

FCC Aqualia, S.A.

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

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2018, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

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

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

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

Most Significant Audit Matters

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

Recognition of unbilled revenue in water management services

Description

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

Procedures applied in the audit

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

The method used for recognising unbilled revenue for these services and the estimates made in this connection, as well as the additional disclosures relating to the amounts to be billed for work performed under the contracts, which are accounted for in accordance with the aforementioned method, are included in Notes 2.4, 4.10 and 10.1.

Other Information: Directors' Report

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

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

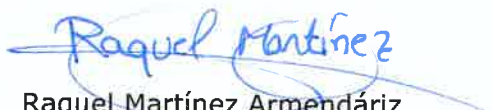
Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Raquel Martínez Armendáriz
Registered in ROAC under no. 20755

27 February 2019

Appendix I to our auditor's report

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

FCC Aqualia, S.A.

FINANCIAL STATEMENTS AND MANAGEMENT REPORT

AS OF 31 DECEMBER 2018

➤ FINANCIAL STATEMENTS

- Financial Statements
 - Balance Sheet
 - Income Statement
 - Statement of Changes in Equity
 - Cash Flow Statement
 - Notes

➤ MANAGEMENT REPORT



FCC Aqualia, S.A.

BALANCE SHEET AT 31 DECEMBER 2018 AND 2017
(Thousands of euros)

ASSETS	Explanatory Notes	FY 2018	FY 2017	NET EQUITY AND LIABILITIES	Explanatory Notes	FY 2018	FY 2017
NON CURRENT ASSETS		1,852,738	1,855,607	NET EQUITY			
Intangible fixed assets	Note 5	542,616	581,960	SHAREHOLDERS EQUITY	Note 12	481,826	365,879
Development		835	1,770	Capital		145,000	145,000
Concessions		468,187	498,104	Issued capital		145,000	145,000
Financial activation concession agreement		15,574	15,703	Share premium		79,481	79,481
Goodwill		57,934	66,211	Reserves		136,476	62,470
Other intangible fixed assets		86	172	Legal and statutory reserves		29,000	29,000
Tangible fixed assets	Note 6	27,014	22,914	Other reserves		107,476	33,470
Land and Buildings		1,484	1,470	Profit/Losses for the financial year		116,644	74,006
Technical facilities and other tangible fixed assets		24,794	20,891				
Fixed assets in progress and advances		736	553				
Long-term investments in Group and associated companies		1,159,540	1,145,941	GRANTS			
Equity instruments	Note 7.1	258,155	170,687	Grants	Note 13	4,225	4,922
Loans to Group and associated companies	Note 7.2 and 8	901,185	975,254			4,225	4,922
Long-term financial investments	Note 8	96,297	97,936				
Equity instruments		10	10	NON CURRENT LIABILITIES		1,461,996	1,462,735
Loans to third parties		77,750	80,585	Long-term provisions	Note 14	66,246	64,424
Other financial assets	Note 8.3	18,537	17,341	Long-term employee benefits		28	33
Deferred income tax assets	Note 16	27,471	6,856	Other provisions		66,218	64,391
				Long-term debts	Note 15	1,383,398	1,380,042
				Debentures and other tradable securities		1,344,204	1,343,121
				Creditors through financial leasing		-	5
				Other financial liabilities		38,994	36,916
CURRENT ASSETS		585,765	459,950				
Inventory		34,554	24,563				
Commercial		699	913	Debits with group and associated companies	Note 15.2	565	565
Raw materials and other supplies		10,267	9,699	Deferred income tax liabilities	Note 16	7,850	13,381
Advances to suppliers		23,588	13,951				
Trade and other accounts receivables		105,113	131,437	Long-term accruals/deferrals	Note 17	4,137	4,323
Customers receivables for sales and services	Note 10.1	21,492	52,793				
Clients, group and associates companies	Note 10.2	41,612	42,539				
Personnel		882	412				
Sundry debtors		15,350	12,953	CURRENT LIABILITIES		494,681	486,543
Current tax assets	Note 16	2,866	109	Short-term provisions	Note 14	7,887	7,947
Other credits with Public Authorities	Note 16	22,911	22,631	Short-term debts	Note 15	21,390	20,184
				Interest of debentures, bonds and other tradable securities		15,227	15,513
Short-term investments in group and associated companies	Note 9	97,804	90,070	Creditors through financial leasing		5	32
Loans to Group and associated companies	Note 9.1	94,659	87,360	Other financial liabilities		6,158	4,639
Other financial assets	Note 8.3	3,225	2,710	Current debts with group and associated companies	Note 15.3	129,385	130,272
Short-term financial investments	Note 9	23,215	30,342	Trade and other accounts payable		334,296	326,311
Loans to third parties	Note 9.2	15,763	17,548	Suppliers		131,921	128,668
Other financial assets	Note 8.3	7,452	12,794	Suppliers group and associated companies	Note 15.4	19,153	18,038
Short-term accruals and deferrals		1,676	146	Sundry creditors		94,680	93,816
				Personnel		2,643	2,506
Cash	Note 11	323,323	182,992	Current tax liabilities	Note 16	1,532	958
Cash		323,323	182,992	Other debts with public Authorities	Note 16	77,561	70,802
				Client advances		6,806	11,523
				Short-term accruals and deferrals		1,723	1,829
TOTAL ASSETS		2,438,503	2,315,157	TOTAL NET EQUITY AND LIABILITIES		2,438,503	2,315,157

Notes 1 to 25 of the attached report are an integral part of the Annual Accounts corresponding to financial year 2018



FCC Aqualia, S.A.

**PROFIT AND LOSS ACCOUNT CORRESPONDING TO FINANCIAL YEARS
CLOSED ON 31 DECEMBER 2018 AND 2017**
(Thousands of euros)

	Explanatory Notes	FY 2018	FY 2017
ONGOING OPERATIONS			
Net turnover	Note 19.1	717.852	703.597
Sales		717.852	703.597
Changes in stocks of finished goods and in the process of manufacture		(8)	(44)
Work performed by the company for its assets		2.181	3.869
Supplies	Note 19.3	(252.351)	(252.918)
Goods consumed		(90.182)	(93.820)
Raw materials and other materials consumed		(86.051)	(90.956)
Work performed by other companies		(76.118)	(68.142)
Other operating income		28.051	26.392
Other operating revenues		17.061	17.416
Operating grants included in the result for the financial year	Note 13	10.990	8.976
Personnel costs		(184.787)	(179.575)
Wages, salaries and related cost		(140.004)	(135.851)
Social charges	Note 19.7	(44.783)	(43.724)
Other operating expenses		(139.110)	(142.023)
External services	Note 19.4	(127.360)	(130.303)
Taxes		(3.089)	(3.123)
Losses, impairment and changes of provision from trade operations	Note 19.11	(4.774)	(555)
Other operating expenses	Note 19.12	(3.887)	(8.042)
Depreciation of fixed assets	Notes 5 y 6	(58.636)	(59.051)
Allocation of non financial fixed assets subsidies and others	Note 13	1.645	2.398
Surplus provisions		2.745	1.426
Impairment and profit/loss through disposals of fixed assets		(151)	(2)
Profit/Losses from disposals and others		(151)	(2)
OPERATING PROFIT/LOSS		117.431	104.069
Financial income		33.137	22.221
Tradeable securities and other financial instruments		33.137	22.221
- In group and associated companies	Note 19.2	28.587	17.469
- In third parties		4.550	4.752
Financial expenses	Note 19.8	(33.287)	(26.867)
From debts with group and associated companies	Notes 15 y 19.2	(656)	(6.080)
From debts with third parties	Note 15	(32.038)	(20.059)
From provisions update		(593)	(728)
Exchange differences	Note 19.9	59	(125)
Impairment and profit/losses through disposals of financial instruments	Note 19.10	(9.147)	(1.325)
Impairments and losses		(9.147)	(1.325)
FINANCIAL PROFIT/LOSS		(9.238)	(6.096)
PROFIT BEFORE INCOME TAX		108.193	97.973
Income tax (expense)/ Income	Note 16	8.451	(23.967)
PROFIT/LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		116.644	74.006
PROFIT/LOSSES FOR THE FINANCIAL YEAR		116.644	74.006

Notes 1 to 25 of the attached report are an integral part of the Annual Accounts corresponding to financial year 2018



FCC Aqualia, S.A.

STATEMENT OF CHANGES IN THE NET EQUITY CORRESPONDING
TO FINANCIAL YEARS CLOSED ON 31 DECEMBER 2018 AND 2017
(in thousand euros)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSES CORRESPONDING TO FINANCIAL YEARS
CLOSED ON 31 DECEMBER 2018 AND 2017

	Notes to the Report	2017
A) Profit and Loss account		74.006
Revenue and expenditure directly attributed to net equity		
III. Grants		2.523
V. Tax effect		(627)
B) Total Income and expenses directly attributed to net equity		1.896
Sums transferred to the profit and loss account		
VIII. Grants	13	(2.398)
IX. Tax effect		600
C) Transfer to the profit and loss account		(1.798)
TOTAL RECOGNISED INCOME AND EXPENSES (A + B + C)		74.104
		2018
A) Profit and Loss account		116.644
Revenue and expenditure directly attributed to net equity		
III. Grants	13	715
V. Tax effect		(179)
B) Total Income and expenses directly attributed to net equity		536
Sums transferred to the profit and loss account		
VIII. Grants	13	(1.644)
IX. Tax effect		411
C) Transfer to the profit and loss account		(1.233)
TOTAL RECOGNISED INCOME AND EXPENSES (A + B + C)		115.947

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FCC Aqualia, S.A.

STATEMENT OF CHANGES IN THE NET EQUITY CORRESPONDING
TO FINANCIAL YEARS CLOSED ON 31 DECEMBER 2018 AND 2017

(in thousand euros)

B) TOTAL STATEMENT OF CHANGES IN THE NET EQUITY CORRESPONDING TO FINANCIAL YEARS CLOSED ON 31 DECEMBER 2018 AND 2017

	CAPITAL (Note 12)	SHARE PREMIUM (Note 12)	RESERVES (Note 12)	PROFIT/LOSSES FOR THE FINANCIAL YEAR	INTERIM DIVIDEND	TOTAL SHAREHOLDER'S EQUITY	GRANTS (Note 13)	TOTAL
BALANCE AT 31 DECEMBER 2016	145.000	112.019	425.088	50.085	-	732.192	4.824	737.016
I. Total recognised revenue and expenses	-	-	-	74.006	-	74.006	98	74.104
II. Transactions with shareholders or owners	-	(32.538)	(412.703)	-	-	(445.241)	-	(445.241)
2. (-) Return of issue premium	-	(32.538)	-	-	-	(32.538)	-	(32.538)
4. (-) Distribution of dividends	-	-	(413.502)	-	-	(413.502)	-	(413.502)
6. (+) Increase in equity through business combination	-	-	799	-	-	799	-	799
III. Other changes in net equity	-	-	50.085	(50.085)	-	-	-	-
BALANCE AT 31 DECEMBER 2017	145.000	79.481	62.470	74.006	-	360.957	4.922	365.879
I. Total recognised revenue and expenses	-	-	-	116.644	-	116.644	(697)	115.947
II. Transactions with shareholders or owners	-	-	-	-	-	-	-	-
III. Other changes in net equity	-	-	74.006	(74.006)	-	-	-	-
BALANCE AT 31 DECEMBER 2018	145.000	79.481	136.476	116.644	-	477.601	4.225	481.826

Notes 1 to 25 of the attached report are an integral part of the Annual Accounts corresponding to financial year 2018

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.

NOTE 1. COMPANY ACTIVITY

FCC Aqualia, S.A. (hereinafter, the Company or FCC Aqualia) is a company incorporated in Spain, in accordance with the Public Limited Liability Companies Law. It was formed in 1980 with the company name Seragua, S.A. In July 2002, it adopted the company name of Aqualia Gestión Integral del Agua, S.A. and on 2 April 2014, the agreement on the change of name was executed in a public deed and, accordingly, it became known as FCC Aqualia, S.A. Its registered office is located in Madrid.

The Company's object is the performance, both in Spain and in any other country, of the following activities:

- The provision and performance of sanitary and cleaning services of all kinds for the treatment, recycling, elimination and purification of solid or liquid waste, drinking water for supply or industrial processes, urban or industrial wastewater and of any type of works and ancillary equipment related thereto.
- The manufacture, purchase and sale, assembly, supply, representation and distribution of machinery, mechanical and electrical vehicles and equipment and of all those main devices or accessories required to treat and purify waste and water and the performance of all manner of civil engineering works related with the foregoing activities, together with the operation and marketing of patents, models, trademarks and licences.
- The construction, installation, operation, maintenance, management, repair, purchase, sale and promotion, for its own account or for the account of others, of all manner of treatment stations, plants and equipment, the recovery or elimination of waste and the purification of water and of all those facilities that treat such waste.
- The purchase and sale of treated, purified or drinkable water or water of any other type.
- The preparation, drafting and advisory services regarding of all manner of reports, studies and projects, and the provision and execution of all manner of services in relation to the aforementioned activities.
- The performance of all manner of cooperation inherent to the collection management of any of the public authorities, which do not require the exercise of authority or the safe-keeping of public funds, which were awarded by such authorities.
- The supply, piping and distribution of all manner of combustible gases, and regasification, liquefaction and storage activities. The performance, execution and conservation of all manner of works, infrastructures and facilities that are related to such activities.
- The execution and conservation of all manner of civil engineering and building works and facilities of any type, both public and private, for its own account or for the account of third parties, including the operation of sports facilities, swimming pools, sports centres and leisure and recreation centres, in general.
- The management of the integral water cycle, catchment, transportation, treatment and distribution of water, technical, administrative and IT works for customer management, reading of meters, billing, bills collection management services, conservation and maintenance of water networks and sewage systems, integral conservation and maintenance of purification plants, detection of leakages in the networks, sterilisation, disinfection, disinsectisation and deratisation at buildings, premises and in forests and gardens, sewage systems, water networks and purification plants, maintenance and repair of electrical and electronic equipment and facilities, maintenance and repair of plumbing equipment and facilities, water and gas pipes, treatment and incineration of waste, sludge and urban waste and general cleaning services.
- The performance of any activity related with the analysis and control of drinking and wastewater at the Company's laboratories and facilities.

The Company may carry out all of the aforementioned activities by itself or through ownership interests in other companies, Spanish or foreign, with the same or an analogous company object. Such ownership

interest will involve both the subscription, purchase or acquisition, by any means validated by Law, of commercial shares or securities, that grant an equity interest in the share capital or profits of such companies, and any type of association among companies. Excluded are all activities for which the law has special requirements that the Company does not meet.

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

a) The temporary joint ventures (TJV "Union Temporal de Empresas in the Spanish version") in which FCC Aqualia participates perform the same activity and are detailed below:

Temporary Joint Venture	PARTICIPANTS	LEGAL AND TAX DOMICILE	% STAKE	OPERATING FUND (thousands of euros)
UTE Agua Santo Domingo	FCC Aqualia, S.A. - Agua Energía y MSI SL	C/ San Pedro, 3. Nájera (La Rioja)	70%	-
UTE Aguas de Alcalá	FCC Aqualia, S.A. - Canal de Isabel II.	C/ Federico Salmón, 13. Madrid	50%	3
UTE Aguas del Doramás	FCC Aqualia, S.A. - Eicoh Explot. S.L. - E. Maspalomas, S.A.	C/ Bentago Semidán, 2 Gáldar (Gran Canaria)	50%	3
UTE Aigües els Poblets	FCC Aqualia, S.A. - Hidrosal, S.A.	C/ Federico Salmón, 13. Madrid	95%	-
UTE Alcantarillado Alcoy	FCC Aqualia, S.A. - FCC, S.A.	C/Balmes, 36. Barcelona	50%	8
UTE Alcantarillado Burgos	FCC Aqualia, S.A. - FCC, S.A.	C/ Fernando Dancausa S/N. Poligono industrial Gamonal-Villimar. Burgos	40%	-
UTE Alcantarillado Madrid Lote D	FCC Aqualia, S.A.	Camino Hormigueras 131. Madrid	100%	-
UTE Alkhorayef	FCC Aqualia, S.A. - Alkhorayef Water & Power	Al Riyadh C Al Yarmook C. Riyadh. Saudi Arabia.	51%	-
UTE Aqualia Infilco	FCC Aqualia, S.A. - Acciona Agua, S.A.	C/ Rez. de Arellano, 15 Madrid.	50%	3
UTE Aqualia Inima (Depuración poniente almeriense)	FCC Aqualia, S.A. - Inima, S.A.	C/ Rez. de Arellano, 15 Madrid.	75%	7
UTE Aqualia Riofábar Piloña	FCC Aqualia, S.A.	C/ Muñoz Degraín, 4-6. Oviedo	100%	6
UTE Bombeo Zona Sur	FCC Aqualia, S.A. - FCC, S.A.	Camino Hormigueras 131. Madrid	99%	-
UTE C.H. Talave	FCC Aqualia, S.A. - Soc. Española de Aguas Filtradas, S.A.	C/Balmes, 36. Barcelona	50%	3
UTE Calle Cruz	FCC Aqualia, S.A. - Const. Y O.P. Luis Vazquez e Hijos S.L.	Avda. General Luxán 2. Castuera. (Badajoz)	80%	-
UTE Cangas	FCC Aqualia, S.A. - FCC, S.A.	C/ Cantabria, s/n Vigo (Pontevedra)	99.99%	3
UTE Centro Deportivo Granadilla de Abona	FCC Aqualia, S.A. - FCC, S.A.	C/ Federico Salmón, 13. Madrid	99%	-
UTE Consorcio Louro	FCC Aqualia, S.A. - Civis Global, S.L.	C/Puerto Rico, 18-20 Of.7 Vigo (Pontevedra)	99%	6
UTE Consorcio PTAR Arraiján	FCC Aqualia, S.A. - Aqualia Intech, S.A.	C/ Nicanor Obarrio 50. Edificio Torre Global Bank. Panama	50%	-
UTE Costa Tropical	FCC Aqualia, S.A. - Acciona Agua, S.A.	C/ Nueva, 4. Motril (Granada)	51%	-
Ute Costa Tropical II	FCC Aqualia, S.A. - Acciona Agua, S.A.	C/ Nueva, 4. Motril (Granada)	51%	-
Ute Costa Tropical III	FCC Aqualia, S.A. - Acciona Agua, S.A.	C/ Nueva, 4. Motril (Granada)	51%	-
UTE Denia	FCC Aqualia, S.A.	C/ José Luis Goyoaga, 36 Erandio (Vizcaya)	100%	6
UTE EDAM Bajo Almanzora	FCC Aqualia, S.A. - Aqualia Intech, S.A. - FCC Construcción, S.A.- BEFESA	C/ Ulises, 18. Madrid	10%	1
UTE EDAM Santa Eulalia	FCC Aqualia, S.A. - Aqualia Intech, S.A.	C/ Gral. Ramirez de Madrid, 8. Madrid.	99%	3
UTE EDAR A Guarda	FCC Aqualia, S.A. - Depuración, Mantenimiento e Instalaciones, S.L.	C/Puerto Rico, 18-20 Of.7 Vigo (Pontevedra)	50%	3
UTE EDAR Albuñol	FCC Aqualia, S.A. - FCC Construcción, S.A.	C/Hilera, 10. Albuñol. Granada.	50%	3
UTE EDAR Cuerva	FCC Aqualia, S.A. - FCC, S.A.	C/ Cardenal Marcelo Spínola, 42 Madrid	95%	6
UTE EDAR La Raniilla	FCC Aqualia, S.A. - Aqualia Intech, S.A.	C/Balmes, 36. Barcelona	75%	9
UTE EDAR Reinosa	FCC Aqualia, S.A. - FCC, S.A.	C/ Federico Salmón, 13. Madrid	99%	-

Temporary Joint Venture	PARTICIPANTS	LEGAL AND TAX DOMICILE	% STAKE	OPERATING FUND (thousands of euros)
UTE EDAR San Vicente de la Barquera	FCC Aqualia, S.A. - FCC, S.A.	C/ Federico Salmón, 13. Madrid	99%	-
UTE EDAR Valdepeñas	FCC Aqualia, S.A. - Aqualia Intech, S.A. - FCC Construcción, S.A.	C/ Ulises, 18. Madrid	50%	3
UTE ETAPS Este	FCC Aqualia, S.A. - Iragaz Watin, S.A.	Pº Campo Volantín, 24-5-3 Bilbao	65%	4
UTE Explotación ITAM Tordera	FCC Aqualia, S.A. - Acciona Agua, S.A.	C/ Berlín, 38-48. Barcelona	50%	3
UTE Galindo-Beurko	FCC Construcción, S.A. - Bycam Serv.Edif e Infraestr. S.A. - FCC Aqualia, S.A.	C/ Rodríguez Arias 23-3º. Bilbao	10%	1
UTE Gestión Cangas	FCC Aqualia, S.A. - Civis Global, S.L.	C/ Puerto Rico, 18-20-of.7 Vigo (Pontevedra)	70%	4
UTE Groupement Solidaire Jerba	FCC Aqualia, S.A. - Aqualia Intech, S.A. - Inima	C/ Federico Salmón, 13. Madrid	20%	1
UTE Guadiana	FCC Aqualia, S.A. - FCC, S.A.	C/ Cardenal Marcelo Spínola, 42 Madrid	100%	-
UTE HIDR-HIDR-INV. do centr. ACE	FCC Aqualia, S.A. - Lena Ambiente-Gestao de Residuos, S.A.	Urb. Dos Plátanos-lote 2D-loja B Fregueria de Alferrarede - Concelho de Abrantes. Portugal	50%	-
UTE Ibiza	FCC Aqualia, S.A. - Acciona Agua, S.A.	C/ Berlín, 38-48. Barcelona	50%	2
UTE Idam Janubio	FCC Aqualia, S.A. - Aqualia Intech, S.A.	C/Hermano Pedro, 15. Adeje. (Santa Cruz de Tenerife)	99%	-
UTE IDAM Sant Antoni	FCC Aqualia, S.A. - Acciona Agua, S.A.	C/ Berlín, 38-48. Barcelona	50%	5
UTE IDAM Sant Antoni II	FCC Aqualia, S.A. - Acciona Agua, S.A.	C/ Berlín, 38-48. Barcelona	50%	5
Ute IDAM Santa Eulalia	FCC Aqualia, S.A. - Acciona Agua, S.A.	C/ Nápoles S/N. Santa Eulalia. Balearic Islands	50%	3
UTE Louro	FCC Aqualia, S.A. - Movex Vial, S.L.	C/ Puerto Rico, 18-20-of.7 Vigo (Pontevedra)	65%	4
UTE Mancomunidad de Órbigo	FCC Aqualia, S.A. - FCC, S.A.	C/ Federico Salmón, 13. Madrid	99%	-
UTE Mérida	FCC Aqualia, S.A. - FCC, S.A.	C/ Federico Salmón, 13. Madrid	100%	-
UTE Nigrán	FCC Aqualia, S.A. - FCC, S.A.	C/ Doctor Esquerdo, 59. Madrid	99%	6
UTE Oviedo	FCC Aqualia, S.A. - Soc. Española de Aguas Filtradas, S.A.	Plaza América, 10. Oviedo	95%	6
UTE OYM Cap Djinet	FCC Aqualia, S.A. - Inima, S.A.	C/ Ulises, 18. Madrid	50%	3
UTE OYM Mostaganem	FCC Aqualia, S.A. - Inima, S.A.	C/ Gobelas, 35-37. Madrid	50%	3
UTE Periférico Lote 3	FCC Aqualia, S.A. - FCC, S.A.	Camino Hormigueras 131. Madrid	50%	-
UTE Recirculación la Gavia	FCC Aqualia, S.A. - Aqualia Intech, S.A.	Camino Hormigueras 131. Madrid	50%	-
UTE Redes CABB	FCC Aqualia, S.A. - Iragaz Watin, S.A.	Pº Campo Volantín, 24-5-3 Bilbao	65%	4
UTE Redondela	FCC Aqualia, S.A. - FCC, S.A.	C/ Doctor Esquerdo, 59. Madrid	99.99%	6
UTE Reparaciones Lote 9	FCC Aqualia, S.A.	Camino Hormigueras 131. Madrid	100%	-
UTE Saneamiento Canet y L'Almardà	FCC Aqualia, S.A. - Aqualia Intech, S.A. - FCC Construcción, S.A.	Avda. Blasco Ibáñez, 25. Valencia	50%	1
UTE Santomera	FCC Aqualia, S.A. - FCC, S.A.	C/ Doctor Esquerdo, 59. Madrid	40%	2
UTE Sollanoko Ura	FCC Aqualia, S.A. - Iragaz Watin, S.A.	C/ Gregorio de Revilla, 27. Bilbao	50%	3
UTE TSE Riadh	FCC Aqualia, S.A. - Alkhorayef Water & Power	Al Riyadh - Assahafah - Al Imam Saud Bin Faisal Road. Riyadh. Arabia Saudi	51%	-
UTE Ussa A	FCC Aqualia, S.A. - Iragaz Watin, S.A.	Pº Campo Volantín, 24-5-3 Bilbao	65%	-
UTE Ussa A 17	FCC Aqualia, S.A. - Iragaz Watin, S.A.	Pº Campo Volantín, 24-5-3 Bilbao	65%	4
UTE Vigo	FCC Aqualia, S.A. - FCC, S.A.	C/ Federico Salmón, 13. Madrid	99.99%	28,978
UTE Vigo Piscinas	FCC Aqualia, S.A. - Idonea Cys, S.L.	C/ Puerto Rico, 18-20-of.7 Vigo (Pontevedra)	50%	3

In 2018, the following TJVs varied their percentage stake, under certain agreements modifying their participation. The effect of the change is represented in the "Change in % of TJVs" column of the tables of the notes to the financial statements.

TJV	Percentage at 31/12/2017	Percentage at 31/12/2018
EDAR La Ranilla	50%	75%
Vigo	99%	99.99%
Guadiana	80%	100%
Redondela	99%	99.99%
Mérida	99%	100%
Cangas	50%	99.99%

b) The Company also participates in Economic Interest Groupings (“Agrupación de Interés Económico in the Spanish version”), whose ownership percentages are detailed below:

- A.I.E. ITAM Delta de la Tordera. Its object is the construction and operation of a desalination plant in Gerona. Its most significant data are:

Registered office: Travesía de Gracia, 58. Barcelona.

Participants:	FCC Aqualia, S.A.	49.9%
	FCC Construcción, S.A.	0.1%
	Aqualia Intech, S.A.	0.1%
	Acciona Agua, S.A.	49.9%

- A.I.E. Gestión de Servicios Hidráulicos de Ciudad Real. This E.I.G. as an ownership interest in the company that supplies drinking water to various municipalities in the province of Ciudad Real. Its most significant data are:

Registered office: C/ Ramirez de Arellano, 15. Madrid.

Participants:	FCC Aqualia, S.A.	75.00%
	Acciona Agua, S.A.	25.00%

- A.I.E. Costa Tropical de Granada. Its main activity is the construction and operation of facilities for the treatment and purification of drinking water, and the supply thereof to municipalities that form part of the Costa Tropical de Granada Association.

Registered office: Plaza de la Aurora, s/n. Motril (Granada).

Participants:	FCC Aqualia, S.A.	51.00%
	Acciona Agua, S.A.	49.00%

- A.I.E. SOREA - Aqualia (formerly, A.I.E. Aquagest Medioambiente, S.A. – Aqualia). It has an equity interest in Empresa Mixta de Costa Brava, S.A.

Registered office: Condado de Jaruco, s/n. Lloret de Mar (Gerona)

Participants:	Aquagest Medioambiente, S.A.	62.50%
	FCC Aqualia, S.A.	37.50%

- A.I.E. Costa Brava Abastament Aqualia – Sorea. Formed on 14 October 2009, it has an equity interest in the share capital of a company that engages in wholesale water services management in the territorial area of Consorcio de la Costa Brava.

Registered office: C/ Sector Carlit, s/n. Castelló d’Empuries (Gerona)

Participants:	FCC Aqualia, S.A.	50.00%
	Sorea, S.A.	50.00%

c) Also, FCC Aqualia has equity interests in companies with similar objects and activities to its own. The detail of the Group companies and associates is presented in Note 7

The Company voluntarily presents the consolidated financial statements and management report as Parent of the group of subsidiaries, which are detailed in these Notes to the Financial Statements, under article 42.6 of the Spanish Commercial Code. It does so despite being exempt from the obligation pursuant to the applicable legislation, articles 43 of the Spanish Commercial Code and 7 of the Rules for the Preparation of the Consolidated Financial Statements of Royal Decree 1159/2010 of 17 September, since it is a subsidiary of the FCC Group, whose parent is Fomento de Construcciones y Contratas, S.A., with registered office at c/ Balmes, 36, Barcelona 08007, Spain, and whose shares have been admitted for official trading on the four Spanish stock markets (Madrid, Barcelona, Bilbao and Valencia). The consolidated financial statements and management report of Fomento de Construcciones y Contratas, S.A. are filed in the Barcelona Mercantile Register.

The Company's consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS-EU), set forth by Regulation (EC) No. 1606/2002 of the European Parliament and of the Council on 19 July 2002, and by all their enacting provisions and

interpretations. The Company's consolidated financial statements for 2018 were prepared by its directors and will also be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes.

