S.A. – FCC Construcción, S.A.	50%

**FCC AQUALIA AND SUBSIDIARIES (CONSOLIDATED GROUP)  
TEMPORARY JOINT VENTURES**

NAME	PARTICIPANTS	GROUP INTERESTS %
UTE Santomera	FCC Aqualia, S.A. - FCC, S.A.	40%
UTE SCC Sice	Conservación y Sistemas, S.A. - SICE	50%
UTE Sentinas	SEAFSA - Sampol	50%
UTE SGVV	Conservación y Sistemas, S.A. - ACISA	50%
UTE Simón Hernández	Conservación y Sistemas, S.A. - FCC, S.A.	50%
UTE Sistema Integral Alacantí Sur	Aqualia Infraestructuras, S.A. - FCC Construcción, S.A. - third parties	33%
UTE Tablada	FCC Aqualia, S.A. - FCC, S.A.	80%
UTE Terciario Quart Benagert	Aqualia Infraestructuras, S.A. - FCC Construcción, S.A.	50%
UTE Tunel Puerto Algeciras	Conservación y Sistemas, S.A. - FCC, S.A.	70%
UTE Ussa A	FCC Aqualia, S.A. - Iragaz Watin S.A.	65%
UTE Vigo	FCC Aqualia, S.A. - FCC, S.A.	50%
UTE Vigo Piscinas	FCC Aqualia, S.A. - Idonea CYS, S.L.	50%
UTE Villalón de Campos	FCC Aqualia, S.A. - FCC, S.A.	80%

## APPENDIX V

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

#### CHANGES IN THE SCOPE OF CONSOLIDATION

### 2014

#### FCC AQUALIA AND SUBSIDIARIES (CONSOLIDATED GROUP)

#### ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (CONSOLIDATED BY PROPORTIONATE METHOD)

NAME	ADDRESS	GROUP INTERESTS %
<b>A) Full Consolidation additions</b>		
Agua de Alcázar Empresa Mixta, S.A.	SPAIN	52.38%
Empresa Gestora de Aguas Linenses, S.L.	SPAIN	100.00%
Agua de las Galeras, S.L.	SPAIN	100.00%
<b>B) Removed from full consolidation</b>		
Chemipur Químicos, S.L.	SPAIN	100.00%
Conservación de Infraestructuras Urbanas, S.A.	SPAIN	100.00%
Nilo Medioambiente, S.L.	SPAIN	100.00%
<b>C/ Change from equity to proportionate method</b>		
AIE Costa Tropical de Granada	SPAIN	51.00%
AIE ITAM Delta de la Tordera	SPAIN	50.00%
AIE Aquagest Medioambiente, S.A. - Aqualia	SPAIN	37.50%
Empresa mixta Abastament en Alta Costa Brava, S.A.	SPAIN	26.00%
Gestión de Servicios Hidráulicos de Ciudad Real AIE	SPAIN	75.00%
Empresa Mixta de Aguas y Servicios, S.A.	SPAIN	41.25%
Empresa Mixta d'Aigües de la Costa Brava, S.A.	SPAIN	25.00%
AIE Costa Brava Abastecimientos Aqualia-Sorea	SPAIN	50.00%
<b>C) Additions consolidated by equity method</b>		
Empresa Mixta de Aguas de Ubrique, S.A.	SPAIN	49.00%
Agua del Puerto Empresa Municipal, S.A.	SPAIN	48.98%
<b>D) Removed from equity method consolidation</b>		
Proactiva, Agua de Montería, S.A.	SPAIN	2.00%

Full consolidation or equity method additions to the scope in 2014 correspond to the establishment of companies during such period, except for Agua de Alcázar Empresa Mixta, S.A., in which FCC Aqualia, S.A. now participates as a private partner in the entity formerly known as Agua de Alcázar, S.A.

**2013**

NAME	ADDRESS	GROUP INTERESTS %
A) Full consolidation additions		
AQUAJEREZ, S.L.	SPAIN	51%
AQUACARTAYA, S.L.	SPAIN	95%
AQUALIA INFRAESTRUCTURAS MOSTAR	BOSNIA AND HERZEGOVINA	100%
CONSERVACIÓN Y SISTEMAS, S.A.	SPAIN	99.99%
B) Removed from full consolidation		
AIGÜES DE L'ALT EMPORDÀ, S.A.	SPAIN	51.40%
AUGAS MUNICIPAIS DE ARTEIXO, S.A.	SPAIN	51.00%
C) Additions consolidated by equity method		
PRESTADORA DE Sº ACUEDUCTO EL REALITO, SA DE CV	MEXICO	24.50%
AUGAS MUNICIPAIS DE ARTEIXO, S.A.	SPAIN	51.00%
D) Removed from equity method consolidation		
CONDUCCIO DEL TER, S.L.	SPAIN	48%

The full consolidation or equity method addition to the scope in 2013 corresponds to the establishment of companies during such period, except for a) Conservación y Sistemas, S.A., shares of which were acquired from CGT Corporación General de Transportes by the Parent Company on 27 November 2013 for a total of EUR 1,558 thousand, no difference whatsoever arising between this price and the value of the net assets acquired, and b) Augas Municipais de Arteixo, S.A., in which the Group ceased to exercise significant influence over the board of directors in 2013.



## **FCC AQUALIA DIRECTORS' REPORT - 2014**

### **General Framework**

In 2014, the Water Management sector continued to play a relevant role in the agendas of governments and local authorities that realise the strategic importance of a limited resource such as water. The exponential growth of the human population and its concentration in large cities, the expansion of industrial and agricultural activities and the increased awareness about the possible risks of climate change are leading numerous countries to undertake modernisation plans of their water infrastructures and the management and operation systems thereof, with the fundamental aim of increasing their efficiency and capacity. Within this general framework at the international level, the business opportunities for companies specialising in end-to-end water management will certainly expand although it is likely that the currently customary participation models will see changes.

The contribution of private companies in achieving universal access to water, established as a Millennium Goal by the United Nations, will surely be important, not only because of their technology and management capacities but also because of their ability to attract financing to develop new infrastructures and maintain the existing ones. This goal, in accordance with the definition set forth by the UN, requires governments to seek solutions to facilitate access to water for everyone, which must contribute toward economical maintenance of the service in accordance with the conditions established by each country.

In recent years, the preference for end-to-end water management concession models by government departments responsible for water management has waned, with public-private participation models under a BOT system becoming more prevalent for the construction of new infrastructures. In countries with sufficient budget capacity, new infrastructure construction continues to take place under construction contracts and new methods for contracting operation and maintenance services are arising based on the specific characteristics of each public administration.

The number of competitors at both a domestic and an international level is not very high, and therefore public tender processes for operation and maintenance services and for BOT and concession systems rarely have more than five bidders. FCC Aqualia's highly integrated range of services allows the group to easily adapt to the different contracting types put forth by the public administrations. Its position as the sixth operator worldwide and third amongst private capital companies, according to the GWI ranking, enables it to compete on equal standing in any international tender within a market that continues to follow the lead of the two major French operators.

Besides the public administration as a benchmark customer, private industrial companies, especially in the mining, petroleum and gas sectors, are taking shape to become potentially major customers for water operators, particularly those that have the technological capacity to handle complex treatment procedures required by water used in production processes.

## Domestic market

In 2014, for the first time since the financial crisis hit, the domestic market has experienced a stabilisation in water revenues, which had seen sustained shrinkage in recent years.

However, throughout the year this change in trend was accompanied by strong social protests against the privatisation of public water management services. Thus, in the end, FCC Aqualia was finally awarded projects such as those in Alcázar de San Juan (Ciudad Real) and El Puerto de Santa María (Cádiz), but not without enduring notorious protests from certain sectors of the public opinion.

Furthermore, neither the national administration nor regional and municipal authorities are offering tenders for water infrastructure investment projects which, compounded by the pre-election period, means that 2014 was not a year of significant domestic tender procedures. In this regard, forecasts for 2015 show that this lack of public tenders will become exacerbated. On the other hand, the actions taken by the national government with the aim of establishing a fast and efficient regulatory framework for this sector are worth highlighting. The Ministry of Agriculture, Foodstuffs and the Environment submitted the first draft of the Water Sector Law Bill for assessment by all the parties involved. Meanwhile, parliamentary procedures continue regarding the law on de-indexation of the economy and Parliament is also working on the amendment draft of the General Regulation of the Public Administration Contract Law, which will affect the sector as regards the solvency levels required of bidders and the lack of requirement for classification for service contracts.

These regulatory measures are expected to foster private water management in Spain, an activity that shows increasing levels of technology, accompanied by excellent quality service, aimed at ensuring a supply of clean and healthy water for human use, thus protecting individuals' health. Recognition of this is the recent publication in late 2014 by the Spanish Consumer and User Organisation (OCU in Spanish) of an independent study on drinking water supply quality in a total of 62 Spanish cities, nine of which were managed by FCC Aqualia. In its report, the OCU classified the water supplied as "Very Good" and "Good".