The Company's consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union, have a volume of assets amounting to 2,973,893 thousand euros (2,907,621 thousand euros at 31 December 2017) and equity attributable to the Company's shareholders of 498,807 thousand euros (430,515 thousand euros at 31 December 2017). Likewise, consolidated sales and attributable profit amounted to 1,106,112 thousand euros and 127,033 thousand euros (1,035,210 thousand euros and 92,133 thousand euros at 31 December 2017).

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1. Financial reporting standards framework applicable to the Company.

These financial statements have been authorised for issue by the directors in accordance with the financial reporting regulatory framework applicable to the Company, as set out in:

- The Spanish Commercial Code and other mercantile legislation.
- The Spanish National Chart of Accounts, approved by Royal Decree 1514/2007 and amended by Royal Decree 602/2016 and its sectorial adaptations and, in particular, the Sectorial Adaptation of the National Chart of Accounts to public infrastructure concessionaires, approved by order EHA/3362/2010.
- The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the PGC and its supplementary rules.
- All other applicable Spanish accounting legislation.

2.2. Fair presentation.

The financial statements were obtained from the Company's accounting records and are presented in accordance with the applicable financial reporting standards framework, especially with the accounting principles and criteria contained therein and, accordingly, present fairly the Company's equity, financial position, results of operations and cash flows for the year.

These financial statements were prepared by the Company's directors for approval at the General Shareholders' Meeting and are expected to be approved without any modification. The 2017 financial statements were approved by the shareholders at the Annual General Meeting held on 16 April 2018.

The balance sheets, income statements and cash flow statements of the joint ventures in which the Company participates were incorporated by the proportional consolidation method, based on the percentage of ownership in each of them.

The temporary joint ventures were included once adjustments were made to unify the accounting period and the valuation methods, together with the reconciliations and reclassifications required and the appropriate eliminations, both of the asset and liability balances and of the reciprocal income and expenses. In the notes to the financial statements, the disclosure of the amounts of the TJV has been included if relevant.

Furthermore, the Company includes in its financial statements, the earnings of the Economic Interest Groupings in which it has a stake, under the sub-account "Income from equity investments" under "Net Turnover" in the accompanying income statement (see Note 19.1).

2.3. Non-obligatory accounting principles applied

No non-mandatory accounting policies have been applied. Also, the directors prepared these financial statements taking into consideration all the mandatory accounting principles and standards that have a material impact on these financial statements, that is, no mandatory accounting principles have not been applied.

2.4. Critical issues regarding the measurement

In the preparation of the accompanying financial statements, the Company's directors made estimates based on historical experience and other factors that are considered to be reasonable in light of the prevailing circumstances and form the basis for measuring some of the assets, liabilities, revenues, expenses and commitments recognised therein. The Company reviews its estimates on an on-going basis. These estimates relate basically to the following:

- Assessment of potential losses due to the impairment of certain assets (see Notes 5, 6, 7, 8 and 9).
- The useful life of property, plant and equipment and intangible assets (Notes 5 and 6).
- The calculation of certain provisions (see Note 14).
- The recognition and recoverability of deferred tax assets (see Note 16).
- The estimate of the exchange rate, interest rate, solvency and liquidity risk (see Note 23).
- The Company's taxable profit to be reported to the tax authorities in the future, which has served as the basis for recognising the various income tax-related balances in these financial statements (see Note 16).
- The percentage of completion of construction activities (see Note 4.10).
- Estimate of the consumption of cubic meters supplied to subscribers between the dates of the last meter reading and the reporting close (see Note 4.10)
- The fair value of certain financial assets including Group companies (see Note 4.5.1)

Although these estimates were made on the basis of the best information available at year-end 2018, future events may make it necessary to change these estimates in subsequent reporting periods. Any changes in accounting estimates are recognised prospectively.

2.5. Comparison of information

The 2018 figures for each item in the balance sheet, income statement, statement of changes in equity, statement of cash flows and notes to the financial statements are presented for comparison purposes with the figures for 2017, which formed part of the 2017 financial statements.

The same accounting principles were applied in 2018 as in 2017. Accordingly, there are no operations or transactions using different accounting principles that could cause any inconsistency in the interpretation of the comparative figures for the two periods.

2.6. Grouping of items

Certain items in the balance sheet, income statement, statement of changes in equity and statement of cash flows are grouped together in order to facilitate comprehension. However, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

2.7. Correction of errors

In 2018, there were no significant changes in the accounting policies and standards applied by the Company with respect to those applied in 2017.

No significant errors in the preparation of these financial statements were detected that required the figures disclosed in the 2017 financial statements to be restated.

NOTE 3. DISTRIBUTION OF PROFIT

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

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

NOTE 4. RECOGNITION AND MEASUREMENT BASES

The main recognition and measurement bases used by the Company when preparing its 2018 financial statements, in accordance with the accounting policies and standards set out in the Spanish Commercial Code, which are implemented in the Spanish General Chart of Accounts, in addition to other company law in effect at the reporting date, were as follows:

4.1. Intangible assets

As a general rule, intangible assets are initially carried at acquisition price or production cost and subsequently at cost less any accumulated amortisation and any accumulated impairment losses.

a) Intangible assets under concession arrangements.

The concession contracts are arrangements between a public sector grantor and the Company to provide public services for the distribution of drinking water, the construction and operation of hydraulic infrastructure and others. Revenue from providing the service may be received directly from the users or, sometimes, through the concession grantor itself, which regulates the prices for providing the service.

The concession right generally means that the concession operator has an exclusive right to provide the service under the concession for a given period of time, after which the infrastructure assigned to the concession required to provide the service is returned to the concession grantor, generally with no consideration. Concession contracts are required to provide for the management or operation of the infrastructure. Likewise, a common characteristic is the existence of obligations to acquire or build all the items required to provide the concession service over the contract term.

The aforementioned concession arrangements are recognised pursuant to Order EHA/3362/2010 of 23 December, approving the rules for adapting the Spanish General Chart of Accounts to public infrastructure concessionaires.

The Company recognises all the infrastructures built, improved or acquired by it as concessionaire to provide a public service linked to a concession contract under "Intangible assets under concession arrangements". Intangible assets are recognised in those cases in which, pursuant to the rule mentioned, the Company is entitled to charge rates to the users of the public service, based on the use that they make of such service, with the concessionaire thereby assuming the demand risk. The fact that the granting entity controls the physical use that should be made of such infrastructure, the way in which the service is provided and its price leads to such infrastructure being recognised as an intangible asset and not as property, plant and equipment.

It is initially measured at the fair value of the service provided, equivalent to the acquisition or production cost, plus the construction margin of the infrastructure, recovering such value over the arrangement term, through the entitlement to collect the related rates, based on the degree of use of such infrastructure, from service users.

Provisions for dismantling, removal or rehabilitation, and any steps to improve or increase capacity, whose

revenue is envisaged in the initial contract, are also capitalised at the start of the concession and the amortisation of these assets and the adjustment for provision discounting are recognised in profit or loss over the arrangement term. Also, provisions to replace and repair the infrastructure are systematically recognised in profit or loss as the obligation is incurred.

In those items of this heading that require construction periods exceeding one year, the Company capitalises any borrowing costs incurred before the assets have been made available for use and have been charged by the supplier or relate to loans or other specific-purpose or general-purpose borrowings directly attributable to the acquisition or manufacture of the assets.

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

They are amortised over the concession term on a straight-line basis, and no significant differences exist between the amount calculated in this way and that obtained based on the cubic meters of water produced in the arrangements operated by the Company.

At year-end, the indications of impairment identified in certain intangibles assets included under this heading were adjusted and the directors consider that the recoverable value of the remaining assets is greater than their carrying amount.

From the entry into service of the assets, the finance costs for the year are taken to profit and loss in proportion to the income envisaged in the Company's Economic and Financial Plan.

The proportion of projected income for each year will be calculated in line with the amount it represents with respect to total income. This proportion is applied to the total projected finance costs during the concession term, to determine the amount thereof to be allocated in each fiscal year as a finance cost for the year. If actual income for the year exceeds projected income, the proportion will be calculated between actual income and the aforementioned total projected income.

The difference between the total finance costs for the year and the finance costs allocated to the income statement are capitalised as deferred finance costs.

b) Goodwill.

Under this heading, the Company recognises the goodwill that arose in 2002 as a result of the Company's merger by absorption with various subsidiaries.

After initial recognition, goodwill is carried at acquisition cost, less any accumulated amortisation and any accumulated impairment loss allowances recognised, in line with the method mentioned in Note 4.3. Pursuant to the applicable regulations, the useful life of goodwill was set at 10 years, and it is amortised on a straight-line basis.

Furthermore, impairment is determined each year or more frequently if there are signs of a potential loss of value of the asset. To this end, the goodwill arising on the business combination referred to above is assigned to the Company as a whole, as a cash generating unit, which is that which is expected to benefit from the synergies of the combination.

Up until 31 December 2015, and in accordance with the Spanish Limited Liability Companies Law in force at that time, when distributing profit for each year, the Company had to set up a restricted reserve equivalent to the goodwill recognised on the asset side of the balance sheet, allocating an amount of profit representing at least 5% of the value of such goodwill. If no profit was reported, or if the profit reported was insufficient, unrestricted reserves had to be used for this purpose.

In accordance with the amendments made to the Spanish Limited Liability Companies Law by Audit Law 22/2015, of 20 July, for reporting periods beginning on or after 1 January 2016, the Company must interrupt contributions to this goodwill reserve, and any amount that exceeds the goodwill reported on the asset side of the balance sheet must be reclassified to voluntary reserves, and will be made available as from this year. No amount was reclassified to voluntary reserves in 2017 or in 2018.

e) Computer software.

“Computer software” includes the costs incurred in the acquisition of computer programmes, which are amortised over a maximum period of five years. Maintenance costs are recognised in the income statement for the period in which they are incurred.

d) Research and development costs.

They are initially measured at acquisition or production cost when the Company has performed research and development projects. They are recognised on an individual basis and are only capitalised when there are founded expectations of the project's technical success and economic profitability.

Such expenses are amortised on a straight-line basis over the useful life of the project and, in any case, over a maximum term of five years.

4.2. Property, plant and equipment

Items of property, plant and equipment are measured initially at acquisition or production cost when the Company has performed in-house work on its non-current assets, and are subsequently carried net of accumulated depreciation and any impairment losses, in keeping with the method set forth in Note 4.3. At year-end, none of the Company's PP&E showed any indications of impairment. As the directors consider that the recoverable value of these assets is greater than their carrying amount, no provisions have been recorded for impairment losses.

Upkeep and maintenance costs relating to property, plant and equipment are taken to the income statement in the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

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

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

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

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

4.3. Impairment of non-financial assets

The Company evaluates indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify if the carrying amount of these assets exceeds the recoverable amount, which is the higher of fair value less costs to sell and value in use.

Impairment losses are recognised in the income statement under "Impairment and losses on disposal of non-current assets".

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

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

At the end of each reporting period, the Company determines whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. Impairment losses relating to goodwill are not reversible. Impairment losses on the remaining assets are reversed only if there is a change in the estimates used to determine the recoverable amount of the asset.

The reversal of an impairment loss is credited to the income statement. Nevertheless, the reversal of a loss may not increase the carrying amount of the asset above the carrying amount that it would have had, net of amortisation, had the impairment not been recognised.

Once the valuation adjustment for impairment or reversal thereof has been recognised, amortisation/depreciation charges for the subsequent years are adjusted in accordance with the new carrying amount.

Nevertheless, if the specific circumstances of the assets make clear that there is an irreversible loss, it is recognised directly in the income statement, under losses on non-current assets.

4.4. Leases

Leases are classified as finance leases whenever their terms imply that substantially all the risks and rewards incidental to ownership of the leased asset have been transferred to the lessee. At 31 December 2018, the Company had signed an agreement of this type, and the directors did not consider that such fact would have a significant impact on the Company's accompanying financial statements.

Operating leases

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

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

4.5. Financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument, in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument.

4.5.1 Financial assets

Classification

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

- Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which did not arise from the ordinary course of business but are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.
- Investments in Group companies, associates and jointly controlled entities: Group companies are considered to be those over which the Company has control, while associates are those in which the Company exercises significant influence. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other venturers.
- Financial assets held for trading: assets acquired for the purpose of sale in the short term or that form part of a portfolio for which there is evidence of a recent pattern of transactions having that same purpose.

Initial recognition

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

From 1 January 2010 onwards, for equity investments in Group companies that give control over the subsidiary, the fees paid to legal advisers or other professionals involved in the acquisition are recognised directly in profit or loss.

In the concession arrangements, the consideration received by the Company will lead to the recognition of a financial asset, when it has unconditional entitlement to receive a certain amount in exchange for the services that it provides, that is, when the Company does not assume the demand risk and, therefore, its income does not depend on the use made by the users of the public service.

Subsequent measurement

- Loans, receivables and investments held to maturity are measured at amortised cost.
- Investments in Group companies, associates and jointly controlled entities are measured at cost net, where appropriate, of any accumulated impairment losses. The impairment loss is measured as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. The investee's equity is taken into consideration, corrected for any unrealised gains at the measurement date (including any goodwill), unless better evidence of the recoverable amount of the investment is available.
- Financial assets held for trading are measured at fair value through profit and loss in the income statement.
- At least at year-end date, the Company tests its financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the income statement.
- In particular, the Company calculates impairment allowances on trade and other receivables as follows:
 - The private customers with past due balances at over one year are provisioned in full.
 - The private customers with past due balances at under one year are provisioned in a percentage calculated on the basis of historical bad debts.
 - Public customers are provisioned based on a specific analysis.

4.5.2. Derecognition of financial assets.

The Company derecognises a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred, such as in the case of firm asset sales, factoring of trade receivables in which the Company does not retain any credit or interest rate risk, and sales of financial assets under repurchase agreements at fair value.

In contrast, the Company does not derecognise financial assets and recognises a financial liability for an amount equal to the consideration received in transfers of financial assets in which it retains substantially all the risks and rewards of ownership, such as the discounting of bills, recourse factoring, sales of financial assets with repo agreements at a fixed price or at a sales price plus interest or another type of guarantee that substantially absorbs all of the expected losses.

4.5.3. Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, while not having commercial substance, cannot be classed as derivative financial instruments.

Debts and payables are initially measured at the fair value of the consideration received, adjusted for directly attributable transaction costs. These financial liabilities are subsequently measured at amortised cost.

The Company derecognises financial liabilities when the obligations giving rise to them are extinguished.

4.6. Inventories

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

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

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

The Company posts impairment allowances, recognising an expense in the income statement when the purchase price or production cost of inventories exceeds the net realisable value.

4.7. Foreign currency transactions

The Company's functional currency is the euro. Consequently, transactions in other currencies are considered to be denominated in foreign currency and are translated at the exchange rates prevailing at the transaction date.

At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated to euros at the closing exchange rate. Exchange gains or losses are recognised directly in the income statement for the reporting period in which they occur.

Likewise, the financial instruments in the equity of Group companies in foreign currency, whose purchase was financed with loans in the same currency were converted at the year-end exchange rate.

4.8. Income tax

Income tax expense (tax revenue) comprises current tax expense (current tax revenue) and deferred tax expense (deferred tax revenue).

Current tax is the amount of taxes the Company pays as a result of income tax settlements for a period.

Such tax settlements take into account the permanent differences between the taxable profit and the accounting profit. Tax credits and other tax benefits, excluding tax withholdings and payments on account, and tax loss carryforwards effectively utilised in the current period, reduce the current income tax expense.

Deferred tax expense or income relates to the recognition and settlement of deferred tax assets and liabilities. These include temporary differences, measured at the amount expected to be payable or recoverable, between the carrying amounts of assets and liabilities and their tax bases, as well as unused tax losses and unused tax credits. These amounts are measured by applying to the corresponding temporary difference or tax asset the tax rate at which the asset is expected to be realised or the liability is expected to be settled.

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

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

Deferred tax assets and liabilities arising from items directly charged or credited to equity accounts are also recognised with a charge or credit, respectively, to equity.

Recognised deferred tax assets are reassessed at the end of each year-end date and the appropriate adjustments are made where there are doubts as to their future recoverability. Unrecognised deferred tax assets are also reassessed at the end of each reporting period, and are recognised to the extent it is likely they will be recovered through future tax benefits.

Deferred tax assets and liabilities are recognised in the balance sheet under non-current assets or liabilities, irrespective of the expected date of realisation or settlement.

As a result of the sale of 49% of the shares of FCC Aqualia by Fomento de Construcciones y Contratas, S.A, mentioned in Note 1, from 28 September 2018, the Company ceased to form part of the consolidation tax group 18/89 headed by FCC and taxed, in relation to income tax, in accordance with the Special Tax Consolidation System, envisaged in article 64 and subsequent of the Consolidated Legislative Royal Decree 4/2004, of 5 March.

As part of the tax group, the income tax expense of companies filing consolidated returns is determined on the basis of the following, in addition to the parameters to be considered for individual returns set out above:

- Temporary and permanent differences arising from the elimination of results on intra-group transactions, arising from the calculation of the consolidated tax base.
- Tax relief and tax credits that relate to each company belonging to the tax group under the consolidated tax return system; for these purposes, tax relief and tax credits are recognised by the company that carried out the activity or obtained the income necessary to receive entitlement to the tax relief and tax credits.
- Intercompany payables and receivables arise between Group companies relating to tax losses of Group companies that are set off by other companies of the consolidated Group. If a tax loss cannot be set off by the other companies in the consolidated Group, these tax assets for losses eligible for set off are recognised as deferred tax assets, following the methods established for their recognition, and the tax group is considered to be the taxpayer.
- The Parent recognises the total expense (refund) for consolidated income tax with a charge (credit) to accounts receivable from (payable to) Group companies and associates.
- The amount of the receivable (payable) relating to subsidiaries is recorded with a credit (charge) to accounts receivable from (payable to) Group companies and associates.

Following the aforementioned sales transactions, FCC Aqualia ceased to form part of the consolidated tax group headed by Fomento de Construcciones y Contratas. As a result of the

foregoing, the tax loss and tax credit carryforwards, together with unused temporary differences, must be reassigned to the company that generated them. Accordingly, at 31 December 2018, the Income tax expense (tax revenue) of each company belonging to the FCC Aqualia Group is calculated individually and comprises the part relating to the current tax expense (current tax revenue) and the part relating to the deferred tax expense (deferred tax revenue).

In this context, each company has revalued the deferred tax assets and liabilities in accordance with the new situation (see Note 16) and has separately posted the 2018 income tax balance payable.

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

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

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

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

4.9. Provisions and contingencies

In preparing the financial statements, the Company's directors draw a distinction between:

- Provisions: creditor balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources will be required to settle the obligation, which is uncertain as to its amount and/or timing.
- Contingent liabilities: possible obligations arising from past events, the materialisation of which will be confirmed only by the occurrence or non-occurrence of one or more future events not within the control of the Company.

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

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

4.10. Revenue and expenses

Revenue from sales is recognised when the significant risks and rewards of ownership of the goods sold have been transferred to the buyer, and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the balance sheet date provided the result of the transaction can be estimated reliably.

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

Revenue mainly comprises the following items:

- In water supply agreements, the Company recognises as income the amount corresponding to the cubic meters supplied to customers valued at the sales price. This sales price is established for each agreement, based on the rates approved by each city council, published in the Official Gazettes of the respective province. In relation to the cubic metres supplied, the Company makes frequent readings of its subscribers' consumption. At each reporting close, the Company assesses the unbilled revenue from water supplies for the recognition of "Completed output pending certification" under the "Trade receivables for sales and services" heading in current assets in the accompanying balance sheet at 31 December 2018. For quantification purposes, it takes into consideration the cubic meters consumed by each subscriber from the date of the last invoice until the date of the last meter reading performed, where appropriate. Likewise, the remaining consumption based on the available information of comparable historical periods between the dates of the last meter reading and the reporting close is estimated.

- Sale of works and services. It includes the amount corresponding to the construction works and activities performed by the Company in relation to the provision of the end-to-end water cycle in those municipalities in which it was a successful bidder. The amount of the sale is calculated by applying the percentage of completion method, which consists of valuing, at the sales price, set in the contract, the units of works completed in the period at the same time as the expenses incurred therein are accounted for. The difference between the amount of output and the amount billed up to the balance sheet date is recognised as "Completed output pending invoicing" under "Trade receivables for sales and services" or as "Work certified in advance" under "Trade and other accounts payable".

- Dividends obtained from its investments in equity instruments in Group companies and associates and interests in joint ventures. In accordance with consultation 2 of BOICAC 79 (Spanish Accounting and Audit Institute Official Gazette), it is considered that the dividends obtained from equity instruments in Group companies and associates form part of "Revenue", since share ownership is an ordinary activity for the Company.

The remaining income and expenses are also recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

4.11. Termination benefits

Under current Spanish legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken. The accompanying financial statements do not include any provision in this connection, since no situations of this nature are expected to arise.

4.12. Grants

The Company applies the following criteria when accounting for grants received:

a) Non-repayable grants:

They are recognised under Equity and are measured at the fair value of the amount or asset awarded, depending on whether they are monetary or non-monetary grants. They are then recognised as income over the same period and in the proportions in which depreciation on those subsidised assets is charged or, where appropriate, when the assets are disposed of or impaired, except for those received from equity holders or owners, which are recognised directly in shareholders' equity and are not considered to be income.

b) Grants related to income:

These grants are taken to income when they are awarded, except if they are granted to finance operating losses in future periods, in which case they are recognised in those periods. Grants awarded to finance specific expenses are recognised as income when the financed expenses are accrued.

4.13. Joint ventures

The Company accounts for its joint venture (Uniones Temporales de Empresas) (JV) arrangements by recognising in its balance sheet its proportional share, based on its ownership interest, in the assets that it controls jointly and its proportional share of the liabilities for which it is jointly liable. Likewise, in the income statement, it recognises the part corresponding to the income generated and the expenses incurred by the jointly operated arrangement, and in the statement of changes in equity and in the cash flow statement, it also posts the proportional part of the amounts of the joint arrangement items corresponding to it.

The amounts contributed by the JVs to the Company's balance sheet and income statement are reflected in each of the Notes to these financial statements.

4.14. Related party transactions

The Company carries out all transactions with related parties at arm's length. In addition, as transfer prices are adequately documented, the Company's directors consider that there are no significant risks that could give rise to material liabilities in the future.

In mergers and spin-offs, the acquired items are generally measured at their post-transaction carrying amount, in the consolidated financial statements. The differences that arise are recognised in reserves.

4.15. Business procedures with an effect on the environment

The Company carries out activities designed mainly to prevent, reduce or repair any damage to the environment that could be caused by its activities.

Expenses related to environmental activities are recognised as operating expenses in the period in which they accrue.

Those items that may be included in the Company's assets, in order to be used on a lasting basis in the Company's operations, whose main purpose is to minimise environmental impact and to protect and improve the environment are recognised as PP&E.

Also, the Company recognises provisions for environmental procedures when it is aware of the existence of expenses arising in the year or in prior years, clearly specified with respect to their nature but uncertain as to their amount or date. These provisions are recognised on the basis of the best estimate of the expense required to meet the obligation, considering the financial effect if it is significant.

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

The Company distinguishes between current and non-current assets and liabilities in its balance sheet. For these purposes, current assets and liabilities are those that meet the following criteria:

- Assets are classified as current when they are expected to be realised in, or are intended for sale or consumption in the Company's normal operating cycle, they are held primarily for the purpose of being traded, they are expected to be realised within twelve months of the end of the reporting period or when they involve cash or cash equivalents, unless they are restricted from being exchanged or used to settle a liability for at least 12 months after the end of the reporting period.
- Liabilities are classified as current when they are expected to be settled within the Company's normal operating cycle, when they are held primarily for the purposes of being traded, they are due to be settled within twelve months of the end of the reporting period, or the Company does not have an unconditional right to defer settlement of the liability within twelve months following the end of the reporting period.

4.17. Statement of cash flows

The following terms are used in the statement of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents.
- Cash flows from operating activities: payments and collections of the Company's principal revenue-producing activities and other activities that are not investing or financing activities.
- Cash flows used in investing activities: payments and collections arising from acquisitions and disposals of non-current assets.
- Cash flows from financing activities: payments and collections from the placement and cancellation of financial liabilities, equity instruments or dividends.

NOTE 5. INTANGIBLE ASSETS

5.1. Change

a) The amounts and changes in intangible assets in 2018 are as follows:

INTANGIBLE ASSETS						
<i>(Amounts in thousands of euros)</i>						
<i>Variation between 31 December 2017 and 31 December 2018</i>						
	BALANCE	(+)	(-)	(+/-)	(+/-)	BALANCE
	31.12.17	ADDITIONS	DERECOGNITIONS	TRANSFERS	Change in % of TJVs	31.12.18
Research and development expenditure	5,052	200	-	-	-	5,252
Goodwill	82,763	-	-	-	-	82,763
Computer software	1,142	21	(11)	-	(5)	1,147
Other intangible assets	55	-	-	(44)	-	11
Advances on concession arrangements	2,846	523	-	(3,233)	-	136
Concession arrangements, financial capitalisation	15,703	236	(365)	-	-	15,574
Service concession arrangements, regulated assets	1,088,193	15,077	-	3,277	291	1,106,827
TOTAL COST	1,195,754	16,046	(376)	-	286	1,211,710
Research and development expenditure	(3,282)	(1,134)	-	(1)	-	(4,417)
Goodwill	(16,552)	(8,276)	-	-	-	(24,828)
Computer software	(1,020)	(66)	8	1	5	(1,071)
Other intangible assets	(4)	(1)	-	5	-	-
Service concession arrangements, regulated assets	(578,406)	(44,643)	-	(5)	-	(623,054)
TOTAL ACCUMULATED AMORTISATION	(599,264)	(54,120)	8	-	-	(653,370)
Service concession arrangements, regulated assets	(14,530)	(2,073)	880	-	-	(15,723)
TOTAL IMPAIRMENT LOSSES	(14,530)	(2,073)	880	-	-	(15,723)
NET TOTAL	581,960	(40,147)	512	-	291	542,616

Below, we explain the change due to each of the items forming the heading:

- Research and Development expenditure.

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

- ALL-GAS project. This project is encompassed within the "Algae to Biofuel" initiative of the European Union Framework Programme 7. The first phase commenced in May 2011 and the current phase is expected to finish at the end of 2019. The project was performed at the Chiclana Wastewater Purification Plant (Cadiz), and the Company is the leader of a consortium of European companies that perform studies to take advantage of wastewater in the cultivation of microalga and their subsequent conversion to energy products. The amount capitalised totalled 4,840

thousand euros of cost and 4,045 thousand euros of accumulated depreciation at 31 December 2018 (4,648 thousand euros and 2,951 thousand euros, respectively, at 31 December 2017).

- ITACA project for the Investigation of Technologies for Treatment, Reuse and Control for the Sustainability of Water Purification. This project was performed in collaboration with Universidad de Alcalá de Henares (Madrid). The amount capitalised totalled 242 thousand euros of cost and 242 thousand euros of accumulated depreciation at 31 December 2018 (242 thousand euros and 242 thousand euros, respectively, at 31 December 2017).
- INNPRONTA-IISIS project for Energy Improvements for Resources and Research, equipment and systems for the end-to-end water cycle. The amount capitalised totalled 29 thousand euros of cost and 29 thousand euros of accumulated depreciation at 31 December 2018 (29 thousand euros and 29 thousand euros, respectively, at 31 December 2017).
- INNTERCONECTA SMARTIC-Extremadura project for the development of the “System for the Monitoring of Water in Real Time with Intelligent Technology”. The amount capitalised totalled 30 thousand euros of cost and 30 thousand euros of accumulated depreciation at 31 December 2018 (30 thousand euros and 30 thousand euros, respectively, at 31 December 2017).
- Other minor projects commenced since 2016, with 111 thousand euros capitalised in cost and 71 thousand euros in accumulated depreciation at 31 December 2018 (103 thousand euros and 30 thousand euros, respectively, at 31 December 2017).
 - Concession arrangements, regulated assets.

In 2018, the Company recognised 18,605 thousand euros as an addition, which corresponds to the activity carried on in Spain and mainly to the following contracts:

- San Pedro del Pinatar (Murcia), amounting to 7,600 thousand euros, of which 2,600 thousand euros correspond to the renewal in this year and during 15 years, of the provision of the end-to-end water cycle and an amount of 5,000 thousand euros, corresponding to the investment commitments to be made by the concessionaire in the renewal period awarded by the granting entity. The Company has been providing a service in this municipality since June 1988 on a constant basis.
 - Pozuelo de Calatrava and Moral de Calatrava (Ciudad Real), amounting to 950 thousand euros, for the purchase from the previous concessionaire, under the water and sewage system supply agreement, in the first of the municipalities over 14 years and the supply, sewage system and purification in the second municipality over 20 years. The agreement was entered into with the approval of the respective city councils, and the Company was subrogated to all the rights and obligations of the former concessionaire.
- La Guardia (Toledo), amounting to 500 thousand euros, for the agreement reached with this municipality, whereby it transfers the management of the operation of the water supply municipal service to the Aguas del Río Algodor Association so that the Company, as concessionaire of the Association, may provide the service through indirect management.
- Other Spanish municipalities with significant additions under this heading are Añover de Tajo and Navalcán (Toledo), amounting to 420 thousand euros and 267 thousand euros, respectively, and Miajadas (Cáceres), totalling 265 thousand euros, for the investment commitment to be made in the water supply and sanitation networks of both municipalities.