## International market

Within the international sphere, FCC Aqualia is focusing its commercial activities in Europe, North Africa, the Middle East, India, North America and Latin America and there are currently contracts underway in Portugal, Italy, the Czech Republic, Serbia, Bosnia, Montenegro, Kosovo, Poland, Algeria, Tunisia, Egypt, Saudi Arabia, Abu Dhabi, Qatar, India, Mexico, Uruguay and Chile.

In 2014, new directives on public contracting were published in the European Union, placing special emphasis on the award of concession contracts to entities that operate in the water sector, and the contents of these directives must be transposed into the legislation of the different Member States by March 2016. Furthermore, a citizens' initiative called Right2Water arose, which reached the European Parliament, claiming public ownership of water management.

Up to now, the declarations by EU agencies have not affected the capacity for private companies to participate in water management, the decision as to the choice of the most appropriate management formulas for each Member State's specific needs being left to the States themselves. At any rate, this situation of general changes in the regulatory

framework is generating difficulties, perhaps just temporary ones, in the promotion of concession agreements for municipal services, usually contracts for work or operation and maintenance services.

In Italy, the recent modification of the legislative framework, with the appearance of a new national regulator, may generate new, interesting opportunities in the future for public-private collaboration with the local and regional authorities.

In Portugal, the application of the EU recommendations related to the financial bail-out may give rise to privatisation operations of the state-owned water company which, in FCC Aqualia's long experience as an operator in the Portuguese market, could lead to significant opportunities for growth in the coming months.

In North Africa, the most common business opportunities in the future will be public-private partnerships under the BOT system for the construction of major water treatment infrastructures with operation periods of approximately fifteen years. The performance of the contracts in place in Algeria and Egypt, despite the Arab Spring, encourage us to believe that these are stable markets from a contractual perspective.

In the Middle East, where population growth is reaching up to 8% per year in some countries and where the standards of living and service quality are on the increase, important water infrastructure projects have been announced but are progressing slowly. Here, at least in the short term, restrictions due to the drop in oil prices are not expected. In this market, operation and maintenance service contracts will also be implemented which, through the experience acquired under the contracts in Saudi Arabia and Abu Dhabi, will afford good business opportunities such as the recent contract awarded in Qatar.

In India, one of the top goals of regional governments has been to improve the water supply and sanitation systems, greatly fostering infrastructure construction and operation contracts that guarantee a constant supply. In conjunction with an important local partner, FCC Aqualia has already garnered two contracts of this kind, which will enable us to create a platform to enhance our knowledge of the country and take on projects of a greater magnitude.

In North America, FCC Aqualia aims to consolidate its position in the Mexican market, where it already carries out significant activities. In this country, the national government will be undertaking a series of actions aimed at enhancing municipal water supplies, which will surely enable the company to increase its revenues. In turn, FCC Aqualia is opening offices in the United States, as a bridgehead for its entry into a market that, in some states, has the same problems as in Spain: obsolete infrastructures, periods of drought, indebted municipal administrations that lack financing capacity and strict environmental requirements.

Finally, the possibilities for FCC Aqualia's growth in Latin America have multiplied significantly since FCC no longer holds interests in the capital of Proactiva, a subsidiary of the French operator Veolia. In the short term, Peru and Chile are the countries that offer the most opportunities, although the group is also keeping close tabs on certain infrastructures programmes in Paraguay and Panama. In this market, along with the opportunities detected in Mexico for the oil company PEMEX, the construction and operation contracts for water treatment at mining and oil & gas companies are of particular interest.

## Contracting

In the domestic market, the most significant new end-to-end management contracts awarded are as follows:

- Alcázar de San Juan (Ciudad Real), for a period of 25 years and a contract totalling EUR 122.1 million, awarded to the mixed company Aguas de Alcázar, in which FCC Aqualia has a 52.38% interest.
- La Línea de la Concepción (Cádiz), for a term of 12 years, which entails a total contract of EUR 58.8 million awarded to Empresa Gestora de Aguas Linenses, of which FCC Aqualia has a 100% interest.
- El Puerto de Santa María (Cádiz), for a period of 25 years and a contract totalling EUR 382.9 million, awarded to the mixed company APEMSA, in which FCC Aqualia has a 48.98% interest. Consolidated contracting comes to EUR 15 million.
- Ubrique (Cádiz), for a period of 25 years and a contract totalling EUR 22.6 million, awarded to the mixed company Aguas de Ubrique, in which FCC Aqualia has a 49% interest, and management is subcontracted to FCC Aqualia.
- Furthermore, FCC Aqualia, as part of a TJV in which it has a 22.8% interest, has been awarded the batch 3 integrated and energy management contract for the city of Madrid urban facilities for a period of eight years, representing a total contract of EUR 48.3 million.
- Likewise, with the purchase of an additional 12.5% of Aguas de Alcalá, FCC Aqualia now holds 50% of this TJV, the same percentage as Canal de Isabel II. The purchase entails a portfolio increase of EUR 28.2 million, given that there are another 15 left in the TJV contract.

Regarding domestic renewals and extensions, the following are of particular note:

- Salamanca, for a period of five years and a total of EUR 95.7 million;
- San Juan del Puerto (Huelva), for a period of 25 years and a total of EUR 32.5 million;
- Candelaria (Tenerife), for a total of EUR 32.2 million and a ten-year contract;
- Callosa de Segura (Alicante), for twelve years and a contract totalling EUR 18.6 million and
- Cortegana (Huelva), for another twenty-five years and a contract totalling EUR 16.4 million.

In the international market, FCC Aqualia managed to increase the number of countries in its portfolio, mainly through the award of new design and construction contracts.

- Within the European market, the recent awards in the Balkans, for the design and construction of the DWTP in Vrsac (Serbia), for a total of EUR 6.9 million, and the design and construction of the WWTP in Prizren (Kosovo), for a total of EUR 10.4 million, should be highlighted. These contracts pave the way for much larger upcoming contracts, giving FCC Aqualia an excellent position for upcoming calls for proposals.
- In North Africa, FCC Aqualia continues to expand after the award of the first contract in Tunisia for the construction of the Djerba STP, for a total of EUR 31.2 million.
- Likewise, in the Middle East the company's presence has been further consolidated after its entry in Qatar with the award of the contract for the construction and operation of the Al Dhakira WWTP through the subsidiary Aqualia MACE, in consortium with the Korean group Hyundai, in a contract for a total of EUR 300 million.
- The award of the first two service provision contracts in India, in the state of Karnataka, is of note: the first in Bidar and Vasvalyakan, and the second in Bellary, Raichur and Hospet. Between the two contracts, the water supply for more than one million residents will be managed. These awards represent entry into a very large and hard to access market.
- Furthermore, FCC Aqualia has opened offices in the United States, a market that offers excellent opportunities, in which the company expects to achieve new contracts in the short and medium terms. To this end, the legal procedures are underway to establish a company in the state of Delaware (USA) with authorised capital of USD 4.9 million. Therefore, the name of the group company Abastecimientos y Saneamientos del Norte, S.A. has been changed to FCC Aqualia América S.A. and its purpose amended so that it can act as the holder of the new company's shares.
- In Latin America, the group achieved its first contract in Chile, with the award for the construction of the Cadellara WWTP, for a total of EUR 12.7 million. Furthermore, in Mexico, where the company has a strong presence, contracts were awarded for construction of the aqueduct and electrical facilities for Minera Peñasquito, in the state of Zacatecas, for a total of EUR 21.3 million, and for PEMEX, in this case, the modernisation and restoration of the water intake on the Mezcalapa River, in Tabasco, for a total of EUR 12.8 million. Through these contracts, FCC Aqualia has bolstered its position as one of the leading private water management companies in the Latin American mining industry, which was also fostered by its participation through Aqualia Infraestructuras in the fourth Latin American Congress on Desalination and Water Reuse - Desal 2014, which was held in October in Santiago de Chile, as well as the 28th ANEAS convention held in November in Mérida (México).
- Finally, in addition to contracts directly awarded, the possibility of achieving international growth by purchasing companies is also an option. In this regard, at the end of the year a non-binding bid was submitted by GS INIMA, which is present in Spain, Mexico, the United States, Brazil and Algeria, all of which are countries included in the FCC Aqualia international development zone.

## Innovation and Technology

FCC Aqualia's innovation activities in 2014 have focused on the areas of sustainability, quality and intelligent management in accordance with its strategic planning. This year, the five projects entitled Cenit VIDA, ITACA, IISIS, SMARTIC and ALEGRIA were completed, offering the following results:

1. Mid-year, the Cenit VIDA (Integrated Algae Recovery) project came to an end. The consortium that developed the project - composed of 13 companies and 25 research institutions - received co-funding from the CDTI through the "Strategic National Consortia in Technical Research" programme. The project work has prompted a change of paradigm in filtering and has facilitated the development of another five bio-energy projects related to All-gas.
2. The ITACA project, pertaining to the Sustainability category, furthered the search for new approaches to the use of wastewater as a resource, the reduction in energy consumption and emissions and exploring alternative technologies. ITACA was developed within the INNPRONTA Programme, funded by the Centre for Industrial Technological Development (CDTI). Co-funding for ITACA was also received from the FEDER Funds.