- Advances on concession arrangements

In 2018, a water infrastructure was completed and entered into operation at Guijuelo (Salamanca), which accounted for investments valued at 424 thousand euros, and the transfer to the “Concession arrangements, regulated assets” heading, in the amount of 3,233 thousand euros.

- Impairment.

In the year, the Company recognised impairment provisions for 2,073 thousand euros, corresponding to two concessions in the Valencia Autonomous Community, for which the Company considered that the cash flows pending receipt regarding both concessions will not be sufficient to recover the investment made.

b) The amounts and changes in intangible assets in 2017 were as follows:

INTANGIBLE ASSETS						
<i>(Amounts in thousands of euros)</i>						
<i>Change between 31 December 2016 and 31 December 2017</i>						
	BALANCE	(+)	(-)	(+/-)	(+/-)	BALANCE
	31.12.16	ADDITIONS	DERECOGNITIONS	TRANSFERS	Additions due to business combination	31.12.17
Research and development expenditure	2,689	2,380	-	(17)	-	5,052
Goodwill	82,763	-	-	-	-	82,763
Computer software	1,094	59	(11)	-	-	1,142
Other intangible assets	11	-	-	17	27	55
Advances on concession arrangements	308	2,538	-	-	-	2,846
Concession arrangements, financial capitalisation	14,918	24	-	-	761	15,703
Service concession arrangements, regulated assets	1,072,733	12,193	(5,430)	-	8,697	1,088,193
TOTAL COST	1,174,516	17,194	(5,441)	-	9,485	1,195,754
Research and development expenditure	(899)	(2,383)	-	-	-	(3,282)
Goodwill	(8,276)	(8,276)	-	-	-	(16,552)
Computer software	(994)	(27)	1	-	-	(1,020)
Other intangible assets	-	(1)	-	-	(3)	(4)
Service concession arrangements, regulated assets	(536,307)	(44,304)	3,248	-	(1,043)	(578,406)
TOTAL ACCUMULATED AMORTISATION	(546,476)	(54,991)	3,249	-	(1,046)	(599,264)
Service concession arrangements, regulated assets	(15,322)	(1,680)	2,472	-	-	(14,530)
TOTAL IMPAIRMENT LOSSES	(15,322)	(1,680)	2,472	-	-	(14,530)
NET TOTAL	612,718	(39,477)	280	-	8,439	581,960

Below, we explain the change due to each of the items forming the heading:

- Research and development expenditure.

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

- ALL-GAS project. This project is encompassed within the “Algae to Biofuel” initiative of the European Union Framework Programme 7. It commenced in May 2011 and the project is performed at the Chiclana Wastewater Purification Plant (Cadiz). The Company is the leader of a consortium of European companies that perform studies to use wastewater in the cultivation of microalga and their subsequent conversion to energy products. The amount capitalised totalled 4,648 thousand euros of cost and 2,951 thousand euros of accumulated depreciation at 31 December 2017 (2,362 thousand euros and 585 thousand euros, respectively, at 31 December 2016).
- ITACA project for the Investigation of Technologies for Treatment, Reuse and Control for the Sustainability of Water Purification. This project was performed in collaboration with Alcalá de Henares University (Madrid). The amount capitalised totalled 242 thousand euros of cost and 242 thousand euros of accumulated depreciation at 31 December 2017 (242 thousand euros and 242 thousand euros, respectively, at 31 December 2016).

- INNPRONTA-IISIS project for Energy Improvements for Resources and Research, equipment and systems for the end-to-end water cycle. The amount capitalised totalled 29 thousand euros of cost and 29 thousand euros of accumulated depreciation at 31 December 2017 (29 thousand euros and 10 thousand euros, respectively, at 31 December 2016).
- INNTERCONECTA SMARTIC-Extremadura project for the development of the “System for the Monitoring of Water in Real Time with Intelligent Technology”. The amount capitalised totalled 30 thousand euros of cost and 30 thousand euros of accumulated depreciation at 31 December 2017 (30 thousand euros and 30 thousand euros, respectively, at 31 December 2016).
- Other minor projects commenced in 2016 and 2017 with 103 thousand euros capitalised in cost and 30 thousand euros in accumulated depreciation at 31 December 2017.
 - Concession arrangements, regulated assets.

In 2017, the Company recognised 12,193 thousand euros as an addition, which corresponds to the activity carried on in Spain and mainly to the following contracts:

- Río Algodor Association (Toledo), amounting to 6,496 thousand euros, for the renewal in this year, over 20 years, of the wholesale distribution of water to 40 municipalities included in this partnership and also the retail water supply to the municipalities that have transferred their management to the Association. The Company has been providing a service to this Association since July 1987 on a constant basis.
- Calamonte (Badajoz), amounting to 1,000 thousand euros for the wholesale water supply agreement and the purification of wastewater over 15 years in such municipality.
- Salamanca (Salamanca), amounting to 1,049 thousand euros, corresponding to the procedures performed in the network in 2017 of an active pressure management system.
- Other Spanish municipalities with additions under this heading are Villanueva de Alcardete (Toledo), amounting to 650 thousand euros and Benalup (Cadiz), amounting to 525 thousand euros, for the investment commitment to be made in the water supply and sanitation networks of both municipalities.

Also, in 2017, the Company recognised derecognitions from "Administrative concessions" in the amount of 4,271 thousand euros of costs, including mainly the decommissioning of the Monóvar service (Alicante), totalling 3,696 thousand euros in costs, 1,954 thousand euros of accumulated depreciation and 1,742 thousand euros of impairment. This arrangement was unilaterally terminated by the city council, with FCC Aqualia having filed a claim against such measure. On 15 March 2017, the Valencia Autonomous Community's High Court of Justice handed down a ruling in favour of FCC Aqualia, acknowledging an account receivable of 5,432 thousand euros, as compensation for damage and losses due to loss of profit and interest accrued to date, of which 4,657 thousand euros continued to be classified under “Sundry Debtors” under current assets in the balance sheet at 31 December 2017.

- Advances on concession arrangements

The additions in 2017 stood at 2,538 thousand euros, and had been fully undertaken in Guijuelo (Salamanca), as part of the construction of a water infrastructure in the municipality.

- Impairment.

In 2017, the Company recognised impairment provisions for 1,680 thousand euros, corresponding to two concessions in Murcia, for which the Company considered that the cash flows pending receipt regarding both concessions will not be sufficient to recover the investment made.

The reduction in impairment in prior years was due to the depreciation in the year of concessions impaired in prior years, but in which the Company continues to provide a service, and the Monóvar (Alicante) derecognition already referred to.

5.2. Balances arising from the inclusion of Temporary Joint Ventures (TJV)

The balances contributed by the TJVs at 31 December 2018 include 249,442 thousand euros relating to cost, 197,053 thousand euros corresponding to accumulated depreciation and 122 thousand euros corresponding to impairment (266,893 thousand euros relating to cost, 198,038 thousand euros corresponding to accumulated depreciation and 125 thousand euros corresponding to impairment at 31 December 2017).

The decrease in the balances is mainly explained because one of the end-to-end water cycle agreements that had been provided until 31 December 2017 through a Joint Venture has begun to be provided directly by the Company.

5.3 Fully amortised items

The breakdown, by item, is as follows:

FULLY AMORTISED INTANGIBLE ASSETS		
<i>(Amounts in thousands of euros)</i>		
	31.12.18	31.12.17
Development	334	313
Administrative concessions and concession arrangements, regulated assets	62,173	43,759
Computer software	901	901
TOTAL	63,074	44,660

5.4 Items located outside Spain

At 31 December 2018, the intangible items located outside of Spanish territory amounted to 111 thousand euros in cost and to 93 thousand euros in accumulated amortisation (112 thousand euros in cost and 55 thousand euros in accumulated amortisation at 31 December 2017).

5.5 Intangible assets under concession arrangements

The concession arrangements recognised as Intangible assets at 31 December 2018 and 31 December 2017 had the following details in terms of cost and accumulated amortisation (amounts in thousands of euros):

2018

Contract	Concession arrangements, regulated assets			Advances for I.A.C.A.	C.A.Fin. Capitalisation	Duration
	Cost	Am. YTD	Impairment			
Alcalá de Henares (Madrid)	16,474	(9,095)	-	-	-	25 years
Algeciras (Cadiz)	16,158	(6,110)	-	-	-	50 years
Almansa (Albacete)	9,234	(1,856)	-	-	-	25 years
Almería (Almería)	28,618	(14,448)	-	-	-	40 years
Arcos de la Frontera (Cadiz)	11,187	(2,779)	-	-	-	25 years
Badajoz (Badajoz)	52,795	(25,428)	-	-	-	50 years
Barbate (Cadiz)	7,218	(1,896)	-	-	-	25 years
Cabezo Torres (Murcia)	6,314	(5,224)	-	-	-	40 years
Calahorra (La Rioja)	6,497	(4,190)	-	-	-	25 years
Cartaya (Huelva)	8,724	(1,744)	-	-	843	25 years
Chipiona (Cadiz)	7,054	(3,504)	-	-	-	40 years
Denia (Alicante)	11,568	(6,649)	-	-	-	35 years
Gáldar (Gran Canaria)	12,920	(3,286)	(1,943)	-	-	25 years
Jaén (Jaén)	9,192	(6,616)	-	-	111	30 years
l'Atmella de Mar (Tarragona)	9,007	(5,044)	-	-	-	25 years
La Línea de la Concepción (Cadiz)	11,246	(7,674)	-	-	47	40 years
La Nucía (Alicante)	23,297	(10,671)	-	-	-	30 years
La Soñana (Ciudad Real)	5,513	(2,287)	-	-	753	35 years
Llanera (Asturias)	9,544	(4,814)	(3,464)	-	-	25 years
Lleida (Lleida)	49,277	(10,353)	-	-	-	25 years
Lloret de Mar (Girona)	22,552	(11,762)	(2,873)	-	-	25 years
Los Alcázares (Murcia)	8,258	(6,797)	-	-	541	20 years
Mdad. El Girasol (Toledo)	7,855	(4,703)	-	-	700	25 years
Mdad. Río Algodor (Toledo)	7,678	(1,776)	-	-	-	50 years
Mérida (Badajoz)	21,402	(12,633)	-	-	-	30 years
Moguer (Huelva)	7,413	(2,502)	-	-	-	30 years
Oviedo (Asturias)	37,076	(15,428)	(122)	-	7,024	50 years
Salamanca (Salamanca)	8,053	(3,500)	-	-	826	25 years
San Lorenzo Escorial (Madrid)	6,511	(2,057)	-	-	-	30 years
Sanlúcar Barrameda (Cadiz)	17,268	(5,675)	-	-	-	40 years
Sant Feliu Guixols (Girona)	6,934	(4,196)	-	-	-	50 years
Sant Josep (Balearic Islands)	11,576	(5,622)	-	-	-	28 years
Santander (Cantabria)	86,350	(43,905)	-	-	-	25 years
Sóller (Balearic Islands)	6,681	(2,738)	-	-	-	30 years
Talavera de la Reina (Toledo)	25,354	(17,255)	-	-	342	25 years
Valverde del Camino (Huelva)	6,206	(1,551)	-	-	-	25 years
Vélez-Málaga (Málaga)	7,800	(3,968)	-	-	-	20 years
Vigo (Pontevedra)	183,100	(167,982)	-	-	-	30 years
Other	322,355	(177,228)	(7,322)	136	4,387	5 - 50 years
TOTAL	1,112,259	(624,946)	(10,861)	136	15,574	

2017

Contract	Concession arrangements, regulated assets			Advances for I.A.C.A.	C.A.Fin. Capitalisation	Duration
	Cost	Am. YTD	Impairment			
Alcalá de Henares (Madrid)	16,474	(8,390)	-	-	-	25 years
Algeciras (Cadiz)	16,079	(5,758)	-	-	-	50 years
Almansa (Albacete)	9,234	(1,475)	-	-	-	25 years
Almería (Almería)	28,618	(13,436)	-	-	-	40 years
Arcos de la Frontera (Cadiz)	11,187	(2,332)	-	-	-	25 years
Badajoz (Badajoz)	52,795	(24,366)	-	-	-	50 years
Barbate (Cadiz)	7,218	(1,607)	-	-	-	25 years
Cabezo Torres (Murcia)	6,314	(4,698)	-	-	-	40 years
Calahorra (La Rioja)	6,497	(3,564)	-	-	-	25 years
Cartaya (Huelva)	8,697	(1,392)	-	-	868	25 years
Chipiona (Cadiz)	7,054	(3,180)	-	-	-	40 years
Denia (Alicante)	11,568	(6,070)	-	-	-	35 years
Gáldar (Gran Canaria)	12,920	(6,629)	(2,075)	-	-	25 years
Jaén (Jaén)	9,192	(6,310)	-	-	1133	30 years
l'Atmella de Mar (Tarragona)	9,007	(4,684)	-	-	-	25 years
La Línea de la Concepción (Cadiz)	11,246	(7,165)	-	-	735	40 years
La Nucía (Alicante)	22,928	(9,634)	-	-	-	30 years
La Solana (Ciudad Real)	5,513	(2,127)	-	-	753	35 years
Llanera (Asturias)	13,761	(5,128)	(3,596)	-	-	25 years
Lleida (Lleida)	49,277	(8,247)	-	-	-	25 years
Lloret de Mar (Girona)	22,552	(10,863)	(3,134)	-	-	25 years
Los Alcázares (Murcia)	8,258	(6,366)	-	-	597	20 years
Mdad. El Girasol (Toledo)	7,855	(4,284)	-	-	700	25 years
Mdad. Río Algodor (Toledo)	7,678	(1,452)	-	-	-	50 years
Mérida (Badajoz)	21,188	(11,768)	-	-	-	30 years
Moguer (Huelva)	7,413	(2,203)	-	-	-	30 years
Oviedo (Asturias)	37,076	(14,647)	-	-	6,788	50 years
Salamanca (Salamanca)	8,053	(2,931)	-	-	826	25 years
San Lorenzo Escorial (Madrid)	6,511	(1,778)	-	-	-	30 years
Sanlúcar Barrameda (Cadiz)	17,268	(4,986)	-	-	-	40 years
Sant Feliu Guixols (Girona)	6,934	(4,101)	-	-	-	50 years
Sant Josep (Balearic Islands)	11,576	(5,231)	-	-	-	28 years
Santander (Cantabria)	86,350	(40,440)	-	-	-	25 years
Sóller (Balearic Islands)	6,681	(2,390)	-	-	-	30 years
Talavera de la Reina (Toledo)	28,354	(16,032)	-	-	342	25 years
Valverde del Camino (Huelva)	6,206	(1,302)	-	-	-	25 years
Vélez-Málaga (Málaga)	7,800	(3,656)	-	-	-	20 years
Vigo (Pontevedra)	179,964	(159,276)	-	-	-	30 years
Other	294,897	(162,507)	(5,725)	2,846	2,961	5 - 50 years
TOTAL	1,088,193	(578,405)	(14,530)	2,846	15,703	

In these arrangements, the Company manages the end-to-end water cycle, covering all the phases thereof:

- Capture from hydrographic basins or wells.
- Water purification and treatment at drinking water treatment plants.
- Supply through water networks to all subscribers.
- Collection of wastewater through the sanitation network to the wastewater purification plants, from where they are returned to the natural environment.

The administrative concessions are defined by Law 13/2003, of 23 May, such as those whereby the public authorities or the granting public law entity awards to a concessionaire, within a period, the construction and operation, or only the operation, of works which, being possible to operate,

are required to provide public services of an economic nature. The public works forming the scope of the concession will be built and operated at the concessionaire's risk and peril, and which will assume the economic risks arising from its execution and operation.

As a result of the foregoing, it is deduced that the concession arrangements require the existence of an infrastructure controlled by the public authorities, which is operated by the Company, in the framework of the regulations set by such authorities, which establish significant aspects such as the rate required to recover the investment made by the concessionaire.

The definition of infrastructure includes both the works and the facilities built by the Company with its own resources and those acquired from third parties, provided that they are used to provide the public service in line with the conditions of the concession arrangement.

The intangible assets referred to in this Note have been recognised since the Company is entitled to charge rates to the users of the public service, based on the use that they make of such service, with the concessionaire thereby assuming the demand risk.

Furthermore, in these arrangements, the granting entity controls the physical use that should be made of such infrastructure, the way in which the service is provided and its price.

The balance of "Concession arrangements – Financial capitalisation" relates in full to the deferred finance cost of the lending instrument associated with the building of concessions. (see Note 4.1.a)

As indicated previously, the rates that the Company must charge to users of the public service are regulated by the granting entity. However, in these arrangements, clauses exist enabling the Company to request a rate review, should it require an economic redress.

Also, the Company recognises as Intangible assets, at the start of each concession, the amount of the investment commitments included in each arrangement, which involve improvements to networks and infrastructures forming the scope of the concession, and which are recovered in the rates billed to subscribers from the initial date. Until the investment itself is made, the Company recognises these amounts under "Provisions for procedures related to infrastructure", which is included in "Other provisions for contingencies and charges" (See Note 14).

5.6 Capitalised finance costs

The Company did not capitalise any finance costs under "Advances on concession arrangements" in 2018 or 2017, accumulating an original amount of 3,836 thousand euros.

Furthermore, in 2018, the Company capitalised a net amount of 236 thousand euros (net capitalisation of 24 thousand euros at 31 December 2017) under "Concession arrangements, financial capitalisation".

5.7 Commitments to acquire goods

At 31 December 2018, there were no additional commitments to those already included under "Provisions for commitments related to infrastructure in concession agreements" (see Note 14).

5.9 Insurance policies

It is Company policy to take out all insurance policies considered necessary to cover possible risks that might affect its intangible assets.

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

6.1. Changes

The movement in the various items under this heading and their related accumulated depreciation in the year is as follows:

a) Changes in 2018.

PROPERTY, PLANT AND EQUIPMENT						
<i>(Amounts in thousands of euros)</i>						
<i>Variation between 31 December 2017 and 31 December 2018</i>						
	BALANCE	(+)	(-)	(+)(-)	(+)	BALANCE
	31.12.17	ADDITIONS	DERECOGNITIONS	TRANSFERS	Change of % of TJVs	31.12.18
Land and buildings	3,585	103	(182)	-	-	3,507
Technical Facilities and other tangible fixed assets	88,902	8,323	(438)	52	16	96,855
Fixed Assets in progress and in advances	553	235	-	(52)	-	736
TOTAL COST	93,040	8,662	(620)	-	16	101,098
Buildings	(2,115)	(65)	157	-	-	(2,022)
Technical Facilities and other tangible fixed assets	(68,011)	(4,452)	413	-	(12)	(72,062)
TOTAL ACCUM. DEPREC.	(70,126)	(4,517)	570	-	(12)	(74,084)
NET TOTAL	22,914	4,145	(50)	-	4	27,014

- Additions. The Company recognised PP&E additions for 8,662 thousand euros, corresponding to assets used in the agreements signed by the Company that are not concession arrangements, together with those acquired under those that, despite being concession arrangements, are not reverted to the granting bodies.

- Derecognitions. They mainly relate to fully depreciated items derecognised from the balance sheet.

b) Changes in 2017.

PROPERTY, PLANT AND EQUIPMENT						
<i>(Amounts in thousands of euros)</i>						
<i>Variation between 31 December 2016 and 31 December 2017</i>						
	BALANCE	(+)	(-)	(+)(-)	(+)	BALANCE
	31.12.16	ADDITIONS	DERECOGNITIONS	TRANSFERS	Additions due to business combination	31.12.17
Land and buildings	3,571	14	-	-	-	3,585
Technical Facilities and other tangible fixed assets	83,720	5,630	(499)	-	51	88,902
Fixed Assets in progress and in advances	89	454	-	-	10	553
TOTAL COST	87,380	6,098	(499)	-	61	93,040
Buildings	(2,052)	(63)	-	-	-	(2,115)
Technical Facilities and other tangible fixed assets	(64,332)	(3,998)	329	-	(10)	(68,011)
TOTAL ACCUM. DEPREC.	(66,384)	(4,061)	329	-	(10)	(70,126)
NET TOTAL	20,996	2,037	(170)	-	51	22,914

- Additions. The Company recognised PP&E additions for 6,098 thousand euros, corresponding to assets used in the agreements signed by the Company that are not concession arrangements, together with those acquired under those that, despite being concession arrangements, are not reverted to the granting bodies.

- Derecognitions. They mainly relate to fully depreciated items derecognised from the balance sheet.

6.2 Land and buildings

At 31 December 2018, land represented 294 thousand euros in cost (318 thousand euros in cost at 31 December 2017).

6.3 Balances arising from the inclusion of Temporary Joint Ventures

The balances at 31 December 2018 include 6,559 thousand euros and 4,347 thousand euros of cost

and accumulated depreciation contributed by the TJVs, respectively (6,937 thousand euros and 5,033 thousand euros, respectively, at 31 December 2017).

6.4 Fully depreciated items

At 31 December 2018, fully depreciated items still in use were recognised under "Plant and other items of property, plant and equipment", with a carrying amount of 54,994 thousand euros (49,506 thousand euros at 31 December 2017).

6.5 Acquisitions of non-current assets from Group companies

In 2018 and 2017, no non-current assets were acquired from Group companies.

6.6 Insurance policies

The Company takes out all insurance policies considered necessary to cover possible risks that might affect its property, plant and equipment.

6.7 Property, plant and equipment located outside Spain

At 31 December 2018, the PP&E located outside of Spanish territory amounted to 529 thousand euros in cost and to 403 thousand euros in accumulated depreciation (483 thousand euros in cost and 335 thousand euros in accumulated depreciation at 31 December 2017).

6.8 Commitments to acquire goods

At year-end 2018 and 2017, the Company had no commitments to acquire property, plant and equipment.

6.9 Secured assets

No PP&E was transferred to secure Company commitments.

NOTE 7. NON-CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

7.1 Equity instruments

The detail of and changes in this heading were as follows:

a) Changes in 2018

EQUITY INSTRUMENTS				
<i>(Amounts in thousands of euros)</i>				
<i>Variation between 31 December 2017 and 31 December 2018</i>				
	BALANCE	(+)	(-)	BALANCE
	31.12.17	ADDITIONS	DERECOGNI TIONS	31.12.18
Equity instruments in Group companies	163,332	96,058	-	259,390
Capital payments payable, Group companies	(27)	-	-	(27)
Equity instruments in associates	28,407	622	-	29,029
Capital payments payable, associates	(185)	-	-	(185)
Total	191,527	96,680	-	288,207
Impairment	(20,840)	(9,218)	6	(30,052)
NET TOTAL	170,687	87,462	6	258,155

By heading, the main changes in 2018 were as follows:

- Equity instruments in Group companies.
 - Additions amounting to 83,435 thousand euros for the acquisition of 48.99 % of the share capital of Aqualia Czech, S.A. FCC Aqualia already had an ownership interest in this company of 51% and the purchase increased its interest from 51% to 99.99% in the year. Aqualia Czech is the majority shareholder of Severomoravske Vodovody a Kanalizace Ostrava s.r.o.
 - Addition of 9,065 thousand euros for the acquisition of 49% of Aqualia Infraestructuras Inzenyring. This company engages in the performance of works in the water networks, operating mainly in the Czech Republic. The other 51% of the capital is owned by Aqualia Intech, S.A. hence, with the acquisition for this year, the FCC Aqualia Group controls 100% of the company.
 - Addition amounting to 2,358 thousand euros for the 70% stake in the formation of Aqualia Desalación Guaymas, S.A. de C.V., with registered office in Querétaro (Mexico), whose company object is the provision of drinking water in the municipalities of Guaymas and Empalme in Mexico, through the building, fitting out, start up and operation of a desalination plant. The remaining 30% is owned by Aqualia México, S.A. de C.V., a company belonging to the FCC Aqualia Group.
 - Addition amounting to 1,200 thousand euros for the acquisition from third parties of 100% of the share capital of Aguas de Alcaidesa, S.L.U., whose company object consists of the provision of a drinking water home supply public service and the sanitation and purification of wastewater in specific sectors of the municipality of La Línea de la Concepción (Cadiz) for a 40-year period.
- Equity instruments in associates.
 - Addition in the amount of 622 thousand euros, for 49% of the share capital in the incorporation of Oman Sustainable Water Services SAOC, a company formed in the Sultanate of Oman with a local shareholder, whose main activity is the management of purifiers at Oman port.
- Impairment
 - Impairment amounting to 9,218 thousand euros at subsidiaries that are water contract concessionaires with a defined life.

b) Changes in 2017.

EQUITY INSTRUMENTS						
<i>(Amounts in thousands of euros)</i>						
<i>Variation between 31 December 2016 and 31 December 2017</i>						
	BALANCE	(+)	(-)	(-)	BALANCE	
	31.12.16	ADDITIO NS	DERECO GNITIO NS	DERECOGNIT IONS DUE TO LIQUIDATION	31.12.17	
Equity instruments in Group companies	164,299	-	-	(967)	163,332	
Capital payments payable, Group companies	(27)	-	-	-	(27)	
Equity instruments in associates	28,466	-	-	(59)	28,407	
Capital payments payable, associates	(185)	-	-	-	(185)	
Total	192,553	-	-	(1,026)	191,527	
Impairment	(19,053)	(2,221)	434	-	(20,840)	
	NET TOTAL	173,500	(2,221)	434	(1,026)	170,687

By heading, the main changes in 2017 were as follows:

- Equity instruments in Group companies: Noteworthy was the derecognition amounting to 964 thousand euros for the liquidation of Colaboración, Gestión y Asistencia, S.A. On 31 May 2017, the Extraordinary General Shareholders' Meeting approved the winding up and simultaneous liquidation of such company.

- Equity instruments in associates: Noteworthy was the derecognition amounting to 59 thousand euros for the investment in Aguas de Ubrique, liquidated in 2017.
 - Impairment: Noteworthy was impairment of 1,768 thousand euros relating to the investee Aqualia New Europe, B.V., equivalent to the loss incurred thereby in the year for the ownership percentage held by the Company.
- c) The capital payments payable for shares in Group companies and associates in the balance sheet at 31 December 2018 and 31 December 2017 are as follows:

CAPITAL PAYMENTS PAYABLE, GROUP COMPANIES			
<i>(Amounts in thousands of euros)</i>			
	31.12.18		31.12.17
Compañía Onubense de Aguas, S.A.	27		27
TOTAL	27		27

CAPITAL PAYMENTS PAYABLE, ASSOCIATES			
<i>(Amounts in thousands of euros)</i>			
	31.12.18		31.12.17
Aigües del Segarra Garrigues, S.A.	150		150
Sera Q.A. Duitama ESP., S.A.	27		27
Orasqualia O&M	5		5
AIE ITAM Delta de la Tordera	3		3
TOTAL	185		185

d) Details of equity instruments in Group companies. The detail of the balance of this account at 31 December 2018 and 31 December 2017 is as follows:

EQUITY INSTRUMENTS IN GROUP COMPANIES 2018

(Amounts in thousands of euros)

COMPANY	ACTIVITY	INVESTMENT	PROVISION	NET COST
FCC Aqualia América, S.A.U. C/ Uruguay, 11 – Vigo (PONTEVEDRA)	Water cycle management	601	(282)	319
Aquajerez, S.L. Pol.Ind.Ronda Oeste, 24 Jerez de la Frontera (CADIZ)	Water cycle management	2	-	2
Aqua Campiña, S.A. C/Blas Infante, 6 – Écija (SEVILLE)	Water cycle management	541	-	541
Acque di Caltanissetta, S. p.a. Viale Sicilia 176 93100 Caltanissetta – ITALY	Water cycle management	18,809	(15,152)	3,657
Aquaelvas – Aguas de Elvas, S.A. Rua Paco Bandeira, 14 – Assunção Elvas (PORTUGAL)	Water cycle management	402	-	402
Aquafundalla - Aguas do Fundão, S.A. Rua Fernando Pessoa, 195 - Fundão (PORTUGAL)	Water cycle management	510	-	510
Aguas de Alcázar Empresa Mixta, S.A. C/ Rondilla Cruz Verde, 1 - Alcázar de San Juan (CIUDAD REAL)	Water cycle management	1,142	-	1,142
Aguas de las Galeras, S.L. Avda. Camino de Santiago, 40 – MADRID	Water cycle management	2	-	2
Compañía Onubense de Aguas, S.A. C/ Martín Alonso Pinzón, 8 - HUELVA	Water cycle management	36	(9)	27
Depurplan 11, S.A.U. C/ San Miguel, 1 – ZARAGOZA	Water treatment and purification	4,700	-	4,700
Empresa Mixta de Butarque, S.A. C/ Princesa, 3 – MADRID	Water cycle management	84	(84)	0
Inversora Riutort, S.L. C/ Alfonso XIII – Sabadell (BARCELONA)	Holding company	3	-	3
Sociedad Ibérica del Agua, S.A.U. C/Federico Salmón, 13 – MADRID	Water cycle management	60	-	60
Tratamiento Industrial del Agua, S.A. C/Federico Salmón, 13 – MADRID	Water sanitation and purification	652	-	652
Hidrotec Tecnología del Agua, S.L.U. C/Pinacel, 25 – SEVILLE	Industrial water treatment	32	-	32
Empresa Gestora de Aguas Linenses, S.L. C/Federico Salmón, 13 – MADRID	Water cycle management	2	-	2
Entemanser, S.A. C/Castillo, 13 – ADEJE (SANTA CRUZ DE TENERIFE)	Water cycle management	63,953	(9,046)	54,908
Infraestructuras y Distribución General de Agua, S.L. C/La Presa, 14 – Tijoco Bajo-ADEJE (S.C.TENERIFE)	Investment and execution works	8,665	(156)	8,509
Sociedad Española de Aguas Filtradas, S.A. Avda. Camino de Santiago, 40 – MADRID	Water treatment	1,436	-	1,436
Aqualia Intech, S.A. Avda. Camino de Santiago, 40 – MADRID	Water treatment and purification	10,745	-	10,745
Aqualia México, S.A. de C.V. C/ Carrizal, 33 – Santiago de Querétaro (MEXICO)	Water treatment and purification	1	-	1
Aqualia Czech, S.L.U. Avda. Camino de Santiago, 40 – MADRID	Water cycle management	118,779	-	118,779
Aqualia MACE LLC P.O Box 105547 Abu Dhabi (UNITED ARAB EMIRATES)	Op.&Main. Infraest. of the sanitation and purification sys.	15	-	15
Aqualia New Europe B.V. C/Calude Debussylamu, 24 – Amsterdam (NETHERLANDS)	Water cycle management	8,160	(3,614)	4,546
Aigües de Vallirana, S.A. C/ Conca de Tremp, 14 – Vallirana (BARCELONA)	Water cycle management	3,702	-	3,702
Aquamaior – Aguas de Campo Maior, S.A. Rua Mayor Talaya, 28 – Campo Maior (PORTUGAL)	Water cycle management	875	(588)	287
Abrantaqua, S.A. Parque Lena – Alferrarede Abrantes (PORTUGAL)	Water cycle management	190	-	190
Conservación y Sistemas, S.A. C/Federico Salmón, 13 – MADRID	Maintenance of infrastructures	1,558	-	1,558
Cartagua, Aguas Do Cartaxo, S.A. Z. Industrial do Cartaxo, lote 20 – CARTAXO (PORTUGAL)	Water treatment and purification	1,110	-	1,110
Aqualia Desalación Guaymas S.A. de C.V. Avenida 5 de Febrero Nº 1351, ROBLE 304 - QUERÉTARO (MEXICO)	Water treatment and purification	2,358	-	2,358
Aqualia Infraestructuras Inzenyring Mariensské Hory, Slavnikovec 571/21- Ostrava (CZECH REPUBLIC)	Execution of projects	9,065	-	9,065
Aguas de Alcaldesa, S.L.UNIPERSONAL C/ Villa Real I. CC. La Hacienda. Local 11. - Línea de la concepción. (CADIZ)	Water cycle management	1,200	-	1,200
TOTAL		259,390	(28,930)	230,460

EQUITY INSTRUMENTS IN GROUP COMPANIES 2017
(Amounts in thousands of euros)

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

The equity details in the balance sheets of these companies at 31 December 2018 and 31 December 2017 are set forth below. None of them are listed on the stock market and none of them generated profit or loss from discontinued operations.

EQUITY DETAILS OF GROUP COMPANIES 2018

(Amounts in thousands of euros)

COMPANY	CAPITAL	Reserves and other equity items	Profit/(loss) for 2018			% OWNER.
			Operating profit (loss)	Profit(loss) from ongoing operations	Profit/(loss)	
Abrantaqua, S.A.	500	1,195	599	302	302	60.00%
Acque di Caltanissetta, S.p.a.	3,500	5,408	3,374	1,632	1,632	98.48%
Aguas de Alcaldesa, S.L.Unipersonal	576	500	36	36	36	100.00%
Aguas de Alcázar Empresa Mixta, S.A.	126	437	666	369	369	52.38%
Aguas de las Galeras, S.L.	3	790	1,593	743	743	51.00%
Algües de Vallrana, S.A. (*)	102	3,310	111	201	201	100.00%
Aqua Campiña, S.A.	601	428	475	314	314	90.00%
Aquaelvas – Aguas de Elvas, S.A.	50	774	618	391	391	100.00%
Aquafundalla – Agua do Fundão, S.A.	510	404	356	212	212	100.00%
Aquajerez, S.L.	3	4,866	5,687	2,172	2,172	51.00%
Aqualia Czech, S.L.U.	69,302	16,077	(65)	11,340	11,340	51.00%
Aqualia Desalación Guaymas, S.A. de C.V.	3,335	151	(0)	150	150	70.00%
Aqualia Infraestructuras Inzenyring	63	2,681	3,157	2,558	2,558	49.00%
Aqualia México, S.A. de C.V.	6,085	3,673	(530)	(1,946)	(1,946)	0.01%
Aqualia Intech, S.A.	1,200	22,428	4,368	2,124	2,124	99.99%
Aqualia MACE	36	6,743	5,196	5,243	5,243	51.00%
Aqualia New Europe B.V.	16,000	(6,350)	(213)	736	736	51.00%
Aquamaior – Aguas de Campo Maior, S.A.	50	239	152	57	57	100.00%
Cartagua, Aguas do Cartaxe, S.A.	1,850	354	376	91	91	60.00%
Compañía Onubense de Aguas, S.A. (*)	33	(45)	0	0	0	60.00%
Conservación y Sistemas, S.A.	300	1,932	407	412	412	99.99%
Depurplan 11, S.A.U.	4,700	558	947	297	297	100.00%
Empresa Gestora de Aguas Ltnenses, S.L.	3	509	885	236	236	52.33%
Empresa Mixta de Butarque, S.A. (*)	120	(120)	0	0	0	70.00%
Entemanser, S.A.	2,137	15,113	7,476	5,637	5,637	97.00%
FCC Aqualia América, S.A.U. (*)	601	(281)	(1)	(1)	(1)	100.00%
Hidrotec Tecnología del Agua, S.L.U. (*)	3	14,776	4,701	3,659	3,659	100.00%
Infraestructuras y Dist. General del Agua, S.L. (*)	63	4,313	587	448	448	100.00%
Inversora Riutort, S.L. (*)	3	287	(1)	(0)	(0)	100.00%
Sociedad Española de Aguas Filtradas, S.A.	1,087	4,829	1,183	943	943	99.99%
Sociedad Ibérica del Agua, S.A.U. (*)	60	187	94	70	70	100.00%
Tratamiento Industrial de Aguas, S.A.	656	25,227	10,706	8,340	8,340	99.99%

(*) Unaudited figures at 31 December 2018.

EQUITY DETAILS OF GROUP COMPANIES 2017
(Amounts in thousands of euros)

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

(*) Unaudited figures at 31 December 2017.

- Equity instruments in associates. The detail of the balance at 31 December 2018 and 31 December 2017 was as follows:

EQUITY INSTRUMENTS IN ASSOCIATES 2018				
<i>(Amounts in thousands of euros)</i>				
COMPANY	ACTIVITY	INVESTMENT	PROVISION	NET VALUE
Aguas de Denia, S.A. Pedro Esteve, 17 - Denia (ALICANTE)	Water cycle management	400	-	400
Aguas de Archidona, S.L. Pza. Ochavada, 1 - Archidona (MALAGA)	Water cycle management	72	(3)	69
Aigües del Tomoví, S.A. c/ Vella, 1 - El Vendrell (TARRAGONA)	Water cycle management	490	-	490
Aguas de Narixa, S.A. C/Málaga, 11 - Nerja (MALAGA)	Water cycle management	300	-	300
Concesionaria de Desalación de Ibiza, S.A. Rotonda de Sta. Eulalia, s/n - Ibiza (BALEARIC ISLANDS)	Operation desalination plants	1,082	-	1,082
AIE Costa Tropical de Granada Plaza Aurora, s/n - Motril (GRANADA)	Water cycle management	828	-	828
AIE ITAM Delta de la Tordera Travesera de Gracia, 58 - BARCELONA	Construction and operation desalination plants	3	-	3
Compañía de Servicios Medioambientales do Atlántico, S.A. Carretera de Cedeira, km1 - Narón (LA CORUÑA)	Water cycle management	294	-	294
EMANAGUA - Empresa Municipal de Aguas de Níjar, S.A. Plaza de la Glorieta, 1 - Níjar (ALMERIA)	Water cycle management	221	-	221
Empresa Municipal Aguas de Algeciras, S.A. C/Virgen del Carmen, s/n - Algeciras (CADIZ)	Water cycle management	442	(228)	214
Empresa Municipal de Aguas de Linares, S.A. C/ Cid Campeador, 7 - Linares (JAEN)	Water cycle management	147	-	147
Empresa Municipal Aguas de Benalmádena, S.A. Expl. Ap.Tivoli, s/n - Arroyo de la Miel (MALAGA)	Water cycle management	1,310	-	1,310
Empresa Municipal Aguas de Toxiria, S.A. Plaza de la Constitución - Torredonjimeno (JAEN)	Water cycle management	118	(54)	64
Aigües del Segarra Garrigues, S.A. C/Santa Clara, 4 - Tárrega (LERIDA)	Construction and operation irrigated land	309	-	309
Girona, S.A. Travesía del Carril, 2 - GERONA	Water cycle management	365	-	365
Nueva Sociedad de Aguas de Ibiza, S.A. C/Bartolomé Rosselló, 18 - (IBIZA)	Water cycle management	28	-	28
Orasqualia O&M Nile City Towers - El Cairo (EGYPT)	Purification plant maintenance	1,508	(452)	1,056
Aquos El Realito, S.A. de C.V. B.Manuel Avila Camacho, n°36 - piso5 - Col. Lomas de Chapultepec Mexico	Water distribution and drinkability	5,127	-	5,127
Sera.Q.A. Duitama, S.A. (COLOMBIA)	Water cycle management	94	(67)	27
Suministros aguas de Querétaro, S.A. de C.V. Santiago de Querétaro - Querétaro Arteaga (MEXICO)	Water cycle management	182	-	182
AIE Aquagest Medioambiente-Aqualia C/Condado de Jaruco, s.n. - Lloret de Mar (GERONA)	Share ownership and performance of studies	240	-	240
Shariket Thalya Miyah Mostaganem Cité Abdoni Ilot, 36 - Dar el Beida (ALGERIA)	Construction and operation desalination plants	8,308	-	8,308
Shariket Miyeh Ras Djinet Cité Abdoni Ilot, 36 - Dar el Beida (ALGERIA)	Construction and operation desalination plants	5,188	-	5,188
Aguas de Langreo, S.L. C/Alonso del Riesgo, 3 - Langreo (ASTURIAS)	Water cycle management	882	-	882
A.I.E. Costa Brava Abastament Aqualia - Sorea Sector Carlit, s/n° - 17487 EMPURIABRAVA (GERONA)	Wholesale water supply	78	-	78
Aguas de Priego, S.L. Pz. De La Constitución, 3 - 14800 PRIEGO DE CÓRDOBA (CORDOBA)	Water cycle management	245	(245)	0
Empresa Mixta de Aguas de Jódar, S.A. Pz. De España, 1 - 23500 JÓDAR (JAEN)	Water cycle management	73	(73)	0
Empresa Mixta de Aguas de Ubrique, S.A. C/JUZGADO S/N - 11600 - UBRIQUE (CADIZ)	Water cycle management	73	-	73
Omán Sustainable Water Services SAOC Batinah Highway - 322 - SOHAR (OMAN)	Industrial purification	622	-	622
TOTAL		29,029	(1,122)	27,907

EQUITY INSTRUMENTS IN ASSOCIATES 2017
(Amounts in thousands of euros)

COMPANY	ACTIVITY	INVESTMENT	PROVISION	NET VALUE
Aguas de Denia, S.A. Pedro Esteve, 17 - Denia (ALICANTE)	Water cycle management	400	-	400
Aguas de Archidona, S.L. Pza. Ochavada, 1 - Archidona (MALAGA)	Water cycle management	72	-	72
Aguas de Ubrique, S.A. Avenida España, 9 - Ubrique (CADIZ)	Water cycle management	-	-	-
Aigües del Tomoví, S.A. c/ Vella, 1 - El Vendrell (TARRAGONA)	Water cycle management	490	-	490
Aguas de Narixa, S.A. C/Málaga, 11 - Nerja (MALAGA)	Water cycle management	300	-	300
Concesionaria de Desalación de Ibiza, S.A. Rotonda de Sta. Eulalia, s/n - Ibiza (BALEARIC ISLANDS)	Operation desalination plants	1,082	-	1,082
AIE Costa Tropical de Granada Plaza Aurora, s/n - Motril (GRANADA)	Water cycle management	828	-	828
AIE ITAM Delta de la Tordera Travesera de Gracia, 58 - BARCELONA	Construction and operation desalination plants	3	-	3
Compañía de Servicios Medioambientales do Atlántico, S.A. Carretera de Cedeira, km1 - Narón (LA CORUÑA)	Water cycle management	294	-	294
EMANAGUA - Empresa Municipal de Aguas de Nijar, S.A. Plaza de la Glorieta, 1 - Nijar (ALMERIA)	Water cycle management	221	-	221
Empresa Municipal Aguas de Algeciras, S.A. C/Virgen del Carmen, s/n - Algeciras (CADIZ)	Water cycle management	442	(234)	208
Empresa Municipal de Aguas de Linares, S.A. C/ Cid Campeador, 7 - Linares (JAEN)	Water cycle management	147	-	147
Empresa Municipal Aguas de Benalmádena, S.A. Expl. Ap. Tivoli, s/n - Arroyo de la Miel (MALAGA)	Water cycle management	1,310	-	1,310
Empresa Municipal Aguas de Toxiria, S.A. Plaza de la Constitución - Torredonjimeno (JAEN)	Water cycle management	118	(40)	78
Aigües del Segarra Garrigues, S.A. C/Santa Clara, 4 - Tárrega (LERIDA)	Construction and operation irrigated land	309	-	309
Girona, S.A. Travesía del Carril, 2 - GERONA	Water cycle management	365	-	365
Nueva Sociedad de Aguas de Ibiza, S.A. C/Bartolomé Rosselló, 18 - (IBIZA)	Water cycle management	28	-	28
Orasqualla O&M Nile City Towers - El Cairo (EGYPT)	Purification plant maintenance	1,508	(452)	1,056
Aquos El Realito, S.A. de C.V. B.Manuel Avila Camacho, n°36 - piso5 - Col. Lomas de Chapultepec Mexico	Water distribution and drinkability	5,127	-	5,127
Sera.Q.A. Duitama, S.A. (COLOMBIA)	Water cycle management	94	(67)	27
Suministros aguas de Querétaro, S.A. de C.V. Santiago de Querétaro - Querétaro Arteaga (MEXICO)	Water cycle management	182	-	182
AIE Aquages Medioambiente-Aqualla C/Condado de Jaruco, s.n. - Lloret de Mar (GERONA)	Share ownership and performance of studies	240	-	240
Shariket Thalya Miyah Mostaganem Cité Abdoni Ilot, 36 - Dar el Beida (ALGERIA)	Construction and operation desalination plants	8,308	-	8,308
Shariket Miyeh Ras Djinet Cité Abdoni Ilot, 36 - Dar el Beida (ALGERIA)	Construction and operation desalination plants	5,188	-	5,188
Aguas de Langreo, S.L. C/Alonso del Riesgo, 3 - Langreo (ASTURIAS)	Water cycle management	882	-	882
A.I.E. Costa Brava Abastament Aqualla - Sorea Sector Carlit, s/n - 17487 EMPURIABRAVA (GERONA)	Wholesale water supply	78	-	78
Aguas de Priego, S.L. Pz. De La Constitución, 3 - 14800 PRIEGO DE CÓRDOBA (CORDOBA)	Water cycle management	245	(245)	-
Empresa Mixta de Aguas de Jódar, S.A. Pz. De España, 1 - 23500 JÓDAR (JAEN)	Water cycle management	73	(73)	-
Empresa Mixta de Aguas de Ubrique, S.A. C/JUZGADO S/N - 11600 - UBRIQUE (CADIZ)	Water cycle management	73	-	73
TOTAL		28,407	(1,111)	27,296

The equity details in the balance sheets of these companies at 31 December 2018 and 31 December 2017 are set forth below. None of these companies are listed on the stock market and none of them generated profit or loss from discontinued operations in 2018 and 2017.

EQUITY DETAILS OF ASSOCIATES 2018

(Amounts in thousands of euros)

COMPANY	CAPITAL	Reserves and other equity items	2018 PROFIT/(LOSS)			% OWNER.
			Operating profit (loss)	Profit(loss) from ongoing operations	Profit/(loss)	
Aguas de Archidona, S.L.	150	(5)	4	(16)	(16)	48.00%
Aguas de Denta, S.A. (*)	425	915	100	75	75	33.00%
Aguas de Langreo, S.L.	1,800	182	258	1	1	49.00%
Aguas de Narixa, S.A.	600	11	175	(56)	(56)	50.00%
Aguas de Priego, S.L.	500	(846)	166	(7)	(7)	49.00%
AIE Aquagest Medioambiente Aqualia (*)	400	4	0	259	259	37.50%
AIE Ciudad Real (*)	0	0	59	127	127	75.00%
AIE Costa Brava Abastament Aqualia – Sorea	156	0	(0)	78	78	50.00%
AIE Costa Tropical de Granada	1,623	4,092	2,214	1,721	1,721	51.00%
AIE ITAM Delta de la Tordera (*)	0	0	(0)	1	1	50.00%
Algües del Segarra Garrigues, S.A.	15,000	10,425	2,583	1,995	1,995	1.00%
Algües del Tomoví, S.A. (*)	1,000	4,037	29	24	24	49.00%
Aguas El Realito, S.A. de C.V.	8,603	4,884	6,931	903	903	44.00%
Cía. de Serv. Medioambientales do Atlántico, S.A.	601	423	94	8	8	49.00%
Concesionaria de Desalación de Aguas de Ibiza, S.A.	1,850	750	1,124	482	482	50.00%
EMANAGUA - Empresa Municipal de Aguas de Nijar, S.A.	450	1,025	595	413	413	49.00%
Empresa Mixta de Aguas de Jódar, S.A.	150	(160)	88	24	24	49.00%
Empresa Mixta de Aguas de Ubrique, S.A.	150	78	38	26	26	49.00%
Empresa Municipal Aguas de Algeciras, S.A.	451	(14)	205	13	13	49.00%
Empresa Municipal de Aguas Benalmádena, S.A.	1,803	1,298	1,572	801	801	50.00%
Empresa Municipal de Aguas de Linares, S.A.	300	573	636	477	477	49.00%
Empresa Municipal de Aguas de Toxirla, S.A.	240	(110)	(31)	(30)	(30)	49.00%
Girona, S.A.	1,200	4,576	(154)	77	77	33.61%
Nueva Sociedad de Aguas de Ibiza, S.A. (*)	60	132	54	41	41	40.00%
Omán Sustainable Water Services SAOC	1,144	342	379	329	329	49.00%
Orasqualia O&M	1,181	1,961	997	822	822	50.00%
SERA.Q.A. Dultam, S.A. (*)	34	31	0	0	0	30.60%
Shariket Miyeh Ras Djinet S.p.A.	15,116	34,702	5,975	4,394	4,394	25.49%
Shariket Tahya Miyah Mostaganem S.p.A.	23,354	114,772	15,564	13,510	13,510	25.49%
Suministro de Agua de Queretaro, SA de CV	15,437	23,000	10,427	4,342	4,342	1.00%

(*) Unaudited figures

EQUITY DETAILS OF ASSOCIATES 2017

(Amounts in thousands of euros)

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

(*) Unaudited figures

The details of income from equity investments of Group companies and associates are included in Note 19.1.

7.2. Non-current loans to Group companies and associates

The breakdown is as follows:

LONG-TERM LOANS TO COMPANIES		
<i>(Amounts in thousands of euros)</i>		
	31.12.18	31.12.17
Loans to Group companies (Note 7.2.1)	867,487	931,244
Interest on loans to Group companies (Note 7.2.1)	2,465	10,136
Loans to associates (Note 7.2.2)	31,233	33,874
TOTAL	901,185	975,254

7.2.1 Long-term loans to Group companies. The details of the balance of this account at 31 December 2018 and 31 December 2017 are as follows:

LOANS TO GROUP COMPANIES				
<i>(Amounts in thousands of euros)</i>				
	31.12.18	31.12.17	INTEREST RATE	MATURITY
Aqua Campiña, S.A.	3,074	3,518	Euribor+1%	2026
Aquajerez, S.L.	15,437	15,437	3% + Variable	2038
Aqualia Desalación Guaymas, S.A. de C.V.	7,314	-	- (*)	2022
Depurplán, S.A.U.	7,897	6,760	4.5%	2027
Empresa Gestora de Aguas Linenses, S.L.	6,366	9,787	Euribor+7.5%	2020
Aguas de las Galeras, S.L.	15,374	15,374	10%	2020
Asesoría Financiera y de Gestión, S.A.	-	357,617	2.30%	2037
Aguas de Alcázar Empresa Mixta, S.A.	4,818	5,428	4%	2024
Fomento de Construcciones y Contratas, S.A.	806,479	426,415	3.55%	2048
Fomento de Construcciones y Contratas, S.A.	-	90,174	2.30%	2037
Sociedad Española de Aguas Filtradas, S.A.	728	734	4.25%	2020
Interest	2,465	10,136		2019
TOTAL	869,952	941,380		

(*) The balances with Aqualia Desalación Guaymas, S.A. de C.V. do not accrue interest since they involve funds transferred for future capital increases.

On 8 June 2017, once the amount of the two non-convertible bond issues performed by the Parent in that year had been obtained (see Note 15.1), FCC Aqualia granted the following loans to FCC Group companies.

- Fomento de Construcciones y Contratas, S.A. (latest parent of the FCC Group). Two loans amounting to 425,668 thousand euros and 90,174 thousand euros and maturity date at 8 June 2029 and 2037, respectively. In both cases, the interest rate was 2.30% per year and the interest was capitalised successively over the years, except the last interest period, and it will be paid together with the refund of the principal at the maturity date.
- Asesoría Financiera y de Gestión, S.A. A loan in the amount of 357,099 thousand euros, which was the balance in favour of FCC Aqualia, arising from the cash pooling agreement in force between both companies from 24 June 2014 and which was terminated on 8 June 2017. In this case, the maturity date was set at 8 June 2037, the interest earned was 2.30% a year and interest was accumulated yearly until the last interest period, to be paid together with the principal at the maturity date.

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

Despite the foregoing, on 28 September 2018, the Company signed a non-extinguishing amendatory novation agreement on the three loans subordinated in the payment of the principal to the repayment conditions existing in the loan granted to Fomento de Construcciones y Contratas by a syndicate of financial entities, as follows:

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

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

Also, as a result of the new entry into force of the novation of the loan agreement, the loan conditions were substantially modified, not having any impact on the income statement since no

costs were pending allocation.

7.2.2 The long-term loans to associates were as follows:

	LOANS TO ASSOCIATES (Amounts in thousands of euros)		INTEREST	MATURITY
	31.12.18	31.12.17		
AIE Gest. Servicios Hidráulicos Ciudad Real	79	79	-	2021
Emp. Municipal de Aguas de Algeciras, S.A.	2,468	2,802	EURIBOR + 1%	2045
Emp. Municipal de Aguas de Benalmádena, S.A.	4,728	5,497	EURIBOR (12) + 0.9%	2025
Emp. Municipal de Aguas de Toxiria, S.A.	420	462	EURIBOR (12) + 1%	2029
Aguas de Langreo, S.L.	4,085	4,451	EURIBOR + 1	2031
EMANAGUA - Empresa Mpal de Aguas de Nijar	2,786	4,059	EURIBOR (12) + 1.25%	2025
Aigües del Tomoví, S.A.	1	1	4%	2032
Aguas de Archidona, S.A.	486	503	T.R. LEGAL + 3%	2036
Aguas de Narixa, S.A.	5,463	5,364	EURIBOR (12) + 0.75%	2034
Aquos El Realito, S.A. de C.V.	5,918	5,671	- (/*)	2021
AIE Costa Brava Abastament Aqualia Sorea	2	2	-	2020
Aguas de Priego, S.L.	3,305	3,418	5%	2037
Empresa Mixta de Aguas de Jódar, S.A.	913	944	7%	2035
Orasqualia Development Waste T.Plant SAE	30	28	-	2020
Emp. Municipal de Aguas de Linares, S.A.	549	593	EURIBOR + 0.05%	2032
TOTAL	31,233	33,874		

(*) The balances with Aquos El Realito, S.A. de C.V. do not accrue interest since they involve funds transferred for future capital increases.

NOTE 8. FINANCIAL ASSETS BY CATEGORY

The classification of financial assets without including the investments in Group companies and associates was as follows:

	FINANCIAL ASSETS BY CATEGORY (Amounts in thousands of euros)					
	31.12.18		Total	31.12.17		Total
Non-current	Current	Non-current		Current		
Assets held for trading						
Unlisted equity instruments (Note 8.1)	10	-	10	10	-	10
Loans and receivables						
Loans to Group companies and associates (Notes 7.2 and 9)	901,185	94,659	995,844	975,254	87,360	1,062,614
Loans to third parties (Notes 8.2 and 9.2)	77,750	15,763	93,513	80,585	17,548	98,133
Other financial assets with Group companies and associates (Note 8.3)	-	3,225	3,225	-	2,710	2,710
Other financial assets with third parties (Note 8.3)	18,538	7,452	25,990	17,341	12,794	30,135
Trade and other receivables (Notes 8.4 and 10)	-	111,282	111,282	-	131,437	131,437
Total	997,483	232,281	1,229,854	1,073,180	251,849	1,325,029
TOTAL FINANCIAL ASSETS	997,493	232,281	1,229,864	1,073,190	251,849	1,325,039

The fair value of the Company's financial assets does not differ significantly from their carrying amount. The only gains and losses arising from financial assets related to the impairment allowances detailed in Note 10.3 and to the finance income relating to loan interest totalling 33,137 thousand euros at 31 December 2018 (22,221 thousand euros at 31 December 2017).

8.1. Unlisted equity instruments

The details of unlisted equity instruments at 31 December 2018 and 2017 were as follows:

EQUITY INSTRUMENTS (Amounts in thousands of euros)	2018	2017
Other investments	10	10
TOTAL	10	10

8.2. Loans to third parties

This heading includes mainly the loans granted to city councils to carry out works and installations in the water network. These loans accrue variable interest in line with the Euribor, and are repaid in line with the repayment schedule included in the agreement, through the setting off of debts with the city councils, arising from the collection of one-off royalties and other items. The portion of these debts maturing at less than one year is included under Current financial assets (see Note 9.2).