FCC Aqualia's participation focused on researching new water filtering technologies that would, in the future, transform treatment processes into systems that are more energy self-sustainable, making use of by-products and improving the quality of the filtered water for reuse.

3. IISIS (Integrated Research on Sustainable Islands) was one of the company's major undertakings in the area of Intelligent Management. Led by FCC, S.A., FCC Aqualia played an important role in the project by heading up the tasks of "Water and Environment" and "Integration". Furthermore, in addition to the contributions by twenty-two universities and research centres, plus four companies, FCC Construcción and Cementos Portland Valderrivas' participation is of note, turning the research into an example of synergies and collaboration within the FCC Group.

The work conducted within the framework of IISIS and the progress achieved have earned us a new European project in 2014: FP7 Urban Water.

The main results of the project have led to energy savings, savings in sludge production and enhancements in operations, leak detection and several software developments. Direct investment of the project in infrastructures managed by FCC Aqualia was EUR 700,000.

4. The SMARTIC project (Real Time Water Monitoring System with Intelligent Technology) worked on water quality control from uptake to release at the DWTP, including the design and construction of several automation systems capable of conducting tests that must currently be done at laboratories.

The project received support from the FEDER INNTERCONNECTA Extremadura programme. This organisation supported the project by providing 40% co-funding.

After the work was completed, savings have been seen in operating costs at the DWTP, in addition to an increase in quality, as it is possible to adjust operations to the characteristics of the input water.

5. ALEGRIA Project. Through this project, which received support from the Feder-Innterconecta programme, the recovery of industrial effluents was studied.

By combining different lines of research underway at FCC Aqualia - the anaerobic digestion process using membrane bioreactors and growing micro-algae for other uses - the project aimed to attain bio-energy and useful products. This innovative combination could replace conventional technology used at industrial WWTPs, offering savings in operating costs, which currently come to €4/m<sup>3</sup>, in order to enhance the competitiveness and sustainability of the agrifood sector.

In 2014, work continued on another six multi-year research projects, which will continue progressing next year. In the area of Sustainability, the All-gas (micro-algae for wastewater filtration) project and the Down stream (enhanced biomass recovery) project are in progress. In the area of Quality, work continues on the Remembrane (reuse of reverse osmosis membranes) and Innova Cantabria (compact wastewater filtration plant for small populations) projects. And in the Intelligent Management area, the Smart Water- Smart Citizens project is carrying out work in an integrated manner within the framework of the Smart Santander initiative sponsored by the city council of the capital city of Cantabria.

In 2014 FCC Aqualia began seven new projects, entitled Renovagas, Regenera, FP7 Urban Water, Water JPI Motrem, Life Memory, Life Biosolware and Life CleanWater. These last three projects are part of the call for proposals in the Life 2013 programmes, in which just 125 projects were accepted out of a total of 961 proposals. The scope of the different projects is as follows:

1. Renovagas “Renewable Natural Gas Generation Process” is a project funded by the Ministry for the Economy and Competitiveness (MINECO). The goal is to develop a Synthetic Natural Gas production plant based on biogas through methanation of hydrogen obtained from renewable sources.

In addition to FCC Aqualia, CHN2, Abengoa Hidrógeno, Gas Natural, SDG, Tecnalía and the CSIC are participating in the project, under the leadership of Enagás.

2. Regenera, the goal of which is to develop a wastewater filtration system by growing micro-algae and using the biomass generated as a raw material for bio-fertilizer production. The research team is composed of Aqualia Infraestructuras, Biorizon, the University of Almería and Fundación Cajamar.
3. The Life Memory project aims to demonstrate, on an industrial prototype scale, the technical and financial feasibility of an innovative technology, an anaerobic membrane bioreactor (SAnMBR), as an alternative to traditional treatment processes. This technology enables organic matter contained in wastewater to be converted into biogas that can be used at the WWTP to generate energy in the form of heat and electricity. The benefits that the project could provide are: up to 70% reduction in energy consumption and 80% of CO<sub>2</sub> emissions, 25% less space required than a conventional 'aerobic' WWTP, a reduction in sludge production of around 50% and implementation of a protocol for the design and operation of treatment plants based on this technology.
4. Life Biosolware (Biosolar water reuse and Energy recovery), led by the French SME, Heliopur, this project has a total budget of EUR 2.3 million. The study aims to verify a new wastewater treatment system

based on biological and solar purification technology (BSP). The process allows 80% of the water to be reused, and gases and organic waste to be recovered.