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

	LOANS TO THIRD PARTIES (Amounts in thousands of euros)		FINAL MATURITY	
	31.12.18	31.12.17	< 5 YEARS	> 5 YEARS
Alboraya City Council	3,639	3,783		>2023
Alcalá de Henares City Council	3,176	3,446		>2023
Aller City Council	184	233		>2023
Ávila City Council	470	3,240		>2023
Bollullos Par del Condado City Council	1,415	1,416		>2023
Calasparra City Council	208	250		>2023
Callosa del Segura City Council	1,520	1,565		>2023
Caravaca de la Cruz City Council	179	209		>2023
Chipiona City Council	2,341	862		>2023
Cristina City Council	66	78		>2023
El Vendrell City Council	142	165		>2023
Güímar City Council	176	206		>2023
Hellín City Council	12	15		>2023
Hondón de los Frailes City Council	88	97		>2023
Jaén City Council	27,599	29,436		>2023
La Guardia City Council	408	426		>2023
La Línea City Council	1,068	1,227		>2023
Lepe City Council	10,490	10,490		>2023
Lora del Río City Council	314	533		>2023
Los Alcázares City Council	-	406		>2023
Magán City Council	180	207		>2023
Martos City Council	-	120		>2023
Matalascañas City Council	1,362	1,817		>2023
Medina del Campo City Council	-7	83		>2023
Mula City Council	238	416		>2023
Olivenza City Council	623	-		>2023
Puerto de la Cruz City Council	375	1,355		>2023
Ribera del Fresno City Council	278	316		>2023
Ronda City Council	2,515	2,768		>2023
San Pedro del Pinatar City Council	317	339		>2023
San Lorenzo del Escorial City Council	2,806	3,023		>2023
Sant Fost City Council	918	1,037		>2023
Solana de Los Barros City Council	135	153		>2023
Turcia City Council	9	9		>2023
Ubrique City Council	371	569		>2023
Vélez-Málaga City Council	8,519	4,193		>2023
Villarrubia de Santiago City Council	155	159		>2023
Base General Menacho	140	153		2020
Campo de Gibraltar region	5,137	5,293		>2022
Regantes Llanos Villamartín community	78	435		>2022
Loans to personnel	24	56	2020	
Loans Caja Rural		1	2020	
Tierras del Adja Association	82	-		>2022
Total loans to third parties	77,750	80,585		

8.3 Other financial assets

The details of this balance at 31 December 2018 and 31 December 2017 were as follows:

OTHER FINANCIAL ASSETS		
<i>(Amounts in thousands of euros)</i>		
Non-current	31.12.18	31.12.17
Long-term deposits and guarantees given	18,538	17,341
TOTAL	18,538	17,341
Current	31.12.18	31.12.17
Current deposits and guarantees given	7,443	12,785
Other financial assets	9	9
Dividends receivable from Group companies and associates	3,225	2,710
TOTAL	10,677	15,504

8.3.1 Dividends receivable from Group companies and associates

The details of the dividends receivable from Group companies and associates and the share in profit/(loss) outstanding receivable at 31 December 2018 and 31 December 2017 are as follows:

DIVIDENDS RECEIVABLE FROM GROUP COMPANIES AND ASSOCIATES		
<i>(Amounts in thousands of euros)</i>		
	31.12.18	31.12.17
A.I.E. ITAM Delta de La Tordera	1,531	1,531
A.I.E. Gestión de servicios hidráulicos Ciudad Real	94	52
A.I.E. Sorea - Aqualia	97	87
A.I.E. Costa Tropical de Granada	1,464	586
A.I.E. Costa Brava Abastament Aqualia Sorea	39	47
Orasqualia O&M	-	407
TOTAL	3,225	2,710

NOTE 9. SHORT-TERM LOANS

The detail of the balance at 31 December 2018 and 31 December 2017 was as follows:

SHORT-TERM LOANS		
<i>(Amounts in thousands of euros)</i>		
	31.12.18	31.12.17
Loans to Group companies and associates	94,659	87,360
Other loans to non-Group third parties	15,763	17,548
TOTAL	110,422	104,908

9.1. The details of the loans to Group companies and associates at 31 December 2018 and 2017 were as follows:

SHORT-TERM TO GROUP COMPANIES AND ASSOCIATES		
<i>(Amounts in thousands of euros)</i>		
	31.12.18	31.12.17
Loans to Group companies and associates	84,855	79,369
Interest on current loans to Group companies and associates	9,804	7,991
TOTAL	94,659	87,360

SHORT-TERM LOANS TO GROUP COMPANIES AND ASSOCIATES

(Amounts in thousands of euros)

	31.12.18	31.12.17
A.I.E. Costa Tropical de Granada	11,066	9,953
A.I.E. ITAM La Tordera	234	234
Abast. Alta Costa Brava Emp.Mixta	1	2
Abrantaqua	1,607	1,618
Acque de Caltanissetta, S.P.A.	5,186	5,049
Aguas de Alcáidesa, S.L.	784	-
Aguas de Alcázar Empresa Mixta, S.A.	620	546
Aguas de Archidona, S.L.	29	28
Aguas de Langreo, S.L.	732	732
Aguas de las Galeras, S.L.	2,215	2,756
Aguas de Narixa, S.A.	524	468
Aguas de Priego, S.L.	184	179
Aguas del Puerto Empresa Municipal	8	7
Aigües de Vallirana, S.A.U.	82	92
Aqua Campiña, S.A.	513	518
Aquaervas - Aguas de Elvas, S.A.	2,637	2,677
Aquafundalia- Agua Do Fundao, S.A.	1,723	1,723
Aquajerez, S.L.	949	178
Aqualia Czech, S.L.	2,301	-
Aqualia Intech, S.A.	30,565	28,719
Aquamaior - Aguas de Campo Maior, S.A.	502	501
Cartagua, Aguas do Cartaxo, S.A.	4,495	4,501
Compañía de Servicios Medioambientales do Atlántico, S.A.	5	3
Conservación y Sistemas, S.A.	2,117	476
Depurplán 11, S.A.U.	721	49
EMANAGUA – Emp. Municipal de Aguas de Nijar, S.A.	406	727
Ematoxiria, S.A.	47	46
Emp. Mixta de Aguas de Jodar, S.A.	31	29
Emp. Municipal de Aguas de Benalmádena, S.A.	790	787
Emp.Municipal de Aguas de Linares, S.A.	43	43
Empresa Gestora de Aguas Linenses, S.L.	66	-27
Empresa mixta de aguas y servicios, S.A.	7	6
Empresa Municipal Aguas de Algeciras, S.A.	341	359
Entemanser, S.A.	1	131
FCC Aqualia América, S.A. Unipersonal	1,997	1,330
FCC Construcción, S.A.	80	162
Fomento de Construcciones y Contratas, S.A	386	1,840
FS Colaboración y Asistencia, S.A.	-	125
Hidrotec Tecnología del Agua, S.L.U.	9,208	9,125
Infraestructuras y Distribución General del Agua, S.L.	6,148	6,001
Omán Sustainable Water Services SAOC	16	-
Sociedad Española de Aguas Filtradas, S.A.	8	64
Shariket Miyeh Ras Djinet, S.p.a.	3	3
Shariket Tahlya Mostaganem, S.p.a.	34	33
Tratamiento Industrial de Aguas, S.A.	5,247	5,567
TOTAL	94,659	87,360

These loans accrue market interest and 762 thousand euros were recognised under this heading at 31 December 2017 for the income tax receivable from the companies belonging to the FCC Group. At 31 December 2018, FCC Aqualia and its subsidiaries did not belong to the aforementioned tax group; accordingly, there are no balances in this regard with Fomento de Construcciones y Contratas.

- 9.2. Loans to non-Group third parties. This heading includes mainly the loans granted to city councils, maturing at short term, to carry out works and installations in the water network. The portion of these loans maturing at more than one year is included under "Non-current financial assets" (see Note 8.2). The details of these loans at 31 December 2018 and 31 December 2017 is as follows:

LOANS TO THIRD PARTIES*(Amounts in thousands of euros)*

	31.12.18	31.12.17
Campo Gibraltar Association of Municipalities	97	719
Agate City Council	0	35
Alboraya City Council	230	170
Alcalá de Henares City Council	370	407
Algeciras City Council	72	72
Aller City Council	53	104
Ávila City Council	1,202	1,100
Bollullos Par del Condado City Council	139	420
Calasparra City Council	45	46
Callosa del Segura City Council	178	170
Caravaca de la Cruz City Council	41	41
Chipiona City Council	459	456
El Vendrell City Council	23	22
Güímar City Council	29	29
Hondón de los Frailes City Council	21	50
Jaén City Council	2,279	2,305
La Guardia City Council	37	37
La Línea City Council	208	208
L'Ametlla de Mar City Council	945	228
Lepe City Council	3,133	2,432
Lora del Río City Council	702	476
Martos City Council	237	112
Masllorens City Council	7	42
Matalascañas City Council	484	1,001
Mula City Council	183	251
Numancia de la Sagra City Council	-	39
Olivenza City Council	25	-
Peralada Municipal Council	178	185
Puerto de la Cruz City Council	1,605	551
Ribera del Fresno City Council	397	359
Ronda City Council	172	146
San Lorenzo del Escorial City Council	95	120
San Pedro del Pinatar City Council	28	25
Sant Fost City Council	149	150
Segurilla City Council	-	495
Solana de Los Barros City Council	-	5
Ubrique City Council	213	204
Vélez-Málaga City Council	716	3,311
Regantes Llanos Villamartin community	379	333
Irrigation community	-	4
Crédito Instalaciones Mercader, S.L.	-	1
Dual Fuel Solutions, S.L.	32	-
Tierras del Adaja Association	7	7
Other receivables	6	6
Loans with partners of JVs due to a different contribution	587	674
Total loans to third parties	15,763	17,548

The loans accrue interest at market rates.

NOTE 10. TRADE AND OTHER RECEIVABLES

- 10.1. The breakdown of the balance of "Trade receivables for sales and services" at 31 December of each year is as follows:

TRADE RECEIVABLES FOR SALES AND SERVICES		
<i>(Amounts in thousands of euros)</i>		
	31.12.18	31.12.17
Output billed pending collection from non-Group customers	98,825	134,750
Assignment without recourse of trade receivables, third parties	(96,338)	(96,610)
Completed work pending invoicing to non-Group customers	46,118	42,940
Customer withholdings, non-group	780	1,220
Non-tax accounts receivable from public entities	125	-
Impairment of trade receivables	(28,018)	(29,507)
TOTAL	21,492	52,793

At 31 December 2018, 15,904 thousand euros of the net Trade receivables balance relates to Joint Ventures (13,924 thousand euros at 31 December 2017).

"Output billed pending collection" includes the amount of invoices issued to customers for services performed and pending collection at the balance sheet date.

The difference between the amount of the output recognised for each of the water supply works and services, measured in accordance with the criteria set forth in Note 4.10 "Revenue and expenses" and the certified amount for each one of them is recognised as "Completed output pending certification". At 31 December 2018, "Completed output pending certification" includes 2,296 thousand euros relating to construction works and 43,822 thousand euros relating mainly to water supply to subscribers, pending invoicing at the aforementioned date.

The "Assignment without recourse of trade receivables, third parties" heading relates to collection rights assigned without recourse by the Company at 31 December 2018 and 31 December 2017 to a banking syndicate in which Banco Santander acts as agent bank, based on an agreement signed on 15 July 2011 for an initial duration of 3 years, which was renewed in June 2014, providing it with the same maturity date as the FCC Group's Refinancing Agreement. Under this agreement, the Company acts on its own behalf and also as the agent for two subsidiaries Entemanser, S.A. and Aigues de Vallirana, S.A.U., having extended the limit on 5 May 2015, from 90,000 thousand euros to 102,000 thousand euros.

- 10.2. The detail of the balance of "Trade receivables from Group companies and associates" at 31 December 2018 and 31 December 2017, which mainly includes trade activities, was as follows:

TRADE RECEIVABLES, GROUP COMPANIES AND ASSOCIATES		
<i>(Amounts in thousands of euros)</i>		
GROUP COMPANIES	31.12.18	31.12.17
Abrantaqua, S.A.	938	1,089
Acque di Caltanissetta, S.P.A.	11,681	9,593
Aguas de Alcáidesa, S.L.	1,308	-
Aguas de Alcázar Empresa Mixta, S.A.	353	362
Aguas de las Galeras, S.L.	27	42
Aigües de Vallirana, S.A.U.	20	19
AISA D.O.O. Beograd-Vracar	8	14
AISA Montenegro	8	14
AISA Pristina LLC	20	-
Aqua Campiña, S.A.	206	219
Aquaelvas – Aguas de Elvas, S.A.	1,469	1,404
Aquafundalia -Agua Do Fundao, S.A.	1,488	810
Aquajerez, S.L.	1,639	2,749
Aqualia Mace LLC	178	57
Aqualia Infraestructuras de México, S.A. de C.V.	326	37
Aqualia Intech, S.A.	1,385	1,134
Aqualia New Europe B.V.	215	269

TRADE RECEIVABLES, GROUP COMPANIES AND ASSOCIATES

(Amounts in thousands of euros)

Aquamaior – Aguas del Campo Maior, S.A.	31	28
Cartagua, Aguas Do Cartaxo, S.A.	2,433	2,462
Conservación y Sistemas, S.A.	6	13
Depurplan 11, S.L.	80	100
Empresa Gestora de Aguas Linenses, S.L.	290	296
Entemanser, S.A.	126	234
Fast Consortium Limited LLC	104	15
FCC Construcción, S.A.	400	663
FCC Servicios Industriales y Energéticos, S.A.	15	24
Fomento de Construcciones y Contratas, S.A.	58	91
FS Colaboración y Asistencia, S.A.	-	37
Hidrotec Tecnología del Agua, S.L.	85	52
Infraestructuras y Distribución General del Agua, S.L.	91	48
Matinsa	7	8
Severomoravske Vodovody a Kanalizace Ostrava, a.s.	235	195
Sociedad Española de Aguas Filtradas, S.A.	33	81
Tratamiento Industrial de Aguas, S.A.	34	28
ASSOCIATES		
Aguas de Archidona, S.L.	151	119
Aguas de Langreo, S.L.	212	228
Aguas de Narixa, S.A.	29	61
Aguas de Priego, S.L.	428	445
AIE Abast. Alta Costa Brava emp. Mixta	2	46
AIE Aquagest-Aqualia	16	-
AIE Costa Brava AB. Aqualia-Sorea	69	68
AIE Costa Tropical de Granada	2,431	3,092
AIE ITAM Delta de la Tordera	399	1,323
Aigües de Girona, Salt y Sarrià de Ter, SA	-	-
Aigües del Tomoví, S.A.	184	201
Aigues del Segarra Garrigues, S.A.	138	27
Compañía de Servicios Medioambientales do Atlántico, S.A.	39	42
Concesionaria de Desalación de Ibiza, S.A.	24	16
Emp. Mixta d' Aigues de la Costa Brava	-	4
Empresa Mixta de Aguas de Jodar, S.A.	400	676
Empresa Mixta de Aguas de Ubrique, S.A.	261	256
Empresa Mixta de Aguas y Servicios, S.A.	77	44
Empresa Municipal de Aguas de Algeciras, S.A.	6,535	6,079
Empresa Municipal de Aguas de Benalmádena, S.A.	95	152
Empresa Municipal de Aguas de Linares, S.A.	442	115
Empresa Municipal de Aguas de Níjar, S.A.	2,179	4,859
Empresa Municipal de Aguas de Toxiria, S.A.	446	674
Girona, S.A.	5	5
Nueva Sociedad de Aguas de Ibiza, S.A.	1	1
Orasqualia Devel. Water Treatment Plant. S.A.E.	183	73
Orasqualia O&M	69	40
Shariket Miyeh Ras Djinet S.p.A.	631	869
Shariket Tahlya Miyah Mostaganem S.p.A.	869	837
TOTAL	41,612	42,539

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

10.3 The detail of the balance existing under Impairment of trade receivables was as follows:

IMPAIRMENT OF TRADE RECEIVABLES		
<i>(Thousands of euros)</i>		
	31.12.2018	31.12.2017
Customer bad debts	28,018	29,507
Bad debt receivables	52	913
TOTAL	28,070	30,420

10.4 The changes in the Impairment of trade receivables account was as follows:

IMPAIRMENT OF TRADE RECEIVABLES	
<i>(Amounts in thousands of euros)</i>	
<i>Variation between 1 January 2017 and 31 December 2017</i>	
Balance at 31 December 2016	30,842
Impairment charge recognised in the current year	3,271
Balance of business combinations	73
Reversal of impairment charge recognised in previous years	(3,766)
Balance at 31 December 2017	30,420
<i>Variation between 1 January 2018 and 31 December 2018</i>	
Balance at 31 December 2017	30,420
Impairment charge recognised in the current year	2,743
Balance arising from change of % of TJVs	25
Reversal of impairment charge recognised in previous years	(5,118)
Balance at 31 December 2018	28,070

The Company recognises the net effect of such provision under “Losses on, impairment of allowances in provision for trade receivables” (see Note 19.11). Moreover, this heading includes the loss on receivables deemed to be uncollectible, amounting to 7,272 thousand euros at 31 December 2018 (3,463 thousand euros at 31 December 2017) and other short-term period provisions.

NOTE 11. CASH AND CASH EQUIVALENTS

Up to the date of issue of the bonds referred to in Note 15.1, the Company participated in the cash pooling system of the FCC Group to which it belongs. From the aforementioned date onwards, cash was managed autonomously; accordingly, the Company increased its levels of cash considerably arising from its ability to generate cash flows.

In the context of bond issues performed by the Company in 2017 (see Note 15.1), guarantees were provided in relation to certain accounts held by FCC Aqualia, S.A. at 31 December 2018 with a value of 285,489 thousand euros (161,428 thousand euros at 31 December 2017). Despite the foregoing, of these amounts, only those included in the debt service account, whose balance amounts to 26,979 thousand euros, at both 31 December 2018 and at 31 December 2017, are restricted vis-à-vis the Company.

NOTE 12. EQUITY

The detail of and changes in equity are presented in the Statement of Changes in Equity.

12.1. Share capital is represented by 145,000,000 registered shares, fully subscribed and paid, with a par value of one euro each. In 2001, the share capital was redenominated in euros, generating a restricted reserves account amounting to 76 thousand euros, which is posted under the “Other reserves” heading in the accompanying balance sheet. The Company's shares are not quoted on the stock market.

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

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

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

12.2. The **share premium** was fully distributable at 31 December 2018 and 2017.

12.3 The breakdown of **Reserves** at 31 December 2018 and 31 December 2017 was as follows:

RESERVES		
<i>(Amounts in thousands of euros)</i>		
	31.12.18	31.12.17
Legal reserve	29,000	29,000
Voluntary reserves	74,765	759
Special reserves	76	76
Goodwill reserve	32,635	32,635
TOTAL	136,476	62,470

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

Distribution charged to Share Premium	32,537
Distribution charged to Voluntary reserves	413,463
Total	446,000

At 31 December 2018, the **Legal reserve** was equal to 20% of the share capital, hence, no additional amount will be earmarked to the distribution of 2018 profit (see Note 3). Accordingly, the Legal reserve had been fully provisioned at 31 December 2017.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase. Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the Legal reserve may only be used to offset losses.

Voluntary reserves were unrestricted at 31 December 2018 and 31 December 2017.

Goodwill reserve. Under article 273.4 of the Consolidated Spanish Limited Liability Companies Law, until 31 December 2015, the Company had been provisioning a restricted reserve for the amount of the goodwill appearing on the asset side of the balance sheet (see Note 5), whose balance at 31 December 2018 was 32,635 thousand euros (same balance at 31 December 2017). This reserve is restricted.

In accordance with the amendments made to the Spanish Auditing Act Law 22/2015, of 20 July, for reporting periods beginning on or after 1 January 2016, the Company interrupted contributions to this goodwill reserve, and any amount that exceeds the goodwill reported on the asset side of the balance sheet must be reclassified to Voluntary reserves, and will be made available as from this year. In 2018, no amount was reclassified to Voluntary reserves since the aforementioned circumstance had not arisen.

NOTE 13. GRANTS

The changes in this heading in each year were as follows:

GRANTS	
<i>(amount in thousands of euros)</i>	
<i>Variation between 1 January 2018 and 31 December 2018</i>	
Balance at 31 December 2017	4,922
Additions in the period	716
Amount allocated to profit or loss	(1,645)
Tax effect	232
Balance at 31 December 2018	4,225

GRANTS	
<i>(Amounts in thousands of euros)</i>	
<i>Variation between 1 January 2017 and 31 December 2017</i>	
Balance at 31 December 2016	4,824
Additions in the period	2,523
Amount allocated to profit or loss	(2,398)
Tax effect	(27)
Balance at 31 December 2017	4,922

The income statement includes 1,645 thousand euros relating to the allocation to profit or loss of non-financial assets (2,398 thousand euros at 31 December 2017).

At 31 December 2018, 555 thousand euros arose from the inclusion of TJVs (824 thousand euros at 31 December 2017). These amounts were granted by the European Union to finance an investment plan being implemented by the Company at TJVs with other companies.

The income statement includes 10,990 thousand euros for grants related to income (8,976 thousand euros at 31 December 2017), relating to grants awarded to the Company by the city councils that provide the end-to-end water cycle service, acknowledging the operating shortfall to the concessionaire, pursuant to that envisaged in the tender specifications and respective contract.

The amounts pending collection at 31 December 2018 and 31 December 2017 in this regard are shown in Note 16.

NOTE 14. PROVISIONS

The details and changes in 2018 and 2017 are as follows:

LONG-TERM PROVISIONS					
<i>Variation between 31 December 2017 and 31 December 2018</i>					
	BALANCE	(+)	(+)	(-)	BALANCE
	31.12.17	PROVISION	FINANCIAL UPDATE	APPLICATION	31.12.18
Provisions for pensions	33	-	-	(5)	28
Other provisions	34,804	4,841	4	(4,484)	35,165
Provisions for commitments related to infrastructure in concession agreements	29,587	9,190	589	(8,313)	31,053
TOTAL	64,424	14,031	593	(12,802)	66,246
<i>Variation between 31 December 2016 and 31 December 2017</i>					
	BALANCE	(+)	(+)	(-)	BALANCE
	31.12.16	PROVISION	FINANCIAL UPDATE	APPLICATION	31.12.17
Provisions for pensions	144	-	-	(111)	33
Other provisions	29,816	6,410	4	(1,426)	34,804
Provisions for commitments related to infrastructure in concession agreements	31,256	2,380	724	(4,773)	29,587
TOTAL	61,216	8,790	728	(6,310)	64,424

The charge to "Other provisions" recognised at 31 December 2018, amounting to 4,841 thousand euros (6,410 thousand euros at 31 December 2017), is recognised with a charge to "Other operating expenses" in the accompanying income statement, and covers contractual liability that could lead to a probable payment

obligation in the future.

The financial update of the provisions amounting to 593 thousand euros at 31 December 2018 (728 thousand euros at 31 December 2017), is recognised with a charge to “Finance expenses” (see Note 19.8) in the accompanying Income Statement.

Non-current provisions relate to:

- a) Provisions for pensions. The Company externalised all the commitments relating to complements to social security pensions and retirement bonuses. The existing balance at 31 December 2018 and 31 December 2017 relates to non-externalisable commitments of UTE Aqualia – FCC (Vigo).
- b) Other provisions. Includes the estimates made by the Company for the contractual liabilities that may be generated for it as a result of a probable payment obligation in the future, including most notably, a provision with Arteixo City Council, amounting to 14,000 thousand euros.

In relation with the dispute with Arteixo City Council, a legal claim exists filed by it against FCC Aqualia in the amount of 29,390 thousand euros. Until 30 June 2013, the date on which the Annual General Meeting was held, resolving to wind up “Augas municipais de Arteixo, S.A.”, FCC Aqualia and the City Council were shareholders thereof for the provision of the end-to-end water cycle in that municipality, with a stake of 51% owned by FCC Aqualia and the remainder owned by the City Council. In order to file an appeal against the legal claim mentioned at 31 December 2017, the Company granted a bank guarantee for 14,000 thousand euros, which was still in force at 31 December 2018.

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

- c) Provisions for commitments related to infrastructure in concession agreements. Such provisions are recognised when the Company is bound to perform capital expenditures to improve infrastructure and such “capex” are not offset with the obtainment of higher concession income. Their balancing entry is the “Intangible assets under concession arrangements” heading. The detail, by contract, at 31 December 2018 and 31 December 2017, is as follows:

	<i>(Amounts in thousands of euros)</i>	
	31.12.18	31.12.17
Lleida (Lleida)	9,459	10,459
San Pedro del Pinatar	4,881	-
Arcos de la Frontera (Cadiz)	2,839	3,041
Cangas (Pontevedra)	2,349	2,464
Vigo (Pontevedra)	2,640	2,326
Almansa (Albacete)	218	2,097
Campo Gibraltar Association of Municipalities (Cadiz)	1,386	1,693
Candelaria (Santa Cruz de Tenerife)	1,153	1,171
Barbate (Cadiz)	486	901
Arico (Santa Cruz de Tenerife)	700	700
Villanueva de Alcardete (Toledo)	327	650
Moguer (Huelva)	484	624
Benalup (Cadiz)	422	484
Mérida (Badajoz)	-	328
Fraga (Huesca)	179	314
Azuaga (Badajoz)	302	302
La Guardia (Toledo)	293	-
Navalcán (Toledo)	267	-
Añover de Tajo (Toledo)	290	-
Miajadas (Cáceres)	225	-
Eis Poblets (Alicante)	96	229
Campaña Sur (Badajoz) Association	86	161
Caspe (Zaragoza)	129	157
Villaviciosa (Asturias)	147	147
Los Molinos (Badajoz) Association	133	133
Llerena (Badajoz) Association	-	120
Tarazona de la Mancha (Albacete)	100	100

Bollullos del Condado (Huelva)	70	70
Chiclana (Cádiz)	24	61
Tordera (Barcelona)	-	55
Denia (Alicante)	-	47
Lepe (Huelva)	28	36
Other contracts	1,340	717
TOTAL	31,053	29,587

Short-term provisions included Company obligations to meet future payment commitments for events occurring during the performance of its activities and which respond to contractual or legal obligations.

NOTE 15. FINANCIAL LIABILITIES AND TRADE PAYABLES BY CATEGORY

In 2017, in line with the details of section 1) of this Note, a bond issue was made after which FCC Aqualia, S.A. and its subsidiaries became a subgroup excluded from the syndicated funding headed by Fomento de Construcciones y Contratas, S.A. (see Note 7.2)

The classification of financial liabilities at 31 December 2018 and 31 December 2017 was as follows:

BALANCES AT 31.12.18 (in thousands of euros)	Non-current	Current	Total
Payables			
Payables to Group companies and associates (Notes 15.2 and 15.3)	565	129,385	129,950
Debt instruments and other marketable securities	1,344,204	15,227	1,359,431
Finance lease payables	-	5	5
Other financial liabilities	38,994	6,158	45,152
Trade and other payables	-	255,203	255,203
TOTAL	1,383,763	405,978	1,789,741

BALANCES AT 31.12.17 (in thousands of euros)	Non-current	Current	Total
Payables			
Payables to Group companies and associates (Notes 15.2 and 15.3)	565	130,272	130,837
Debt instruments and other marketable securities	1,343,121	15,513	1,358,634
Finance lease payables	5	32	37
Other financial liabilities	36,916	4,639	41,555
Trade and other payables	-	254,551	254,551
TOTAL	1,380,607	405,007	1,785,614

For financial liabilities classified under "Accounts payable", the difference between the carrying amount and the fair value is not significant.

Net gains and losses from financial liabilities that relate mainly to the finance cost of the payables to Group companies and associates and bank borrowings and bondholders amounted to 656 thousand euros and 32,038 thousand euros, respectively, at 31 December 2018 (6,080 thousand euros and 20,059 thousand euros, respectively, at 31 December 2017).

15.1. Debt instruments and other marketable securities

The detail of this heading was as follows:

(Thousands of euros)	31.12.2018	31.12.2017
Issue of single listed bonds in Ireland	1,344,204	1,343,121
TOTAL NON-CURRENT	1,344,204	1,343,121
Interest on Issue of single listed bonds in Ireland	15,227	15,513
TOTAL CURRENT	15,227	15,513
TOTAL	1,359,431	1,358,634

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

	Balance at 31.12.17	Emissions	Interest and others	Balance at 31.12.18
Debt securities issued in the EU requiring a prospectus to be registered	1,358,634	-	797	1,359,431
	1,358,634	-	797	1,359,431

	Balance at 31.12.16	Emissions	Interest and others	Balance at 31.12.17
Debt securities issued in the EU requiring a prospectus to be registered	-	1,350,000	8,634	1,358,634
	-	1,350,000	8,634	1,358,634

Issue of non-convertible bonds listed in Ireland.

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

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

- One of them amounting to 700,000,000 euros with annual remuneration of 1.413%, maturing in 2022.
- The other amounting to 650,000,000 euros with annual remuneration of 2.629%, maturing in 2027.

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

- The nominal value of the bonds is 100,000 euros and, above that figure, in whole multiples of 1,000 euros, until reaching 199,000 euros.
- Interest will be paid annually on 8 June of each year.
- The repayment planned amortisation date envisaged for the first and second issues are 8 June 2022 and 8 June 2027, respectively.
- The single-listed bonds are admitted for trading on the Irish Stock Exchange, on an unregulated market.
- Both issues have the following guarantees:

- Pledge on 100% of the shares of Tratamiento Industrial de Aguas, S.A., Conservación y Sistemas, S.A., Sociedad Española de Aguas Filtradas, S.A., Depurplán y Aigues de Vallirana, S.A. and 97% of the shares of Entemanser, S.A.
- Pledge on 100% of the shares of Infraestructura y Distribución General del Agua, S.L., Empresa Gestora de Aguas Linenses, S.L., Aguas de las Galeras, S.L., Hidrotec Tecnología del Agua, S.L. and on 51% of Aqualia Czech.
- Pledge on 98% of the shares of Acque di Caltanissetta and on 100% of the shares of Aqualia Mexico, S.A.C.V.
- Pledge on the collection rights over certain accounts. (Note 11)

The Company recognised 15,227 thousand euros under “Current debentures and bonds with third parties” at 31 December 2018 (15,513 thousand euros at 31 December 2017) as a result of the interest accrued since 8 June 2018 (since the issue date for the balance at 31 December 2017).

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

- Bonds maturing in 2022: 99.986%.
- Bonds maturing in 2027: 99.047%.

Aside from the guarantees set forth in the previous paragraphs, the non-convertible bond issues by FCC Aqualia have the following limits for the Company.

- Limitation to the new financial indebtedness that did not exist at the issue date of the bonds or which has nothing to do with the purchase and sale of goods and services, possible employee claims and contractual obligations and guarantees provided by FCC Aqualia in the normal performance of its activities. Aside from the aforementioned transactions, it is permitted to grant credits and loans within the consolidation scope. This financial debt restriction does not include two subsidiaries with their own funding - Severomoravske Vodovody a Kanalizace Ostrava and Aquajerez, nor the Company's financing without recourse.

- Restrictions on the distribution of dividends. An additional dividend distribution to that made in 2017 (see Note 13) is not permitted until the correct EBITDA - net financial debt ratio is determined to ensure that net financial debt is not five times higher than the EBITDA figure.

- Limitation to the changes in the Company's capital structure and in that of its investees, whose shares are pledged, except for the capital increases permitted in accordance with the terms and conditions of the issue.

15.2. Non-current borrowings with Group companies

	(Thousands of euros)	
	31.12.2018	31.12.2017
Aqualia Intech, S.A.	565	565
TOTAL	565	565

Participation in the FCC Group's Refinancing Agreement

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

- Loan amounting to 4,500 thousand euros, granted in 2012 and maturing in 2026, which accrued interest of 8.6%.

- Loan amounting to 209,069 thousand euros granted in 2014 by FCC, S.A., based on a Lending Agreement and Restructuring Framework Agreement entered into by a group of companies headed by FCC, S.A. and including FCC Aqualia and other FCC Aqualia Group companies and virtually all of their financial creditors.
- Participating loan granted to FCC Aqualia on a permanent basis, although the lender can request the borrower to fully or partially repay it at any time; such fact was registered on 22 December 2016, declaring the loan to have matured on 31 January 2017, for its inclusion in the ordinary loan drawn down, amounting to 209,069 thousand euros at 31 December 2016.

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

15.3. "Current payables to Group companies and associates" at 31 December 2018 and 31 December 2017 for financial transactions and the tax effect of tax consolidation were as follows:

<i>CURRENT PAYABLES TO GROUP COMPANIES AND ASSOCIATES</i>		
<i>(Amounts in thousands of euros)</i>		
	31.12.18	31.12.17
Acque Di Caltanissetta, S.P.A.	931	4,477
Aguas de Alcaidesa, S.L.U	1,272	-
Aguas de Archidona, S.L.	-	2
Aguas de las Galeras, S.L.	313	798
Aguas de Narixa	-	1
Aguas de Priego, S.L.	2	-
Aguas de Tomovi, S.A.	5	18
AIE Itam Delta de la Tordera	749	749
Aigües de Vallirana, S.A.U.	3,004	2,851
Aqua Campiña, S.A.	28	33
Aqualia Intech, S.A.	42,519	40,925
Aqualia México, S.A. de C.V.	3,259	5,325
Augas Municipais de Arteixo, S.A.	1	1
Conservación y Sistemas, S.A.	4,413	3,384
Depurplan 11, S.A.U.	4,980	2,230
Empresa Gestora de Aguas Lineuses, S.L.	-	2,089
Empresa Mixta de Aguas de Ubrique, S.A.	471	427
Empresa Mixta de Butarque, S.A.	166	166
Empresa Municipal de Aguas de Linares, S.A.	471	-
Entemanser, S.A.	4,101	3,953
FCC AQUALIA América, S.A.U.	318	318
FCC Construcción, S.A.	46	115
Fomento de Construcciones y Contratas, S.A.	637	943
Proactiva Group	13	13
Hidrotec, S.L.	14,097	16,285
Infraestructuras y Distribución General de Agua, S.L.	8,750	7,939
Inversora Riutort, S.L.	290	290
Shariket Taliya Miyah Mostaganem	1	1
Shariket Taliya Miyah Mostaganem	-	1
Sistemas y Vehículos de Alta Tecnología, S.A.	17	-
Sociedad Española de Aguas Filtradas, S.A.	7,556	6,331
Sociedad Ibérica del Agua, S.A.	222	187
Tratamiento Industrial de Aguas, S.A.	30,753	30,420
TOTAL	129,385	130,272

At 31 December 2017, the short-term balance held with Fomento de Construcciones y Contratas, S.A. included 1,828 thousand euros relating to the 2017 income tax payable (see Note 16), of which 1,337 thousand euros related to FCC Aqualia and 491 thousand euros related to other subsidiaries that form part of the tax consolidation group 18/89 headed by FCC. At 31 December 2018, FCC Aqualia and its subsidiaries did not belong to the aforementioned tax group; accordingly, there were no balances in this regard with Fomento de Construcciones y Contratas.

The average interest rate applied was 0.10% (4.25% in 2017).

15.4. The accounts payable to Group companies and associates for trading activities were as follows:

<i>SHORT-TERM SUPPLIERS GROUP COMPANIES AND ASSOCIATES</i>		
<i>(Amounts in thousands of euros)</i>		
	31.12.18	31.12.17
Aigües del Tomoví, S.A.	1	2
Aqua Campiña, S.A.	-	1
Severomoravske Vodovody A Kanal Ost	2	2
Aqualia Intech, S.A.	1,061	1,425
Aqualia México, S.A. de C.V.	335	1,241
Aguas de Denia, S.A.	284	207
Conservación y Sistemas, S.A.	13	891
Prefabricados Delta, S.A.	2	82
Emp. Gestora de Aguas Linenses, S.L.	2	22
Emp. Municipal Mixta de Aguas de Nijar	735	1,784
Emp. Mixta de Aguas y Servicios, S.A.	45	44
Emp. Mixta de Aguas de Ubrique, S.A.	5	6
Empresa Municipal de Aguas de Algeciras, S.A.	983	1,131
Empresa Municipal de Aguas de Linares, S.A.	10	5
Ecoactiva Medioambiente, S.A.	6	3
Entenmanser, S.A.	105	88
A.I.E. Itan Delta de la Tordera	1,355	795
Hormigones Reinares	-	1
FCC Ámbito, S.A.	20	46
FCC Construcción, S.A.	4	120
FCC Equal CEE, S.L.	5	2
Fomento de Construcciones y Contratas, S.A.	3,350	1,007
FCC Medio Ambiente, S.A.	40	8
FCC Industrial y Servicios Energéticos, S.A.	89	420
FS Colaboración y Asistencia, S.A.	-	47
Gamasur Gibraltar, S.L.	33	28
Fedemes, S.L.	407	273
Hidrotec Tecnología del Agua, S.L.	5,915	5,447
FC y C, S.L.	-	2
Orasqualia Devel. Waste T.P. S.A.E.	21	10
Infraestructuras y Distribución General de Agua, S.L.	83	25
Aquajerez, S.L.	-	1
Nueva Sociedad de Aguas de Ibiza, S.A.	40	47
Proveiments D'Aigua, S.A.	18	12
Servicios Especiales de Limpieza, S.A.	58	62
Compañía de Control de Residuos, S.A.	-	2
Sociedad Española de Aguas Filtradas, S.A.	987	945
Tratamiento Industrial de Aguas, S.A.	3,013	1,804
Aguas de Alcaidesa, S.L.U	106	-
Aguas de Langreo, S.A.	14	-
AIE Costa Tropical de Granada	6	-
TOTAL	19,153	18,038

15.5. Other financial liabilities.

This heading includes mainly the securities received from subscribers of water contracts and non-current asset suppliers.

NOTE 16. TAX MATTERS

Following the aforementioned sale transaction detailed in Note 1 to these financial statements, FCC Aqualia ceased to form part of the consolidated tax group headed by Fomento de Construcciones y Contratas. As a result of the foregoing, the tax loss and tax credit carryforwards, together with unused temporary differences, must be reassigned to the company that generated them. Accordingly, at 31 December 2018, the income tax expense (tax revenue) of the Company is calculated individually and comprises the part relating to the current tax expense (current tax revenue) and the part relating to the deferred tax expense (deferred tax revenue). Therefore, the 2018 income tax payable was accounted for separately.

16.1 Balances with public authorities.

The details of the balance held with Public Authorities at 31 December 2018 and 31 December 2017 are as follows:

RECEIVABLE FROM PUBLIC AUTHORITIES		
<i>(Amounts in thousands of euros)</i>		
	31.12.18	31.12.17
Current tax assets	2,866	109
Non-current tax subsidies receivable	2,768	2,529
Current tax subsidies receivable	20,089	19,795
Other receivables from Public Authorities	54	307
TOTAL	25,777	22,740
CURRENT PAYABLES TO PUBLIC AUTHORITIES		
<i>(Amounts in thousands of euros)</i>		
	31.12.18	31.12.17
Current tax liabilities	1,532	958
VAT payable	702	831
Tax withholdings on account of personal work payable	2,355	2,264
Tax withholdings on account of movable and immovable capital payable	57	63
Other taxes payable	68,681	61,463
Other taxes accrued	1,082	1,150
Indirect taxes passed on	586	791
Amounts payable to Social Security	3,997	4,076
Current VAT deferrals payable	61	106
Current tax deferrals payable on account of personal work	40	58
TOTAL	79,093	71,760

“Other taxes payable” included primarily the taxes collected by the Company on behalf of certain city councils, which were payable at 31 December 2018 and 31 December 2017.

16.2 Deferred tax assets and liabilities.

Deferred tax assets relate mainly to provisions that are non-deductible for tax purposes in the year, the temporary limit in the deduction of the amortisation of non-current assets recognised in prior years and to the tax losses of the TJVs that allocate their profit/(loss) in the following year, while the deferred tax liabilities basically relate to non-repayable grants, taxable profit of the TJVs that is going to be allocated to profit/(loss) in the following year and to the capitalisation of the finance expense, concession arrangement.

DEFERRED TAX ASSETS		
<i>(Amounts in thousands of euros)</i>		
	31.12.18	31.12.17
Impairment of portfolios, non-current assets and trade receivables	18,054	3,545
Depreciation/amortisation	3,248	1,858
For the profit/(loss) of TJVs allocated to the following year and adjustments thereto.	4,085	1,453
Other	2,084	-
TOTAL	27,471	6,856
DEFERRED TAX LIABILITIES		
<i>(Amounts in thousands of euros)</i>		
	31.12.18	31.12.17
For the profit/(loss) of TJVs allocated to the following year and adjustments thereto.	3,969	4,939
For finance leases	51	42
For non-deductible portfolio provisions	1,691	6,134
For impairment of goodwill	-	84
Accelerated amortisation	372	420
For grants related to assets	1,531	1,762
Other	236	-
TOTAL	7,850	13,381

The changes in the "Deferred tax assets" and "Deferred tax liabilities" headings are as follows:

	Deferred tax assets	Deferred tax liabilities
Balance at 31.12.2016	7,958	9,897
Arising in the year	667	(63)
Arising in prior years	(1,769)	3,547
Balance at 31.12.2017	6,856	13,381
Arising in the year	4,491	(3,668)
Arising in prior years	(2,336)	4,242
Other adjustments	18,460	(6,131)
Balance at 31.12.2018	27,471	7,824

At 31 December 2018, the Company had filed an individual income tax return. On 13 February 2019, the Company received notification from the Spanish Tax Authorities that it had been included in the new tax group formed with number 233/19. The main change in 2018 relates primarily to the sales transaction mentioned in Note 1. In this context, FCC Aqualia revalued the deferred tax assets and liabilities, both in line with the new situation and with the current business plan, since it considers that no doubts exist regarding their recovery in a period not exceeding 10 years.

16.3 Reconciliation of accounting profit to taxable profit:

The reconciliation of accounting profit for the year to taxable profit for income tax purposes, at 31 December 2018 and 31 December 2017, is as follows:

RECONCILIATION OF ACCOUNTING PROFIT TO TAXABLE PROFIT FOR INCOME TAX PURPOSES		
<i>(Amounts in thousands of euros)</i>		
	31.12.18	31.12.17
Accounting profit before tax for the year	108,193	97,973
Permanent differences	(31,613)	(16,039)
Adjusted accounting profit	76,580	81,934
Temporary differences: Prepaid	3,291	(7,416)
Arising in the year	17,963	-
Arising in previous years	(14,672)	(7,416)
Temporary differences: Deferred	7,624	(8,859)
Arising in the year	16,967	2,867
Arising in previous years	(9,343)	(11,726)
Tax loss	87,495	65,659

Noteworthy in the table above were the permanent differences relating to both years. These differences arise from exemption to avoid the double taxation of dividends. Corporate Income Tax Law 27/2014, of 27 November, to be applied from 2015, eliminated the tax credit for the double taxation of dividends, substituting it with the aforementioned exemption.

16.4 Tax recognised in equity

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

16.5 Reconciliation of accounting profit to corporate income tax expense

The calculation of the income tax recognised for accounting purposes was as follows:

CALCULATION OF INCOME TAX FOR ACCOUNTING PURPOSES		
<i>(Amounts in thousands of euros)</i>		
	31.12.18	31.12.17
Profit before tax	108,193	97,973
-Permanent differences	(31,613)	(16,039)
Adjusted accounting profit	76,580	81,934
Accrued income tax, gross (25%)	19,145	20,484
+Tax credits and tax relief	(6,167)	-
+Other adjustments	(21,429)	3,483
Income tax expense	(8,451)	23,967

“Other adjustments” includes 24,591 thousand euros of reduced expense for the reassessment of deferred tax assets and liabilities, and another amount of 3,162 thousand of increased expense for the use of tax credits taken to reduce prior years' expenses but pending application in the FCC tax group.

16.6 Detail of income tax expense

The breakdown of “Income tax expense” for 2018 and 2017 is as follows:

Breakdown of income tax expense		
<i>(Amounts in thousands of euros)</i>		
	31.12.18	31.12.17
Current tax	(11,895)	(23,967)
Deferred taxes	20,346	-
Total income tax (expense)/income	8,451	(23,967)

16.7 Tax loss carryforwards and unused tax credits

The Company does not have any unused tax loss carryforwards or unused tax credits.

16.8 Years open for inspections and tax proceedings

In 2018, the proceedings initiated on 8th June 2015 by the Tax and Customs Control Unit dependent on the Spanish Tax Authorities, related to Income Tax of the Fiscal Group 18/89 headed by FCC, SA (periods between 01/2010 to 12/2013) as well as Value Added Tax (periods between 01/2012 to 12/2013) as the main taxes affecting the Group, have concluded without significant effects for FCC. At 11 October 2017, the FCC Group had already signed in accordance to the Corporate Tax inspection report for the period 2012-2013, from there are not liabilities arising for a significant amount for FCC Aqualia different from the ones registered in the 2017 annual accounts.

In relation with the VAT Inspection periods 2012 and 2013, on 11 December 2017 it had already been signed in accordance the inspection report from which it has resulted a liability by the amount of 131 thousands of euros to be paid by FCC Aqualia that have been disbursed in 2018.

In relation to the other years that have been inspected in Group companies, in certain cases, the different criteria applied by the tax authorities have caused claim proceedings that currently are under appeal by the corresponding Group companies.

From the criteria that tax authorities could adopt in relation to the open years under inspection could arise contingent tax liabilities that cannot be objectively quantified. The directors believe that the liabilities that could arise, not only for the years open to inspection but also for the reports issued on the inspections will not affect in a significant way to the equity of the company.

NOTE 17. LONG-TERM ACCRUALS / DEFERRALS

This balance sheet heading at 31 December 2018 and 2017 includes the amounts received in the rate to perform investments and works leading to environmental improvements in the water supply networks, during the construction phase thereof and until their start-up.

NOTE 18. GUARANTEES AND SECURITIES

At 31 December 2018, the Company had provided securities, mainly to guarantee compliance with its contractual obligations, and as collateral in the presentation of tenders for future contracts, for an amount of 263,293 thousand euros (317,560 thousand euros at 31 December 2017).

Furthermore, it had granted guarantees vis-à-vis third parties for the following FCC Group companies, for the following amounts (in thousands of euros):

	31.12.18	31.12.17
Abrantaqua	1,663	1,663
Aguas de Langreo, S.A.	650	910
Aguas de las Galeras, S.L.	727	-
Aigues del Segarra Garrigues, S.A.	-	60
Aquafundalia - Agua do Fundao, S.A.	308	781
Acque di Caltanissetta, S.p.a.	9,745	9,745
Aqualia Czech, S.L.	37	-
Aqualia Intech, S.A.	16,099	23,796
Concesionaria de Desalación de Ibiza, S.A.	12	12
Conservación y Sistemas, S.A.	43	19
Depurplán 11, S.A.	-	28
Sociedad Española de Aguas Filtradas, S.A.	111	86
Tratamiento Industrial de Aguas, S.A.	2	2
Aqualia México, S.A. de C.V.	3,472	3,486
Aquamaior – Aguas de Campomaior, S.A.	2,563	1,813
Compañía Servicios Medioambientales do Atlántico, S.A.	-	221
Empresa Gestora de Aguas Linenses, S.L.	47	23
Hidrotec Tecnología del Agua, S.L.	21	-
TOTAL	35,500	42,645

The Company's directors do not expect any significant liabilities to arise from the guarantees provided.

NOTE 19. REVENUE AND EXPENSES

19.1 The breakdown of **Revenue** by geographical area and Company activity was as follows:

REVENUE			
BY GEOGRAPHICAL AREA			
<i>(Amounts in thousands of euros)</i>			
	Autonomous Community	31.12.2018	31.12.2017
Andalusia		175,774	176,881
Aragon		8,196	7,050
Asturias		29,823	29,503
Balearic Islands		35,717	37,022
Canary Islands		25,690	26,228
Cantabria		21,590	21,501
Castilla La Mancha		52,230	52,857
Castilla y León		46,273	47,007
Catalonia		59,184	59,002
Valencia		37,310	36,199
Extremadura		40,958	39,016
Galicia		58,044	56,701
Madrid		60,302	46,447
Murcia		32,315	30,507
Navarre		2,167	1,970
Basque Country		3,416	3,592
La Rioja		5,568	4,403
	International		
UAE		357	367
Bosnia y Herzegovina		20	35
Chile		13	1
Serbia		3	1
Czech Republic		196	190
Algeria		8,877	8,587
Egypt		192	194
India		-	132
Italy		4144	3,266
Mexico		157	217
Montenegro		1	1
Portugal		2,935	4,217
Saudi Arabia		3,488	4,938
Tunisia		1,311	5,563
Uruguay		34	1
United States		-	1
Ecuador		238	-
Romania		15	-
Panama		830	-
Oman		484	-
	TOTAL	717,852	703,597

REVENUE BY TYPE OF ACTIVITY			
<i>(Thousands of euros)</i>			
	31.12.2018	31.12.2017	
Supply	389,821	394,398	
Sewerage	101,141	96,265	
Purification	92,647	90,889	
Hydraulic engineering works	63,771	60,065	
Income from equity investments	34,819	27,204	
Desalination	9,836	8,971	
Other income	25,817	25,805	
	TOTAL	717,852	703,597

The details of Income from equity investments received from Group companies and associates in 2018 and 2017 are as follows:

DIVIDENDS RECEIVED		
<i>(Amounts in thousands of euros)</i>		
	31.12.18	31.12.17
Tratamiento Industrial de Aguas, S.A.	8,244	9,888
Colaboración, Gestión y Asistencia, S.A.	-	269
Conservación y Sistemas, S.A.	885	184
Aqualia Czech, S.L.U.	9,020	5,217
Entemanser, S.A.	9,046	4,887
Infraestructuras y Distribución General del Agua, S.A.	155	224
Depurplan 11, S.A.	110	-
Aquajerez, S.L.	-	272
Sociedad Ibérica del Agua, S.A.U.	75	-
Aguas de las Galeras, S.L.	156	127
Aqualia Mace LLC	-	4,307
Sociedad Española de Aguas Filtradas, S.A.	409	-
Hidrotec Tecnología del Agua, S.L.U.	3,274	-
Aqualia Infraestructuras Inzenyring	1,242	-
TOTAL GROUP COMPANIES	32,616	25,375
Nueva Sociedad de Aguas de Ibiza, S.A.	40	-
AIE Ciudad Real	95	93
AIE Costa Tropical de Granada	878	567
Girona, S.A.	117	117
AIE Costa Brava Ab. Aqualia-Sorea	39	47
AIE Aquagest – Aqualia	97	87
Suministros Aguas de Querétaro S.A.C.V.	-	57
Aguas de Archidona, S.L.	-	4
Aigües del Segarra Garrigues, S.A.	-	46
Empresa Municipal de Aguas de Linares, S.A.	69	-
Empresa Municipal de Aguas de Benalmádena, S.A.	413	201
Concesionaria de Desalación de Ibiza, S.A.	201	178
Orasqualia O&M	-	432
Aguas de Alcázar	254	-
TOTAL ASSOCIATES	2,203	1,829
TOTAL THIRD PARTIES	-	-
TOTAL DIVIDENDS	34,819	27,204

The details of the total revenue of the TJVs, in thousands of euros, is as follows:

TEMPORARY JOINT VENTURES	31.12.18	31.12.17
UTE Agua Santo Domingo	142	140
UTE Aguas de Alcalá	6,855	7,228
UTE Aigües Els Poblets	1,227	920
UTE Alkhorayef-FCC Aqualia	2,622	3,407
UTE Aqualia - FCC Vigo	41,563	40,553
UTE Aqualia - Riofabar Piloña	317	287
UTE Bombeo Zona Sur	254	1,174
UTE Centro Deportivo Granadilla de Abona	859	872
UTE Consorcio Louro	2,867	2,835
UTE Costa Tropical	-	-15
UTE Costa Tropical III	2,985	1,749
UTE Depuración Poniente Almería	1,577	1,583
UTE EDAM Santa Eulalia	216	-
UTE EDAR A Guarda 2013	43	37
UTE EDAR Albuñol	327	1,609
UTE EDAR Cuerva	90	85
UTE EDAR Ranilla	1,519	920
UTE EDAR Reinoso	502	480
UTE EDAR San Vicente de la Barquera	253	335
UTE ETAP Este	870	844
UTE Explotación ITAM Tordera	1,947	2,888
UTE FCC - Aqualia Oviedo	15,798	16,113
UTE Gestión Cangas	1,513	1,353
UTE Groupement Solidaire Jerba	1,311	5,563
UTE Guadiana	20	-110
UTE Hidr-Inv. Do Centr. Ace	995	2,072
UTE Ibiza	-	28
UTE Mancomunidad de Órbigo	160	162
UTE Mérida	3,156	6,609
UTE Nigrán	1,668	1,518
UTE OYM Cap Djinet	3,912	2,719
UTE OYM Mostaganem	4,933	4,786
UTE Redes CABB	933	869
UTE Redondela	1,958	1,942
UTE Saneamiento Canet l'Almardà	163	72
Ute Sollanoko Ura	424	560
UTE USSA A	-	157
UTE Vigo Piscinas	-	790
UTE USSA A 17	837	585
UTE IDAM Janubio	1,760	2,458
UTE Reparaciones Lote 9	2,729	231
UTE C.H. Talave	87	22
UTE Alcantarillado Burgos	239	18
UTE Alcantarillado Madrid Lote D	4,273	-
UTE Recirculación La Gavia	65	-
UTE Calle Cruz	322	-
UTE Periférico Lote 3	418	-
UTE Consorcio PTAR Arraiján	830	-
UTE TSE Riad	706	-
UTE Alcantarillado Alcoy	41	-
TOTAL	116,286	116,448

19.2 Income and expenses with related parties. The following related party transactions were performed in 2018 and 2017:

TRANSACTIONS WITH GROUP COMPANIES IN 2018				
<i>(Amounts in thousands of euros)</i>				
	OPERATING		FINANCIAL	
	EXPENSES	REVENUES	EXPENSES	REVENUE S
Abrantaqua, S.A.	-	207	-	72
Acque di Caltanissetta, S.P.A.	70	4,051	-	80
Aqualia Intech, S.A.	6	1,775	8	76
Aquamaior - Aguas de Campo Maior, S.A.	-	105	-	13
Aqualia Infraestr. de México, S.A. de C.V.	118	289	322	-
Aquaervas – Aguas de Elvas, S.A.	-	254	-	75
Aquafundalia – Aguas do Fundao, S.A.	-	1,024	-	46
Aguas de Alcázar Empresa Mixta, S.A.	-	666	-	173
Aguas de las Galeras, S.L.	-	95	29	1,559
AISA Pristina LLC	-	43	-	-
AISA Montenegro	-	31	-	-
AISA D.O.O. Beograd-Vracar	-	21	-	-
Aquajerez, S.L.	-	4,222	-	772
Aqualia Mace LLC	3	357	-	-
Aqualia New Europe BW	-	161	-	-
Aigües de Vallirana, S.A.U.	-	30	167	-
Aqua Campiña, S.A.	-	437	-	23
Aguas de Alcaidesa, S.L.UNIPERSONAL	249	1,194	-	-
Asesoría Financiera y de Gestión, S.A.	-	-	-	6,154
Cartagua, Aguas do Cartaxo, S.A.	-	1,278	-	153
Conservación y Sistemas, S.A.	545	19	89	-
Depurplan 11, S.A.	-	969	-	608
Ecoactiva de Medioambiente, S.A.	11	-	-	-
Empresa Gestora de Aguas Linenses, S.L.	68	573	-	571
Entemanser, S.A.	224	480	-	-
Fedemes, S.L.	2,952	-	-	-
Fomento de Construcciones y Contratas, S.A.	12,219	5,795	-	16,364
FCC Ámbito, S.A.	77	-	-	-
FCC Construcción, S.A.	140	526	-	-
FCC Equal CEE, S.L.	12	-	-	-
FCC Industrial e Infraestructuras Energéticas, S.A.	256	92	-	-
FCC Medio Ambiente, S.A.	2	-	-	-
F.S. Colaboración y Asistencia, S.A.	115	-	-	-
Gamasur Campo Gibraltar, S.A.	50	-	-	-
Hidrotec Tecnología del Agua, S.L.	25,792	226	7	-
Infraestructuras y Distribución General de Agua, S.L.	197	143	-	-
Matinsa, S.A.	-	23	-	-
Prefabricados Delta, S.A.	10	-	-	-
Servicios Especiales de Limpieza, S.A.	136	-	-	-
Sdad. Española de Aguas Filtradas, S.A.	6,426	130	7	-
Severomoravske Vodovody A Kanalizace Ostrava AS	-	196	-	-
Tratamiento Industrial de Aguas, S.A.	18,431	147	27	-
Aridos de Melo, S.L.	20	-	-	-
TOTAL	68,129	25,559	656	26,740

TRANSACTIONS WITH GROUP COMPANIES IN 2017

(Amounts in thousands of euros)

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

TRANSACTIONS WITH ASSOCIATES IN 2018
(Amounts in thousands of euros)

	OPERATING		FINANCIAL	
	EXPENSES	REVENUES	EXPENSES	REVENUES
Abastecimiento Alta Costa Brava emp. Mixta	-	9	-	-
Aguas de Denia, S.A.	257	-	-	-
Aguas de Archidona, S.L.	-	459	-	31
Aigües del Segarra Garrigues. S.A.	-	221	-	-
Aigües del Tomoví, S.A.	15	596	-	-
Aguas de Langreo, S.A.	23	14	-	212
Aguas de Narixa, S.A.	-	601	-	345
Aguas de Priego, S.L.	-	113	-	174
A.I.E. Costa Tropical de Granada	37	4,236	-	907
A.I.E. I.T.A.M. Delta de la Tordera	29	1,996	-	-
A.I.E. Aquagest-Aqualia	-	53	-	-
A.I.E. Costa Brava	-	121	-	-
Cía. Servicios Medioambientales Atlántico, S.A.	-	129	-	-
Concesionaria Desalación Aguas de Ibiza, S.A.	-	304	-	-
Empresa Municipal de Aguas de Linares, S.A.	43	4,044	-	-
Emanagua Eª Mpal. De Aguas de Níjar, S.A.	1,192	3,614	-	43
Empresa Mixta de Aguas de Ubrique, S.A.	4	939	-	-
Empresa Mixta de Aguas y Servicios, S.A.	228	321	-	-
Empresa Mixta de Aguas de Jódar, S.A.	-	554	-	70
Empresa Mpal. De Aguas de Algeciras, S.A.	1,708	9,662	-	22
Empresa Mpal. Aguas de Benalmádena, S.A.	-	960	-	43
Empresa Mpal. Aguas de Toxiria, S.A.	-	935	-	1
Fast Consortium Limited LLC	-	146	-	-
Girona, S.A.	-	30	-	-
Hormigones Reinares S.A.	1	-	-	-
Nueva Sociedad de Aguas de Ibiza, S.A.	144	2	-	-
Orasqualia Devel. Waste T.P. S.A.E.	11	110	-	-
Orasqualia O&M	-	69	-	-
Omán Sustainable Water Services SAOC	-	574	-	-
Proveiments d'Aigua, S.A.	47	-	-	-
Shariket Miyeh Ras Djinet	-	3,912	-	-
Shariket Tahlya Miyah Mostaganem	-	4,933	-	-
TOTAL	3,739	39,657	-	1,848

TRANSACTIONS WITH ASSOCIATES IN 2017
(Amounts in thousands of euros)

	OPERATING		FINANCIAL	
	EXPENSES	REVENUES	EXPENSES	REVENUES
Abastecimiento Alta Costa Brava emp. Mixta	1	15	-	-
Aguas de Alcázar Empresa Mixta, S.A.	-	-	-	175
Aguas de Denia, S.A.	256	-	-	-
Aguas de Archidona, S.L.	-	434	-	32
Aigües del Segarra Garrigues. S.A.	-	124	-	-
Aigües del Tomoví, S.A.	22	552	-	-
Aguas de Langreo, S.A.	-	-	-	228
Aguas de Narixa, S.A.	-	483	-	318
Aguas de Priego, S.L.	-	113	-	179
A.I.E. Costa Tropical de Granada	8	2,531	-	675
A.I.E. I.T.A.M. Delta de la Tordera	32	2,888	-	-
A.I.E. Aquagest-Aqualia	-	44	-	-
A.I.E. Costa Brava	-	95	-	-
Cía. Servicios Medioambientales Atlántico, S.A.	-	122	-	-
Concesionaria Desalación Aguas de Ibiza, S.A.	-	321	-	-
Empresa Municipal de Aguas de Linares, S.A.	3	4,227	-	-
Emanagua Eª Mpal. De Aguas de Níjar, S.A.	1,086	3,550	-	52
Empresa Mixta de Aguas de Ubrique, S.A.	-	922	-	4
Empresa Mixta de Aguas y Servicios, S.A.	201	124	-	-
Empresa Mixta de Aguas de Jódar, S.A.	19	716	-	69
Empresa Mpal. De Aguas de Algeciras, S.A.	1,776	9,166	-	25
Empresa Mpal. Aguas de Benalmádena, S.A.	-	1,324	-	55
Empresa Mpal. Aguas de Toxiria, S.A.	14	988	-	5
Fast Consortium Limited LLC	-	228	-	-
Generávila, S.L.	-	25	-	-
Girona, S.A.	-	48	-	-
Hormigones Reinares S.A.	1	-	-	-
Nueva Sociedad de Aguas de Ibiza, S.A.	97	2	-	-
Orasqualia Devel. Waste T.P. S.A.E.	9	125	-	-

Orasqualia O&M	-	69	-	-
Proveiments d'Aigua, S.A.	90	-	-	-
Shariket Miyeh Ras Djinet	-	2,719	-	-
Shariket Tahlya Miyah Mostaganem	-	4,347	-	-
TOTAL	3,615	36,302	-	1,817

The transactions performed with Shariket Tahlya Miyah Mostaganem S.p.A. and Shariket Miyeh Ras Djinet S.p.A are denominated in US dollars, while those performed with Orasqualia Development Waste Water Treatment Plant, S.A.E. are denominated in Egyptian pounds; those performed with Aquos El Realito, S.A. de CV are denominated in Mexican pesos and those performed with SmVak are denominated in Czech crowns.