5. CIP Cleanwater (Ecoproduction of HClO for safe water disinfection by innovative ion exchange membrane) is the result of the Eco-innovation 2013 call for proposals in which 59 projects were selected out of 461 proposals submitted. Led by the French SME, Ceramhyd, with a total budget of EUR 1.6 million, this project entails verifying new water disinfection technology in three applications: drinking water, desalination and reuse.
6. FP7 Urban Water. This is a project with European funding (part of the 7th Framework Programme, or FP7) composed of eleven partners from seven different countries, which will develop and validate an innovative platform based on information and communication technologies (ICT) that will enhance end-to-end water management in urban areas, which represent 17% of the water consumed in Europe.

Spanning three years and costing almost EUR 5 million, the project focuses on developing new water demand prediction and consumption interpretation solutions to enhance water management efficiency with innovative modules to estimate water availability and supply, improve billing systems and real-time data processing, leak detection and decision-making, among other features.

7. Water JPI Motrem. The Motrem project endeavours to provide new technologies for water treatment and/or enhance existing ones by developing integrated processes for emerging contaminant (EC) control and treatment in the current municipal wastewater treatment plant streams, placing special emphasis on water reuse. To this end, the project combines cross-sector, multi-disciplinary experience in the design of water treatment processes and in the engineering, analytical chemistry and eco-toxicology applied to EC to ensure not only that scientific knowledge is generated, but also that innovative commercial solutions are found for the market.

During the year, the FCC Aqualia research team has participated in numerous conferences and science events. Their work has been acknowledged at some of them:

- International Conference “**Activated Sludge – 100 years and Counting**”. The science poster submitted by Nicolás Morales, FCC Aqualia researcher in Guillarei (Pontevedra), was chosen by the jury **as the best out of 56 posters submitted**. The event, organised by the IWA (International Water Association) to commemorate the centennial of the activated sludge process, was held in Essen (Germany), from 12 to 14 June. Amongst the 200 researchers in attendance, the most important experts in filtration worldwide were present and the participants came from 35 countries around the world. The poster presented the latest advances in energy-sustainable filtration through the use of **ELAN® technology** (ELiminación Autótrofa de Nitrógeno).
- IWA World Water Congress & Exhibition, which was held in Lisbon from 21 to 26 September 2014. The project entitled “Low Cost Microalgae Harvesting Strategies for Wastewater Treatment Plants”, submitted by researcher Zouhayr Arbib, on growing high energy value micro-algae in wastewater was chosen by the participants at the congress as the best science poster.



- “Innovation – Sustainability – Web”, organised by Expansión newspaper in conjunction with Bankinter and E.ON. FCC Aqualia was given the “**Large Sustainable Company**” award for its ELAN® project. The award was handed out by José Manuel Soria, Minister of Industry, Energy and Tourism at the event, held on 27 November at the Instituto de Empresa headquarters in Madrid.

Finally, the report entitled “**ISIS Project, the design for an intelligent, self-sufficient and sustainable city**”, published in the first issue of **iAgua Magazine** was awarded the iAgua Prize for the best report of the year.

### Sustainable Management

Energy efficiency was one of the main topics in the sector in 2014, after the UN devoted World Water Day to the water-energy relationship.

By calculating its carbon footprint in 2013 in Lleida, FCC Aqualia became the first company in Spain to calculate and verify the carbon footprint of a water service provider through AENOR. In 2014 the company went a step further in this direction by studying how economic development affects water resources. Thus, in April FCC Aqualia and Fundación Botín signed an agreement to conduct a water footprint study in Cantabria.

This project will provide information about the impact of water consumption included in the goods and services produced and traded in Cantabria, a region in which the company has a predominant presence through its activities as end-to-end water manager.

This study is a pioneering initiative, given that this is the first water footprint calculation in Spain to take place as a collaborative endeavour between entities such as the Fundación Botín Water Observatory and FCC Aqualia.

New facilities have been certified for Energy Efficiency in 2014, such as the Aranda de Duero (Burgos) treatment plant and the Centro Deportivo Santi Cazorla, in Llanera (Asturias). Furthermore, in addition to calculating the carbon footprint, the Lleida service was certified in this area, as the first service to accomplish this distinction.

Regarding energy efficiency, latest generation systems were also implemented for the optimisation of energy consumption at WWTPs. Thus, at the plants in Medina del Campo (Valladolid) and Reinosa (Cantabria) an innovative system developed by the University of the Basque Country in collaboration with FCC Aqualia has been installed for automatic aeration control and at the Lleida WWTP an intelligent management system for the entire treatment process was installed. Based on the outcome observed, FCC Aqualia will assess whether it is appropriate to implement them in the other WWTPs it manages.

The FCC Aqualia CSR Report was published for the eighth time in 2014. This document makes the company one of the first organisations to obtain the Materiality Matters seal, given that it was prepared and verified in accordance with the G4 Guidelines issued by the Global Reporting Initiative (GRI). The report, published in Spanish, English and Portuguese, is divided into five sections: The Company, Clients, Staff, the Environment and Society.

In turn, the company held the twelfth International Children's Contest for 3rd and 4th year primary school students from the towns where it provides service in Spain and Portugal. Under the motto, "Water needs heroes like you", the contest called upon children to reflect on the importance of using water responsibly and effectively.

The use of the internet to implement the contest was new this year, taking advantage of the benefits offered by new technologies and optimising the resources used in the event itself. The contest received more than 30,000 visits and one

million page visits on the microsite. The contents, available in Spanish, Portuguese, Catalan and Galician, were shared more than 3,000 times over the social networks and generated more than 300,000 positive impacts, given the educational and entertaining nature of the tool.

### **Human Resources Management**

At FCC Aqualia, gender equality policies are applied, such as the First Mentoring Programme for Women, aimed at fostering female talent within the organisation and facilitating careers for women who show potential within the company. In recognition of these efforts, the Ministry of Health, Social Policy and Equality has extended its "Equality in Business" Distinction to FCC Aqualia for three years. By granting this renewal, the Ministry of Health, Social Services and Equality acknowledges and supports the company's commitment to diversity and equal opportunities for men and women. All the activities done in support of equal opportunities for men and women, as well as awareness campaigns and job placements for women who are victims of gender violence should be noted.

Furthermore, diverse programmes were implemented in 2014 with the aim of transforming FCC Aqualia's leadership style into a more participative, developmental, talent-fostering management model that strengthens team bonding and is backed by a common language shared by all. These programmes include the Otto Walter programme, which is aimed at middle managers and is intended to foster the development of competence and strategic skills to improve leadership and person management.

Within the topic of awareness raising, as part of FCC Aqualia's CSR policy, in 2014 the company collaborated with the new Deputy Chancellor's Office for Cooperation and Volunteering of Rey Juan Carlos University in its new awareness and information campaign on the importance of human rights in today's society. These are dialogue-discussions in which highly renowned experts participate in explaining and debating the main issues present in the field of Human Rights, as well as the obstacles that prevent their fulfilment and new challenges currently coming up.

The events held include the presentation of the guidelines for the National Business and Human Rights Plan drawn up by social, financial and state stakeholders, which, at this time, is pending approval. The Ministry of Foreign Affairs was given the task of presenting the strategic lines in the document and representatives of well-known NGOs explained the most relevant projects in human rights training, especially those linked to higher education institutions, such as Rey Juan Carlos University.

The second meeting consisted of a debate forum in which CSR managers from diverse companies, including FCC Aqualia, participated. They spoke about their Human Rights actions and reflected on the importance that such actions have within the business sphere in general and at their organisations in particular.

### **Occupational Health and Safety**

In 2014, the frequency rate showed a slight rebound, the severity rate dropped significantly, coming to record low levels, and the rate of absences due to illness reached the target levels set forth in the annual plan. These accident rates confirm the positive trends in recent years and place FCC Aqualia amongst the lowest levels for companies within its sector.

During 2014, FCC Aqualia organised different workshops and work groups aimed at improving the culture of prevention amongst all its employees, gauging the perception of members of the company on the importance of health and safety, in order to detect possibilities for improvement and to define and implement an action plan.

Among other measures, activities and initiatives were organised in fulfilment of the FCC Aqualia Letter on Occupational Health, which as approved by the main labour unions and company management.

### **Customer Management**

In 2014, FCC Aqualia maintained its customer service 24 hours a day, 365 days a year, through the Customer Service Centre (Aqualia Contact), which makes it possible to reduce the response time to leakage issues in the distribution networks to a minimum, with the subsequent savings in water. The short time that customers wait when reporting a leak (38 seconds) makes it possible to implement a fast and effective protocol for action in order to solve any type of incident in the network, which leads to enhanced water distribution yields. Thanks to this customer service centre, the rate of customer complaints is less than one per one thousand, and 900,000 calls are answered per year with assistance given in 5 languages (Galician, Catalan, English, German and French).