The information on the balances and transactions with the members of the Board of Directors are detailed in Note 22.

19.3 Supplies. The details of this heading at 31 December 2018 and 31 December 2017 were as follows:

SUPPLIES		
<i>(Thousands of euros)</i>		
	31.12.2018	31.12.2017
Goods consumed	90,182	93,820
Raw materials and other materials consumed	86,051	90,956
Work performed by other companies	76,118	68,142
TOTAL	252,351	252,918

19.4 Outside services. The details of this heading at 31 December 2018 and 31 December 2017 were as follows:

EXTERNAL SERVICES		
<i>(Thousands of euros)</i>		
	31.12.2018	31.12.2017
Research and development expenditure	-	-
Leases and royalties	65,636	68,497
Repairs and maintenance	3,813	3,869
Independent professional services	13,930	11,267
Transport	198	251
Insurance premiums	3,885	3,861
Banking and similar services	3,772	4,972
Advertising, publicity and public relations	1,185	1,339
Supplies	3,299	2,606
Other services	31,642	33,641
TOTAL	127,360	130,303

19.5 The average headcount in 2018 and 2017 was as follows:

CATEGORY	Number of employees		Male		Female	
	2018	2017	2018	2017	2018	2017
Management and advanced degree holders	157	160	136	137	21	23
Technical specialists and middle graduates	622	628	452	458	170	170
Administrative and similar staff	667	658	204	203	463	455
Remaining employees	3,802	3,649	3,403	3,263	399	386
TOTAL	5,248	5,095	4,195	4,061	1,053	1,034

The headcount at the end of each year was as follows:

CATEGORY	Number of employees		Male		Female	
	2018	2017	2018	2017	2018	2017
Management and advanced degree holders	157	162	137	139	20	23
Technical specialists and middle graduates	621	627	451	456	170	171
Administrative and similar staff	682	663	212	199	470	464
Remaining employees	3,901	3,681	3,485	3,300	416	381
TOTAL	5,361	5,133	4,285	4,094	1076	1,039

At 31 December 2018, the Company had 91 employees with a degree of disability equal to or exceeding 33% (81 employees at 31 December 2017).

19.6. Wages, salaries and similar. The details of this heading at 31 December 2018 and 31 December 2017 were as follows:

WAGES AND SALARIES		
<i>(Thousands of euros)</i>		
	31.12.2018	31.12.2017
Wages, salaries and similar.	138,824	135,140
Termination benefits	1,180	711
TOTAL	140,004	135,851

19.7. Employee welfare costs. The details of this heading at 31 December 2018 and 31 December 2017 were as follows:

EMPLOYEE WELFARE COSTS		
<i>(Thousands of euros)</i>		
	31.12.2018	31.12.2017
Social Security payable by the Company	43,423	42,060
Contributions to pension plans	(333)	-
Other employee benefit expenses	1,693	1,664
TOTAL	44,783	43,724

19.8. Financial expenses. The details of this heading at 31 December 2018 and 31 December 2017 were as follows:

FINANCE COSTS		
<i>(Thousands of euros)</i>		
	31.12.2018	31.12.2017
Interest on payables to Group companies and associates (Note 19.2)	656	6,080
Interest on payables to third parties (Note 15.1)	32,038	20,059
Financial update provisions (see Note 14)	593	728
TOTAL	33,287	26,867

19.9. Exchange differences. The details of this heading at 31 December 2018 and 31 December 2017 were as follows:

EXCHANGE DIFFERENCES		
<i>(Thousands of euros)</i>		
	31.12.2018	31.12.2017
Exchange gains	1,787	2,054
Exchange losses	(1,728)	(2,179)
TOTAL	59	(125)

19.10. Impairment and gains or losses on disposals of financial instruments
The details of this heading at 31 December 2018 and 31 December 2017 were as follows:

IMPAIRMENT AND LOSSES		
<i>(Thousands of euros)</i>		
	31.12.2018	31.12.2017
Impairment on non-current investments in Group companies and associates (see Note 7.1)	(9,212)	(1,787)
Impairment of loans	63	464
Gains/(losses) on disposals and others	2	(2)
TOTAL	(9,147)	(1,325)

19.11. Losses on, impairment of and change in allowances for trade receivables.

The detail of "Losses on, impairment of and change in allowances for trade receivables" recognised in the accompanying income statement in 2018 and 2017 basically includes the following items:

LOSSES ON, IMPAIRMENT OF AND CHANGE IN ALLOWANCES FOR TRADE RECEIVABLES		
<i>(Thousands of euros)</i>		
	31.12.2018	31.12.2017
Provision for bad debts (see Note 10.4)	2,743	3,271
Reversion of provision for bad debts (see Note 10.4)	(5,118)	(3,766)
Losses on uncollectible receivables (see Note 10.4)	6,966	3,463
Other short-term period provisions	183	(2,413)
TOTAL	4,774	555

19.12. Other operating expenses.

"Other current operating expenses" in the accompanying 2018 income statement basically included 4,841 thousand euros at 31 December 2018, arising from the recognition of Non-current provisions (see Note 14) (6,410 thousand euros for this same item at 31 December 2017).

NOTE 20. AUDITORS' FEES

The Company's auditor at 2018 year-end was Deloitte, S.L.

Audit fees accrued in the year for services provided by the auditor were as follows:

AUDIT SERVICES		
<i>(Thousands of euros)</i>		
	31.12.2018	31.12.2017
Fees for audit services		
Main auditor	128	184
Other auditors	-	-
Fees for verification services		
Main auditor	14	185
Other auditors	-	-
Fees for other services		
Main auditor	-	-
Other auditors	-	-
	142	369

NOTE 21. ENVIRONMENTAL DISCLOSURES

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

Within the performance of its activities, a series of procedures are identified which, seeking an efficiency objective within its responsibility as public services manager, leads to a better protection of the environment. Noteworthy among these procedures are the following:

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

the PIMA EMPRESA project. Moreover, the calculation of the Carbon Footprint was updated for the entire activity of FCC Aqualia, registering it in the Carbon Footprint Register of the Ministry of Agriculture, Food and Environment on 9 August 2016, with the code 2016_00_a200, verified by AENOR. In 2017, the Plan to reduce the Carbon Footprint for the Activities of FCC Aqualia (2017 – 2019) was implemented.

- In 2018, Aqualia's Carbon Footprint was registered at the OECC (Spanish Office for Climate Change) of the MITECO (Ministry for Ecological Transition) for its entire activities in Spain and the calculation was made for Portugal.
- One of FCC Aqualia's priority objectives is to support the Company's strategy with regard to compliance with the United Nation's Sustainable Development Goals (SDG), emphasising those that affect our sector and our stakeholders:

- No. 3. Promoting overall well-being.
- No. 6 Sustainable water and sanitation.
- No. 8. Promoting sustained economic growth.
- No. 9 Building resilient infrastructures.
- No. 11. Achieving sustainable cities.
- No. 12. Guaranteeing sustainable production and consumption.
- No. 13. Adopting urgent measures to tackle climate change.
- No. 14. Conserve marine resources in a sustainable manner.
- No. 15. Tackle desertification and protect biodiversity.

- Accordingly, in response to the entry into force, in February 2016, of R.D. 56/2016 on Energy Efficiency, in 2016 and 2017, we continued to implement the plan agreed with AENOR, which enabled us to certify the entire organisation in ISO Standard 50001. Accordingly, in 2017, energy audits were planned in contracts with a joint consumption, representing 85% of the Company's total consumption, as demanded by the legislation in force for its notification to the competent bodies of the different autonomous communities. In 2018, the Company continued with the line of improvements proposed within the Company Certificate scheme.
- In this regard, the start-up in 2017 and the subsequent implementation in 2018 of a new IT application designed in conjunction with a technological partner, to control electronic billing which, among other uses, enables the different levels of the organisation to adjust the contracting of power, to control reactive energy consumption, to analyse offers and to automatically verify the adjustment of electronic invoices, issued by the marketer, in relation to the contracted terms.
- Energy management. In line with the strategy already considered in previous years, in 2018, Aqualia continued to implement energy management improvement measures.

The lines of action have been aimed towards:

- ✓ Respect for and protection of the environment.
 - ✓ Efficiency in the management of energy resources.
 - ✓ Economic efficiency in the use of energy.
- Control of water quality, both in terms of capture and distribution. In 2016, a reorganisation project was implemented of FCC Aqualia's network of drinking water laboratories. Hence, in Spain, the network of 27 laboratories was reduced to a more concentrated network of 7 accredited and 2 certified laboratories, with an appreciably higher output capacity than that existing at that time and a greater accreditation scope. In 2018, the Badajoz and Vigo laboratories were adapted, making the required investments, and the accreditation work commenced (employee training, validation of methods, etc), in order to definitively obtain such accreditation in the second quarter of 2019.
 - Elimination of the environmental impacts caused by the dumping of wastewater, through the implementation and correct use of more modern technology applicable to the wastewater purification plants operated by FCC Aqualia. These techniques not only seek to minimise the

impact of the dumping of wastewater treated at the natural source, but they also minimise the impact caused by sludge extraction as a result of their subsequent recycling, and by the smells and noises generated in the treatment process.

- Implementation of R&D&i projects mainly focused at improving water treatment possibilities. This line continued with the implementation of projects under way to enrich methane at the purification plants, new hypochlorite manufacturing methods to disinfect water plants or the use of the ozone in the treatment process.

NOTE 22. TRANSACTIONS WITH COMPANY DIRECTORS AND SENIOR EXECUTIVES

Board of Directors.

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

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

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

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

Senior management:

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

Senior management in 2018

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

Senior management in 2017

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

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

NOTE 23. FINANCIAL RISK MANAGEMENT POLICY

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

FCC Aqualia's risk management philosophy, in line with that of the FCC Group, is consistent with its business strategy and seeks to achieve maximum efficiency and solvency at all times. To this end, strict financial risk management and control criteria have been established, consisting of identifying, measuring, analysing and controlling the risks incurred in the Company's operations, and the risk policy has been integrated into the Company's organisation in the appropriate manner.

Foreign currency risk

Exchange rate risk arises due to the different exchange rates used in investments and transactions with subsidiaries, associates and joint ventures, and with third parties, whose activities are conducted in a currency other than that of the company that prepares the financial statements.

The Company's directors consider that the impact of such risk will be scanty significant.

Credit risk.

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy third parties and of obtaining sufficient collateral, as a means of mitigating the risk of financial losses from default.

Its main customers are public bodies or clients that are the ultimate consumers in activities related to the end-to-end water cycle, so it does not have a significant exposure to credit risk. Likewise, the credit risk is not significantly concentrated either.

Solvency risk

At 31 December 2018, FCC Aqualia's net financial debt amounted to 150,061 thousand euros (250,420 thousand euros in 2017), as shown in the following table:

	(Thousands of euros)	
	2018	2017
Debt instruments and other marketable securities (Note 15.1)	1,359,431	1,358,635
Finance lease payables	5	37
Non-current borrowings with Group companies (Note 15.2)	565	565
Current borrowings with Group companies (excluding tax effect) (Note 15)	129,339	128,173
Borrowings with third parties (Note 15)	6,328	7,059
Loans to companies (excluding loans to Group companies due to tax effect) (Note 8)	(995,844)	(1,028,005)
Other financial assets (Note 8.3)	(10,677)	(15,504)
Loans to third parties (Note 10.2)	(15,763)	(17,548)
Cash and cash equivalents	(323,323)	(182,992)
Net financial debt	150,061	250,420

Liquidity risk

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

At 31 December 2018, the Company had a working capital of 91,084 thousand euros (working capital deficiency of 26,993 thousand euros at 31 December 2017). Despite the foregoing, the Company's directors have prepared these financial statements on a going-concern basis, due to the motives set forth in Note 2.8.

NOTE 24. OTHER DISCLOSURES

24.1. Events after the reporting period

No events have taken place since the end of the reporting period that could significantly affect the content of these financial statements.

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

In relation to the Spanish Accounting and Audit Institute (ICAC) Resolution dated 29 January 2016, enacted in compliance with the Second final provision of Law 31/2014, of 3 December, which amends the Third additional provision of Law 15/2010, of 5 July, stipulating measures to combat late payment in commercial transactions, it must be indicated with respect to 2018, that the Company operates in Spanish territory with public clients, such as the State, Autonomous Communities, local corporations and other public bodies, which settle their payment obligations in periods that exceed that laid down in Public Sector Contract legislation, and in Law 3/2004, of 29 December 2004, setting forth measures to combat late payment in commercial transactions.

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

Due to such circumstances and in order to adapt the Company's financial policy to reasonable efficiency levels, the usual payment periods to suppliers were maintained in 2018 in the sectors in which the Company operates.

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

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

Also, the Company has entered into contracts similar to confirming facilities with several banks to facilitate early payment to suppliers. In accordance with these agreements, a supplier may exercise its collection right against the Company and obtain the invoiced amount, less the finance costs of the discount and fees applied by those banks. The total amount of the facilities arranged amounted to 800 thousand euros, of which 477 thousand euros had been drawn down at 31 December 2018. The aforementioned agreements do not amend the main payment conditions of such facilities (interest rate, period or amount) hence, they continued to be classified as trade payables.

Pursuant to the aforementioned Resolution, below is a table with information on the average payment period to suppliers.

Average payment period to suppliers (thousands of euros)		
	2018	2017
	Days	Days
Average payment period to suppliers	97	90
Ratio of transactions paid	70	72
Ratio of transactions pending payment	213	160
	Amount	Amount
Total payments made	330,378	356,358
Total payments outstanding	78,706	91,730

25. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

WATER MANAGEMENT REPORT 2018

1. BUSINESS MODEL AND STRATEGY.

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

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

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

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

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

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

Aqualia also works with alternative and/or complementary business models, such as Infrastructure Concessions. In these cases, Aqualia designs, builds, finances and provides long-term operation of infrastructures, often treatment plants (drinking water treatment, purification, desalination) through BOT type contracts and "take or pay" mechanisms. These formulas, which combine technical know-how with the capacity to arrange complex financing, are increasingly used by Operators or Public Agencies and Industrial Corporations from emerging countries. Aqualia concentrates its activity in this business model in LATAM (Mexico, Peru, Chile) and MENA (Saudi Arabia, Algeria, Egypt),

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

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

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

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

contracts.

2. MARKET SITUATION

2.1. National Market

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

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

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

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

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

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

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

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

in the regularisation files for detected client fraud.

2.2. International Market

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

2.2.1. Europe

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

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

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

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

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

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

2.2.2. MENA

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

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

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

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

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

In **Tunisia**, the execution phase of the Djerba EDAM project was completed during the month of May. With a capacity of 50,000 m³/day, it can supply the population and tourism on the island. The start-up was

completed without incident and the development phase will run until May 2019.

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

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

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

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

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

2.2.3. USA

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

2.2.4. LATAM

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

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

In Peru, the State is immersed in a process of evaluating the efficiency of its public supply services in order to give way to private initiative in those with the worst management indicators. During 2017, five private initiatives for wastewater treatment were presented, which were declared relevant in 2018.

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

In Panama, work has begun on the 10-year engineering, construction and operation project for the Arraiján

WWTP, which will treat the water used by 130,000 inhabitants. In addition, the Company has been awarded the assistance and advisory contract for the operational and commercial management of IDAAN, the body in charge of managing the country's water supply service.

3. CONTRACTING

3.1. National Market

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

- La Alcaidesa (Cádiz): supply, sewerage and purification service for the La Alcaidesa - San Roque / La Línea de la Concepción development, awarded by the Campo de Gibraltar Association of Municipalities for a period of 39 years with a contract value of 52.3 million euros.
- Calamonte (Badajoz): public service for the supply of drinking water and wastewater treatment in the municipality, awarded by the City Council for a period of 15 years with a contract worth 10 million euros.
- Moral de Calatrava and Pozuelo de Calatrava (Ciudad Real): municipal drinking water and sewerage services of both City Councils for a period of 19.5 years and 14 years respectively, with a contract value of 9.4 million euros.
- Bajo Andarax (Almería): concession for the purification service, awarded by the Bajo Andarax Municipalities Association for a 17-year period with a 5.7 million euro contract.
- Quismondo (Toledo): concession to manage the drinking water supply, sanitation and purification service, awarded by the City Council for a 25-year period and a 4.1 million euro contract.
- La Rioja: operation and maintenance service of sewerage and treatment and supply facilities in the Autonomous Community of La Rioja, Lot 4: Rioja Alta - Najerilla, awarded by the La Rioja Water and Waste Consortium, for a period of 4 years and a 4.6 million euro contract.
- Lanzarote (Las Palmas): supply and installation of mechanical and electronic meters for Canal Gestión Lanzarote, S.A.U. for a period of 4 years and a contract for 1.4 million euros.
- Barbastro (Huesca): operation, maintenance and conservation service for the WWTP, awarded by the Aragonese Water Institute for a period of 3 years.
- San Fernando (Cádiz): services for the control, maintenance and integrated treatment and operation of Navantia's water facilities in San Fernando, Puerto Real and Cádiz, for a period of 3 years.
- Tudela (Navarre): operation, maintenance and upkeep of the waste water transport and treatment facilities in the Tudela area, southwest Navarre and the Ribera Alta for a period of 2 years, awarded by Navarre de Infraestructuras Locales, S.A. (Nilsa).
- Ribeira (La Coruña): sanitation and treatment operation and maintenance services, awarded by Aguas de las Cuencas de España, S.A. (Acuaes) for a period of 1 year.
- Guía de Isora (Sta. Cruz de Tenerife): operation, maintenance and conservation service of the West seawater desalination system, Fonsalía Desalination Plant, awarded by the Tenerife Island Water Council (CIATF) for a period of 1 year.

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

- Guía de Isora (Sta. Cruz de Tenerife): management of the public water supply service, for a period of 10 years and a contract of 73.8 million euros, awarded by the City Council.
- Santa Eulària des Riu (Balearic Islands): management of the water supply and sewerage service for a period of 7.4 years and a 45.7 million euro contract.
- Tarifa (Cádiz): management of the water supply and sewerage service for a period of 10 years and a contract for 33.7 million euro.
- Madrid: Operation and maintenance services of the sewerage network and complementary installations in the municipality of Madrid; Lot D Valdebebas Sub-basins and Rejas, South and South-East (Jarama and Colmenar Areas), for a period of 4 years and with a 33.1 million euro contract awarded by Canal de Isabel II.
- Mazarrón (Murcia): management of the water supply and sewerage service for a period of 5 years and a 31 million euro contract.
- Costa Brava (Gerona): management of the treatment service awarded to Empresa Mixta d'Aigües de la Costa Brava, S.A. by Consorci Costa Brava for a period of 2 years and a contract of 26.3 million euro.
- Herencia (Ciudad Real): management of the integrated water cycle for a period of 20 years and with a

contract of 15 million euros, awarded by the City Council.

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

3.2. International Market

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

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

4. PERSPECTIVES.

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

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

In Spain, in the area of **Integrated Water Cycle Service Concessions**, it is worth highlighting that in 2019 the expectation is to maintain concessions rates similar to those of 2018, exceeding 90%, although many new contracting opportunities are not expected due to the slowdown that usually occurs during electoral processes in city councils.

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

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

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

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

5. CLIENT MANAGEMENT

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

In this regard, the Customer Management department has introduced the *Balanced Scorecard* management tool, which allows strategies and key objectives to be linked to performance and results. This means a continuous improvement of the processes until reaching an average payment period of 2.10 months, with the following evolution:



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

with 357,105 customers opting to receive this type of invoice.

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

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

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

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

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

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

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

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

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

Although the capacity to set tariffs and regulate the provision of services in the integrated water cycle in Spain is the exclusive competence of the Spanish government, Aqualia actively promotes social action mechanisms in tariffs and solidarity funds for the most disadvantaged users. In addition, the Company has worked to improve coordination with the social services of local councils in order to protect customers at

risk of social exclusion. As an example, within its CSR policy, Aqualia has been collaborating with Caritas Española on an ongoing basis since 2015 to support this humanitarian organisation's initiatives in Spain.

6. SUSTAINABLE MANAGEMENT

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

- o No 3. Promote general welfare.
- o No 6. Sustainable Water and Sanitation.
- o No 8. Promote sustained economic growth.
- o No 9. Building resilient infrastructures.
- o No 11. Achieve sustainable cities.
- o No 12. Guarantee sustainable production and consumption.
- o No 13. Adopt urgent measures to combat climate change.
- o No 14. Conserve marine resources in a sustainable manner.
- o No 15. Combat desertification and protect biodiversity.

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

1. **Implementation of the Management System** with work-life balance procedures that allow the integration into it of the family-friendly company initiative "Empresa Familiarmente Responsable", promoted by the Más Familia Foundation.
2. **Increased efficiency in the process of internal and external audits**, through the integration of audits of Quality, Environmental and Energy management systems and Carbon Footprint calculations.
3. **Adaptation of the international certificates to the new requirements** of the ISO 9001 (Quality Management) and ISO 14001 (Environmental Management) Standards.
4. **Increase in the scope of the Energy Management and Climate Change strategy.**
 - Monitoring of contracts with energy review.
 - Calculation and verification of the Carbon Footprint of all Aqualia's activities in Spain and Portugal.
 - Registration in the Carbon Footprint Register of the OECC (Spanish Office for Climate Change) of the MITECO (Ministry of Ecological Transition) for all Aqualia's activity in Spain.
 - Carbon Footprint Reduction Plan for Aqualia's Activity (2017 - 2019).
 - Approval of an OECC CLIMATE Project under MITECO, for the use of alternative fuels, typical of the company's activity, in automobiles.
 - Monitoring of the project to implement the Energy Management System in all activity in Spain, in compliance with RD 56/2016.

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

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

Committee.

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

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

7. ENERGY MANAGEMENT

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

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

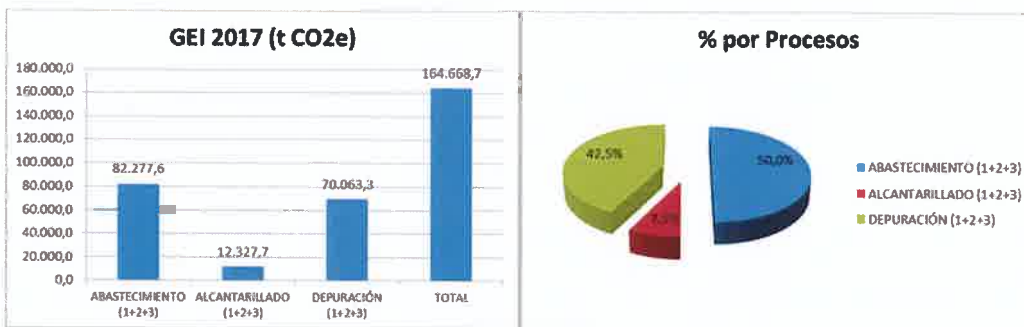
- Respect for and protection of the environment.
- Efficiency in the management of energy resources.
- Economic efficiency in the application of energy.

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

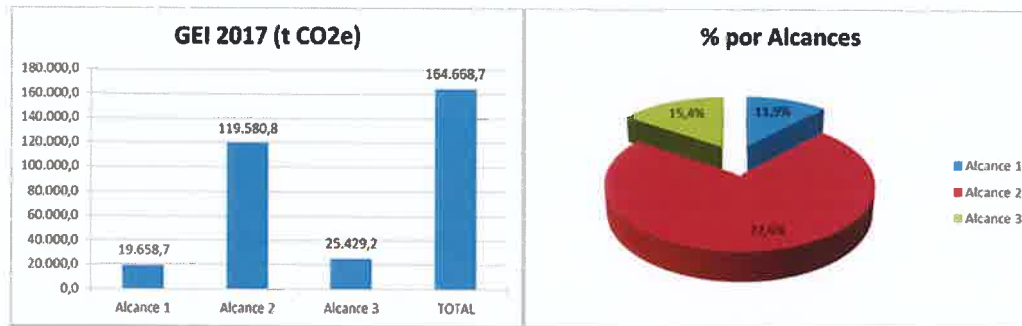
In 2018 the corresponding calculation was made, based on the 2017 data, for the preparation of the Greenhouse Gas Emissions Report, Audited and Verified by AENOR, and registered in the MITECO Register in December.

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

Calculation of GHG Emissions by Process (Spain 2017):



Calculation of Emissions by Scope (Spain 2017):



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

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

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

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

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

Consultancy for the processing of subsidies for energy efficiency projects.

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

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

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

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

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

8. TECHNICAL MANAGEMENT IMPROVEMENT PROJECTS

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

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

- ✓ Restructuring of the Laboratory network

- ✓ Centralised Scada Platform
- ✓ “Mobile” maintenance for small wastewater treatment plants.

8.1 Restructuring of Laboratory Network

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

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

With the proposed restructuring, 22 laboratories that did not work under this standard have been closed for regulatory analysis, the accreditation according to ISO 17025/2017 was extended to the Badajoz and Vigo laboratories and the laboratories previously accredited under this ISO standard in Oviedo, Lleida, Ávila, Jerez (Cádiz) and Adeje have been upgraded in terms of human and material resources. All these laboratories have been transferred to Hidrotec S.L.U, a subsidiary of Aqualia.

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

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

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

8.2 Centralised Scada Platform

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

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

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

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

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

Scada.

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

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

8.3 Mobile maintenance for small desalination plants

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

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

9. INNOVATION AND TECHNOLOGY

Aqualia's innovation activities are in line with the Company's strategic approach, focused on achieving the United Nations' Sustainable Development Goals, supporting the rest of the departments and their operations in the development of new intelligent management tools, improving its energy balance (SDG 7) and reducing its carbon footprint (SDG 13).

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

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



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

1. LIFE Memory: has demonstrated, in a 50 m³ industrial reactor in Alcázar de San Juan (Ciudad Real), the technical and economic viability of innovative technology, an Anaerobic Membrane Bioreactor (AnMBR), which allows direct conversion of the organic matter contained in the wastewater into biogas. The elimination of the conventional stages of primary decanting and aerobic secondary treatment allows a reduction in energy consumption and CO₂ emissions of up to 80%, requiring 25% less space and producing around 50% less sludge.
2. CDTI BestF Biowamet (European programme ERANET): Supported by the Universities of Southampton (United Kingdom) and Delft (Netherlands), and in synergy with the Life Memory project on the AnMBR reactors, a small real WWTP of the Baix Ebre (Bitem in Tortosa, 20 m³/d) has been converted to obtain bioenergy and reuse water.
3. Conecta PEME Medrar: co-financed by the European Regional Development Fund (ERDF), it brings Aqualia together with two Galician SMEs under the leadership of the University of Santiago de Compostela (USC). Compact and automated modules have been developed for the treatment of waste water, integrated in the rural environment. The conversion of a small WWTP in Mos (Pontevedra) into a granular sludge reactor demonstrates the low cost of installation and maintenance, with minimal environmental impact.
4. CIEN Smart Green Gas: supported by the CDTI, Aqualia leads a consortium formed by four other companies (Gas Natural Fenosa (now Naturgy), Naturgas/EDP, Diagnostiqa, Dimasa Grupo) to implement new methodologies that increase the quantity and quality of biomethane. In the WWTPs managed by Aqualia (Seville, Jerez (Cadiz), Aranda de Duero (Burgos), Lleida, and Huesca), the operation of the digesters has been improved. In two of these plants, biomethane vehicles have also been acquired, supported by the Ministry of the Environment's CLIMA programme, which rewards emissions reduction.
1. JPI Pioneer (in the European programme ERA-NET Cofund Water Works within the WATER JPI Initiative): led by the USC, in a network of prestigious Universities (Verona/Italy, DTU/Denmark and KTH/Sweden) the project develops processes that improve the elimination of microcontaminants. Aqualia's activity demonstrates the ELAN technology (Autotrophic Nitrogen Elimination) in a water line in a treatment plant of the Isabel II Canal (Valdebebas, in Madrid). This in-line sludge technology has also been perfected, combining it with struvite precipitation in

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

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

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

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

1. Life Methamorphosis: the project, led by Aqualia and involving five other bodies (Área Metropolitana de Barcelona, FCC SA, Naturgy, Icaen and SEAT), has built two demonstration plants. The first, at the Ecoparque del Besós (Barcelona), managed by the FCC Group, integrates three technologies recently developed by Aqualia (AnMBR, ELAN and biogas washing) to convert leachate from urban waste into biomethane. In the second, Naturgy is working on the conversion of slurry into biofuel. In both cases the biomethane is tested for injection into the natural gas network and for use in automobiles.
2. Life Icirbus: led by the Intromac technology centre, it brings together eight companies to demonstrate the reuse of wastewater from treatment plants in construction materials and the generation of biofertilisers. The prototype is under construction in a plant managed by Aqualia in Extremadura.
2. H2020 Mides: through a new technology, the microbial desalination cell (MDC), developed between Aqualia and IMDEA Water, reduces the energy cost of desalination tenfold compared to traditional reverse osmosis. Residual organic matter from effluents is used to activate bacteria that displace salts through membranes without external energy input. The project has mobilised eleven partners from seven countries to implement the technology and set up three demonstration units. The Denia Water Service plant managed by Aqualia is already up and running, and there is another project planned for the Canary Islands.