Customer management through interactive communication channels. The company currently has a corporate website available in 5 languages, which offers general information about the company, and several local websites for certain towns in which FCC Aqualia provides services, offering more specific local and customised information about the company's presence in the relevant towns. Furthermore, through both the corporate and local FCC Aqualia websites access is offered to the virtual office, aqualiaOnline, through which users can perform the main procedures related to service.

The aqualia contact and aqualiaOnline channels have been certified under UNE- ISO 27001 "Information Security Management Systems" since 2011, meeting the security targets set and guaranteeing the security commitment regarding our customers' data, as well as the integrity, availability and confidentiality thereof.

The results of the institutional customer satisfaction surveys show a very good opinion overall, slightly higher than the outcome in the previous survey. The results of the end client satisfaction survey show a slight drop in the assessment compared to the prior survey, probably influenced by the prolonged financial situation in the country, with users showing a more positive opinion than in relation to other services such as electricity, gas or telephone services.

### **Treasury Shares**

The Company has not conducted any transactions involving treasury shares during the year.

### **Financial derivatives**

The Company has not conducted any transactions with financial derivatives during the year.

**Main financial figures for the Group:**

(thousands of euros)	Change			
	2014	2013	Absolute	%
Revenue	909,976	877,809	32,167	4%
Gross profit from operations	195,320	180,695	14,625	8%
% gross margin	21%	21%	-	-
Net profit from operations	117,287	107,165	10,122	9%
% net margin	13%	12%	1%	6%
Profit Before Tax	83,257	84,143	(886)	-1%
Profit attributed to parent company	62,529	54,313	8,216	15%
Portfolio of works and services	14,852,009	14,321,051	530,958	4%
Investments	103,188	119,675	(16,487)	-14%
Net debt	324,406	381,528	(57,122)	-15%
Equity attributed to the parent company	727,258	664,034	63,224	10%
Dividend per share (euros)	0.00	0.00	0.00	-
Earnings per share attributed to parent company (euros)	0.43	0.37	0.06	16%

**1. REVENUE**

Changes in revenue are as follows:

REVENUE PER GEOGRAPHIC AREA	2014	2013	% CHANGE
Domestic	728,167	682,033	6.76%
% of total	80%	78%	
International	181,809	195,776	-7.13%
% of total	20%	22%	
<b>REVENUE</b>	<b>909,976</b>	<b>877,809</b>	<b>4%</b>

**2. INVESTMENTS**

Investments paid during the two periods are broken down as follows:

	2014	2013	% Change
Property, plant and equipment	20,005	21,221	-5.70%
Intangible assets	59,120	80,041	-26.10%
Ownership interests and other non-current financial assets	24,063	18,413	30.70%
<b>TOTAL INVESTMENTS</b>	<b>103,188</b>	<b>119,675</b>	<b>-14%</b>

### 3. NET DEBT

	2014	2013	% Change
Obligations (loans)	72,573	73,195	-1%
Bank Borrowings	148,287	302,384	-51%
Other interest-earning financial debt	480,707	199,241	141%
Cash on hand and current financial assets	(377,161)	(193,292)	95%
<b>TOTAL NET DEBT</b>	<b>324,406</b>	<b>381,528</b>	<b>-15%</b>

### 4. OTHER ISSUES

The main risks that affect the Group are the contracting, implementation and quality risk, within the scope of its business activities, as mentioned in Note 1 of the attached consolidated annual report, and investment, financial and human resources risks, as well as general business risks. As the Group is a member of the FCC Group, there are risk policies in place aimed at limiting the impact of these risks on the Group's profits and the ordinary course of its business activities (see Note 22 of the attached consolidated annual report).

The Consolidated Financial Statements and Directors' Report for FCC Aqualia, S.A. and subsidiaries corresponding to the year ended 31 December 2014 were prepared by the directors of the company on 27 February 2015 and are issued on 62 sheets of duty-stamped paper printed on both sides, series 0L, numbers 9109852 to 9109913, inclusive, signed in approval on the duty-stamped sheet of paper, series 0L, number 9109914.

Chairman

Vice-Chairman

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*Mr. Eduardo González Gómez*

Member

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*Mr. Félix Parra Mediavilla*

Secretary

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*Mr. Isidoro Marbán Fernández*

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*Ms. Cristina López Barranco*