3. H2020 Sabana: led by the University of Almeria, Aqualia is one of three industrial partners, together with Westfalia (Germany) and the Italian food group Veronesi, in a consortium of eleven entities from five countries (including the Czech Republic and Hungary). The project has already built facilities for cultivating microalgae, optimising the production of new biofertilisers and biopesticides. Subsequently, a five-hectare biorefinery will be built in an Aqualia WWTP, which will enable alternative products to be obtained from microalgae, as a model of aquaculture that is respectful of the environment and safer for the consumer.
4. H2020 Run4Life: led by Aqualia, it arose from a consortium with fourteen partners from seven different countries. The project implements, in four locations (Sneek/Netherlands, Ghent/Belgium, Helsingborg/Sweden and Vigo/Spain), new concepts of nutrient recovery from the separation of grey and black water. The Sneek and Vigo facilities are already in service, the first with new vacuum toilets with minimum water consumption, and the second with an AnMBR to produce bioenergy and water for irrigation. The project includes dialogue with the users of the new services and by-products, and optimisation of water and energy consumption through decentralised management of these systems.

Two new projects started in 2018:

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

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

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

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

	2015	2016	2017	2018
Scientific articles (*)	4	4	11	11
Sector press	63	163	117	131
General press	37	161	113	94
International events	20	40	33	24
National events	5	20	18	30
Others	1			2
TOTAL	130	388	292	292

10. HUMAN RESOURCES

10.1. HR LINES OF ACTION

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

is optimised.

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

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

All of the above has a name (Be Aqualia) that brings together the new global strategic vision of HR activity. From this point of view, multiple lines of action are being pursued, all of which are identified under the concept of "health assets" and which revolve around the Healthy Organisation concept.



10.2 Work-life balance

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

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

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

10.3 Diversity and Equality

10.3.1 Diversity and Social Inclusion

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

10.3.2 Equality

1 · Mentoring

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

2 · Equality Distinction

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

3 · Equality Plan

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

4. Pay Gap

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

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

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

5 · Management Development Programme for Women

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

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

6. Collaborations with the Women's Institute

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

10.4 Leadership

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

language shared by all.

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

10.5 Professional and Personal Development

A · Professional Development

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

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

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

B · Talent Selection and Attraction

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

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

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

A General Protocol for the Design, Implementation and Evaluation of an Anonymous Curriculum Vitae Project for the selection of personnel, signed with the FCC Group, has been in place since 2017. The purpose of this protocol is to establish a general framework for collaboration with the Secretary of State for Social Services and Equality in order to promote the implementation of depersonalised selection processes in relation to the group of executives in order to avoid possible gender biases in personnel selection processes and, where appropriate, professional promotion.

10.6 Safety, Health and Well-Being

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

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

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

A · Health and Safety

1 · OHSAS 18001 Certification

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

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

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

2 · Actions of the Joint Prevention Service (JPS)

As happens every year for its national activity, the Joint Prevention Service has completed specialised technical measures. After its reorganisation in mid-2017, it is each Zone Director, assisted by his or her LRP coordinator, who establishes the annual programme of preventive actions. This document quantifies the number and scope of the activities that will be carried out by the Prevention Service technicians. The following is a national statistical summary of the activities carried out in 2018.

1 · Documentation

Activity	Completed	Hours
Preventive Activity Planning	428	2162
Initial Risk Evaluation	31	1510
Complementary Risk Assessment and Reviews	101	2866
Periodic Asbestos Measurement	30	90

2 · Documentation, Monitoring, Training and Information

Activity or Course	Completed	Hours
Periodic Noise Measurement	286	818
Specific Reports	274	912
Emergency Plan and Drill	226	735
Health and Safety Plan	213	1731
Specific Risks Info Session	357	859
Complementary training (excl. RE)	266	153
Incident Investigation	824	1923
Specialised Verification	695	2578
Works Coordination Meeting	53	117
Specialised Inspection and Follow-up of Works	147	503

3 · Preventive Culture Project

In 2018 work continued on the measures already defined in previous years and the actions envisaged in the 2016-2018 Action Plan were completed. Specifically

- On Safety Walks for executives: the executives have organised planned walks based on the objectives set.
- On refresher training: four new videos have been produced on activities not contemplated in the previous phase and training talks have continued to be given.
- On safety conversations: the action has been reinforced by convening meetings in all the delegations for middle managers and explaining again and insisting on the nature of this action and the need to carry it out.
- On safety observations: training of prevention technicians for the implementation of this action has been reviewed and reinforced.
- System of recognition of the preventive effort

A reconnaissance system has been designed and will be operational from 2019. The objective set when it

comes to recognising the effort made by management regarding preventive management is the degree and quality of the execution of the measures aimed at implementing the programme to increase the preventive climate in the company.

The aim is for the different hierarchical levels to assess and recognise how the managers are making exemplary progress in health and safety management and to encourage it.

The new report on positive prevention indicators has been drawn up and meets the following operational objectives:

- 1st. Focus on **integrated preventive management**, ensuring regulatory compliance.
- 2nd. Evaluate not only the activity carried out in relation to the objectives, but also its quality and impact, that is to say, the set of positive aspects.
- 3rd. Compare and **acknowledge the effort** made.

There is a total of eleven indicators that make up the dashboard that is now called: FOLLOW-UP AND EVALUATION OF PREVENTIVE EFFORT.

A new methodology for investigating accidents and collective learning has been developed. On the basis of the methodology already established in Aqualia for incident investigation, the new guide aims to be a tool that facilitates the organisational learning process, with the aim of generating changes in equipment, facilities, people's behaviour, procedures and/or management systems to improve safety related aspects.

To achieve this, three basic conditions are required:

- Knowledge: to generate information about the causes.
- Communication: to disseminate the information obtained.
- Improvement: to promote the will for change.

We intend to promote two types of learning:

- Individual learning: people learn better through participation and "doing" more than by receiving instructions.
- Organisational learning: generating changes to reduce the likelihood of new incidents, repetitive or otherwise.

4 · Road Safety Campaign

In line with the road safety campaign, the awareness-raising and information programme has been continued. Among the activities of this area is the preparation of a model mobility plan to be implemented in workplaces with more than fifty workers. A pilot programme has also been launched in relation to the project to install geolocators in vehicles of Aqualia's fleet.

5 · Visits to High Claims Contracts

On the basis of the study of claims on farms, a list of claims included in the "High Claims Contracts" campaign is selected on an annual basis. A specific programme of technical visits is carried out on these farms in order to help in the search for or definition of specific actions that may reinforce the effectiveness of preventive actions. On the basis of these visits, a plan is established whereby each regional directorate carries out a follow-up to check the evolution of the accident rate in subsequent years. During 2018, seven visits were made as part of this initiative.

6 · Psychosocial Risk Assessment

In 2018, based on the data collected in 2017, it was possible to make progress in the project to improve emotional well-being after the completion of the general assessment of psychosocial risks for the entire workforce.

In general, exposure levels are controlled for all psychosocial dimensions, although there are relevant improvement actions in aspects such as: workload and Participation/supervision. The following areas are also worth studying and improving: interest of the worker/compensation and role performance.

A proposal has been drawn up with more than twenty improvement actions that include actions at central level and another series of actions that will be implemented in a staggered manner from the regional directorates.

7 · Security (regulations for stays abroad)

When an employee travels abroad and the requested destination is a high or extreme risk country, a particular protocol is applied that may involve specific advice or security measures by the Corporate Security Department. The FCC Group has a crisis management structure to deal with all unexpected events that may affect the security of the organisation or the personnel of the entire Group. Crisis management includes the possibility of evacuating personnel abroad for security reasons or for medical reasons, for which agreements have been signed with operators specialising in this type of service.

B · Healthy Company

1 · Healthy Habits Promotion Campaigns

Campaigns of different kinds are aimed at improving the health of the company's staff through the introduction of healthier habits, always under the advice of the Medical Services. A series of campaigns has been launched on issues of food safety and the benefits of physical exercise, developing habits capable of modifying unhealthy or dangerous behaviour for the health of the workers as a whole (even transcending their family/social environment).

To this end, intervention strategies and specific procedures for learning and acquiring behaviours were required, among which in 2018 the following are worthy of special note:

- ❖ Healthy Company action plan design for Aqualia.
- ❖ Nationwide training campaign given by Quirónprevención on first aid.
- ❖ Back Schools Plan 2018-19. FCC Medical Services and Quirónprevención.
- ❖ Fitting out of facilities at Las Tablas corporate headquarters (Madrid) to facilitate the promotion of physical activity, bicycle use, etc.
- ❖ Participation of Aqualia staff in sporting challenges.
- ❖ Participation of workers in popular races.
- ❖ Launch of a health app.
- ❖ Inclusion in Sportsnet, an external platform to be implemented at Group level.

2 · Healthy Company Programme in Lleida

The main objective of the programme introduced in the province of Lleida is to foster the commitment to be a healthy company through the promotion of health and well-being at work, through the development of global and personalised initiatives, tailored to the needs of each individual. It is aimed at all workers in the province of Lleida who have voluntarily joined the programme.

The programme aims to help improve the quality of life of workers by identifying and evaluating unhealthy habits and risk factors that may affect the health of the individual, not only in their working environment, but also considering all external factors that are related to their personal routines and out of work activities. The activities carried out in 2018 are as follows, grouped into four blocks.

- DIET: weekly fruit delivery.
- HEALTHY HABITS:
 - ✓ Relaxing massage (one hour free per year, outside working hours).
 - ✓ Skin care workshop.
 - ✓ Tea pairing workshop.
 - ✓ Informative talk about hypopressives.

- **SPORT AND PHYSICAL EXERCISE:**
 - ✓ Transplanbike participation.
 - ✓ 3rd paddle tennis tournament.
- **SOLIDARITY ACTIVITIES AND COLLABORATION WITH THE COMMUNITY:**
 - ✓ 2nd blood donation campaign.

These activities are proposed by a monitoring group made up of workers and company representatives. Some of the members of the group are changed every six months and other members are permanent to ensure continuity of the projects and the objectives of the programme.

3 · Previous campaigns: Health Challenge

Through the widespread use of mobile health applications, workers competed voluntarily in a series of objectives to be achieved (minutes of physical activity, steps taken...) with full monitoring through apps designed to record these parameters using wearables (smartphones, wristbands and activity clocks), all aimed at improving the physical fitness of all workers who had voluntarily joined the programme.

10.7 Participation

A · Participation

1 · Occupational Health Charter

The work being carried out in the framework of Aqualia's Charter for Occupational Health continued in 2018, with representatives of the main trade unions and the Company's management collaborating in the improvement of health and welfare conditions through dialogue and the design of good practices at a global level.

A new feature this year is that the body has extended its remit such that it could be referred to as a "Trade Union Charter", as other forums for participation have been unified, such as the Equality and Work-Life Balance working groups.

10.8 Quality Employment

A · Quality Employment

1. COLLECTIVE BARGAINING, LABOUR RELATIONS AND PERSONNEL MANAGEMENT

In terms of collective bargaining, the consolidation of the Fifth State Water Agreement throughout the sector at the national level should be highlighted. In March 2018, the Negotiation Commission of the VI State Water Agreement was constituted, in which the most relevant companies of the sector participated and in which this year the most representative trade union organisations (UGT and CC.OO.) integrated the same with parity in their composition, which further normalises and stabilises negotiations and the sector, thus facilitating relations with trade union and workers' representation applying extensive agreement regulations that have substantially reduced the conflict in the work centres where it operates.

As in 2017, this consolidation and extension of the State Water Agreement has been one of the objectives in the area of Labour Relations and it has enabled different work centres to continue to adhere to agreements or company/centre agreements, whereby the number of collective agreements in force in the area of water is 9% lower than the figures recorded for 2017.

Ámbito Geográfico	
AUTONÓMICO	5
AYUNTAMIENTO	8
EMPRESA	33
ESTATAL	4
PROVINCIAL	17
Total general	67



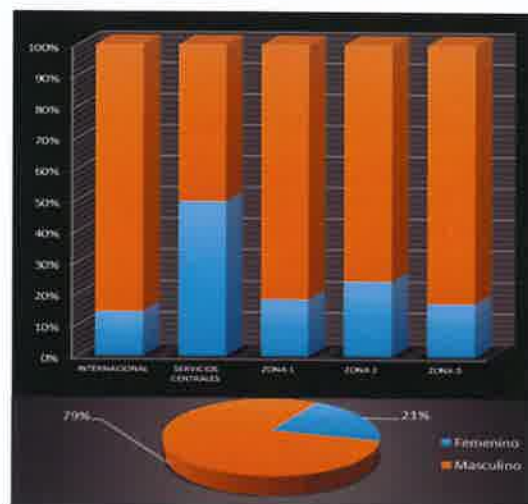
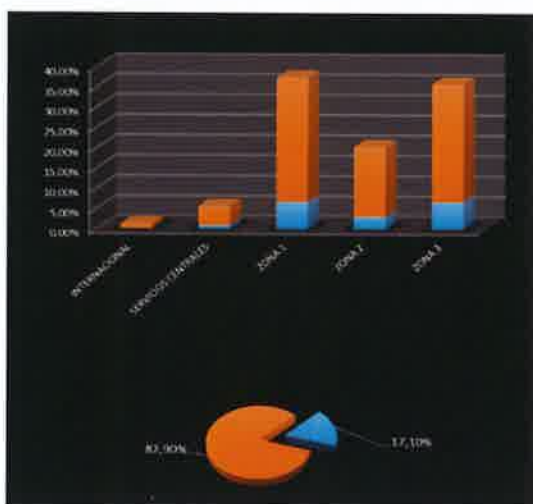
Likewise, the number of work centre agreements as compared to 2017 has increased by 17%, taking into consideration both the reasons for subscribing to the sectorial regulatory framework of the State Water Agreement and the different needs in the different work centres. This has meant a reduction in labour disputes and a substantial improvement in the relationship with the legal representation of workers and employees.

With regard to labour lawsuits, which have been concluded in court, as well as the corresponding labour conciliations, the trend of reduction in conflict observed in 2017 has been maintained throughout 2018. There have been fewer lawsuits with trial results in 17%, in which the most relevant results have been a 34% judicial settlement without a sentence (2% more than in 2017), 27% of favourable sentences for the company (4% more than in 2017), 10% of withdrawals of lawsuits and only in 10% of cases has a first instance ruling been received. These data reflect a trend towards a decrease in labour disputes and a highly satisfactory outcome in the settlement of legal claims and labour disputes.

Tipología Juicio		Resultados Juicios	
Despido	16	Acuerdo Judicial	24
MSCT	11	Sentencia Favorable	18
Reclamación cantidad	10	Desistimiento	7
Seguridad Social	6	Sentencia Condenatoria	7
Despido objetivo	6	Pendiente Sentencia	6
Incapacidad permanente	6	Nuevo señalamiento	5
Subrogación	5	Archivo provisional	2
Conflicto Colectivo / Negociación Convenio	3	Sentencia Favorable - Recurrída	1
Clasificación profesional	1		
Incumplimiento Empresario	1		
Elecciones Sindicales	1		
Total general	70	Total general	70

In terms of conflicts resulting in strikes, only one strike day has been declared in 2018, compared with 6 in 2017 and this was not attributable to the company's actions, since it was the 8th of March strike that took place on International Working Women's Day/International Women's Day.

With respect to quantitative data, the policy of reducing seasonal hiring has been continued throughout 2018, whereby 82.9% of contracts are now permanent and in terms of gender the same percentage of women has been maintained since 2017, whereby 80% of employees are male and 20% are female.



With regard to staff management, the full decentralisation of the FCC Group's HR administrative processes has been completed. Thus, Aqualia is responsible for coordinating all the actions required to manage all aspects of employment and staff administration for the staff of the companies within the company's perimeter. This decentralisation has led to improved staff administration processes and greater control of employee management, which has resulted in a reduction in execution times and greater flexibility of action, attending to and resolving employee incidents in a shorter response time.

As part of this decentralisation process, the full management of Social Security by Aqualia's central HR department should be highlighted. This initiative has meant, in addition to a reduction in errors and delays in management, an improvement in the time required to manage information and documentation for other departments. The direct relationship with Social Security speeds up incident resolution times and end-to-end control of any claim or incident in matters of Social Security, as well as an overall improvement in the management of social security.

An update of the job/functions map has been extended and consolidated for the whole Company, which has helped to continue improving the identification and ranking of employees, increasing the quality of the existing information and facilitating the analysis and study of Aqualia's current personnel.

Also, in 2018, the improvement of processes and reduction of costs in the area of Staff Administration continued. Some of the most noteworthy projects are as follows:

1.- Development and implementation of the app by which employees with access to information systems and the employee portal, can:

- View and download their payslips.
- Approve payments of monthly employee variables.
- Request holidays.
- View their team calendar.
- Approve purchase orders.
- Search for other employees (professional information).

The project, which is in the final testing phase, will incorporate other options for the approval of staff administration requests (change of post/function, transfers, extensions of recruitment and recruitment

requests) into the above-mentioned options. All this will mean the elimination of paper applications and will lead to better security in terms of data protection, greater speed in approving applications (which up now have to be signed physically), savings in messaging costs and in the time it takes to process applications.

2.- Cash Advance and Expense Settlement Processes via Work-Flow:

In 2018, the Incorpora tool was developed for processing requests and payments of cash advances and payment of travel expenses so that as from January 2019 these requests and payments are made via WF through this platform, eliminating the paper process and cash payments.

11. COMMUNICATION, MARKETING AND RSC

11.1. Communication

In accordance with what is included in the annual Communication Plan (PCOM), in 2018 five strategic lines of action were proposed in the area of Communication, aimed at the company's different audiences (end customer, institutional customer, media and internal customer):

- Ensure that all audiences of interest perceive Aqualia as a company that adds value to their municipality/country, communicating from the point of view of the recipient of the message.
- Become a benchmark in the sector in the evolution of the social concept of water management.
- To expand and transform our presence in the media, both national and international, and in the new communication channels (RRSS).
- In the International Area, present the Company and its positioning as a strategic ally in the management of public water services.
- Strengthen employees' sense of belonging to the company and internal cohesion.

Within this framework, the most important initiative developed during 2018 was the annual corporate campaign www.compromisoreal.com, focused on the company's contribution to 12 of the Sustainable Development Objectives established by the United Nations for the year 2030.

The campaign has been focused directly on the media, both as reporters/prescribers and as citizens who make use of the public services provided by Aqualia. The efforts made in this regard have led to different achievements that materialised in the more than 200,000 views of the videos in which Aqualia professionals reveal, month by month, the content related to, among others, SDG 6 "Clean Water and Sanitation", SDG 5 "Gender Equality", SDG 11 "Sustainable Cities and Communities" or SDG 1 "End Poverty". The campaign website has received 7,000 visits from more than 10,000 users, reaching more than 300 mentions of the campaign, both in specialist media and in general information media.

In addition, Aqualia's Youtube channel has had more than half a million views since its launch, making it one of the company's main information channels. The informative impact of the channel's contents during this year has been notable, recording more than 250,000 views, which means more than 10,000 hours of viewing time, and close to 400 new subscribers.

The popularity of some of the Company's videos, including those launched monthly as part of the campaign #Compromisosaqualia (Aqualia commitment to social development, work or wellbeing) have been instrumental in this increase in views. The increase in traffic on the YouTube channel has also been possible thanks to the added value of some outstanding and award-winning videos, such as "La Gestión del ciclo integral del agua como nunca te había contado" (The Management of the Integrated Water Cycle as Never Before Told), distinguished as the best audiovisual piece in the 1st edition of the Prizes (DIRCOM) and awarded as "Best Video" in the iAgua 2017 Prizes, or the video "You have to be from Bilbao to appreciate tap water" which, as part of the campaign for the 50th anniversary of the Bilbao Bizkaia Water Consortium,

received an award in the category of Best Responsible Marketing Action at the renowned Publifestival.

Aqualia is committed to constant, useful and responsible communication focused mainly on citizens. It has growing communication on networks: 3,749 followers on Twitter and more than 2,250 followers on the company profile on LinkedIn, the last channel opened by Aqualia in August 2018.

In addition, and with the aim of bringing the company's local representatives into contact with the media in each region, various types of ad hoc local events have been organised: meetings with journalists at facilities, teamwork days, or open-door days.

Aqualia's commitment to being a benchmark in technical matters, innovation, sustainability and communication has been brought to fruition through the Company's participation in the different sessions and working groups organised by representatives of the sector in order to establish clear, continuous and close policies that allow the main messages of the water management sector to be conveyed to the three main target audiences: policy makers, the government and citizens. Thus, different representatives of Aqualia have highlighted the multiple possibilities of public-private collaboration, both nationally and internationally. Of note were the interventions in forums organised by iAgua Magazine, participation in the events organised on the occasion of European Green Week, the presentation at the I Salon H2Orizon (Seville) of the Municipal Water Service in Almeria as an efficient management model, or participation in the National Environment Congress (CONAMA).

Worthy of note is Aqualia's presence at Expoagua, the sector's most important event in Peru. The Company was highly visible, both at the information point it maintained in the exhibition area and in the speeches made by its delegates during Spain Day. Aqualia's presence at this event meant the opportunity to present the company at a corporate level in the country and to network with the main national and Latin American entities present in Peru (ANA, Sunass, IDB, among others).

In addition to the regular actions (press conferences, notes, articles, interviews, reports) and in order to strengthen the relationship with information professionals who help to convey to society the importance of integrated water cycle management, the Company has launched the third Aqualia Journalism Prize "Water management in municipalities". The result will be known in the first half of 2019.

In 2018, Aqualia also took part in various informative breakfasts and round tables dealing with current social, political and cultural issues, which provide an ideal opportunity to strengthen relations with the different stakeholders and the brand image of Aqualia as a company involved in the social, economic and environmental development of the territories in which it operates, beyond its technical performance. The mayors of Santander and Badajoz, at breakfasts held in October and November in Madrid, endorsed public-private collaboration for the benefit of citizens. Abel Caballero, Mayor of Vigo and President of the FEMP also participated in one of these meetings. In December the informative breakfast "En clave Mujeres" for equality and against gender violence took place in Toledo, with Vice President of the Government, Carmen Calvo, attending as a special guest. And the Smart City project in Rota, led by its mayor, was the epicentre of an editorial table organised by Aqualia together with the magazine Andalucía Económica.

Aqualia's performance in relation to strengthening relations with the media, following the strategic lines of the PCOM, has been reflected in different collaborations. For example, iAgua, the leading online publication in the water sector, published in December the 21st edition of its paper magazine (iAgua Magazine). As usual, Aqualia has collaborated with the publication of a six-page report in which it reviews the main milestones achieved by the company in 2018.

At regional level, Prensa Ibérica, a group to which local newspapers as influential as Faro de Vigo, La Nueva España or Levante, among others, belong, commemorated its 40th anniversary in 2018. As part of the extensive programme of events to celebrate this event, Oviedo and Vigo hosted an exhibition of historical newspaper covers and a subsequent event, in collaboration with Aqualia, which was attended by leading personalities from the political, business, cultural and social spheres of Asturias and Galicia.

Aqualia played a leading role in the programme "Asturias.Repor", on the Public Television of Asturias (TPA). The regional channel, with a wide audience throughout the Principality of Asturias, recorded a four-hour extensive report on the management of the wastewater network in Oviedo, focusing on the work done by the company.

Following the various updates to the corporate website (www.aqualia.com), in 2018 the website recorded

a total of 1.7 million visits, mainly on issues related to customer service management (more than 46% of interactions). The average duration of connections was over 2 minutes and 86% came from Spain.

Internal communication has expanded in 2018 with greater use of emailing. Through the e-mail mailbox of the Communication Department, the Company has reinforced Flash information as the main internal information channel. Throughout the year, 132 pieces of information were launched on daily activities in production, business and the different areas that make up the company (R&D, PRL, HR, etc.), as well as different actions and campaigns generated by the Communication and Marketing team and those undertaken in the area of CSR.

11.2. Marketing

One of the main objectives included in the 2018 Communication Plan (PCOM) was to ensure that citizens perceive Aqualia as a company that adds value to the regions in which it operates. The aim was also for the Company to become a benchmark in the sector in the evolution of the social concept of water management. To achieve this, the Company has opted to position itself in the minds of citizens in one area: concern for people.

Beyond managing the integrated cycle, Aqualia implemented actions in 2018 aimed at connecting with the population with a focus on the citizen. This is why it launched the portal www.aqualiaeduca.com, a new educational tool dedicated to understanding the water cycle and which promotes awareness among the general population and among young people in particular. It is a portal aimed at young and old alike, offering information on the water cycle and access to multimedia, entertaining and adapted documentation to learn how to make responsible use of the resource.

Once again, this year, and with the aim of highlighting the value of the daily work involved in bringing water from nature to the tap, Aqualia has launched a new edition of its children's drawing competition on the website www.aguaparagrifus.com. The competition, which was held for the 16th time in 2018, has an international dimension. In addition to Spain, it is held in Portugal, Italy and the Czech Republic. Aqualia invites boys and girls in the 3rd and 4th grades of primary school in the municipalities where it provides services to participate in the competition.

This digital children's drawing competition forms part of the set of initiatives that Aqualia regularly develops with schools, institutes and university centres to make them aware of the phases of the water cycle and to educate them in its use and consumption. The 2018 edition was a success with more than 8,000 entries. More than 160,000 people from our target audiences have been involved: 150,000 schoolchildren, 6800 teachers, 2000 employees, 1,000 town councils and 850 media.

The competition website has obtained relevant data such as 22,203 users, 50,739 sessions, 382,220 page views and an average visit duration of just over seven and a half minutes.

With this training and educational action, Aqualia is also able to involve the families of its employees. Thus, nearly 100 children, grandchildren and nephews and nieces of the Company's employees took part in the 9th round of Peque artistas (Little Artists), an in-house drawing competition which is carried out entirely online.

Aqualia, technological partner of El Puerto de Santa María Town Council for water management through the mixed company APEMSA started up the Water Room during the academic year 2017-2018. This is a new recreational-educational space to bring the world of water management closer to schoolchildren through games and experiments. This initiative is part of the municipal educational offering and during its first year has received a total of 633 schoolchildren in 3rd and 4th grades of primary school. The success of the event exceeded expectations: a total of fifteen recreational and educational days were held, which were given a score of 5 out of 5 by the teachers.

During 2018, different campaigns linked to commercial and awareness objectives have been developed which have supported communication with the aim of citizens understanding and valuing the Company's activity. The information and awareness-raising campaign for the proper use of the "Don't flush it" toilet and the one developed at SmVak, Aqualia's Czech subsidiary, promoting the consumption of #tapwater in the restaurants in the region in which it operates are clear examples of this.

The ongoing attacks by public water management platforms, which are clearly excluding companies such as Aqualia, and the strategic lines of PCOM 2018 have led to the development throughout the year of an

information campaign aimed at providing, on a monthly basis, true data on the actions carried out to improve the well-being of citizens, as well as a video and a blog with the opinion of the Company's professionals. The campaign #CompromisoAqualia developed on the website www.compromisoreal.com includes a selection of the socioeconomic impacts of the company and its contribution to 12 of the 17 United Nations Sustainable Development Goals with more than 60 real facts that contribute to the transformation of the regions in which it provides service and the achievement of the United Nations SDGs by 2030. Aqualia's activity is closely linked to the main axes defined in the global sustainable development agenda and offers an unbeatable opportunity for the Company to contribute to its achievement, as has been the intention of this campaign.

Aqualia's Commitment (compromiso Aqualia) is an example of the Company's responsibility to provide added value in the areas in which it provides services, while also contributing to improving the well-being of people, especially the most vulnerable groups. At the end of the event, a video was produced which, in 120 seconds, presents the successful data gathered in the last year: more than 200,000 views and 5,000 hours of playback on YouTube, more than 27,000 visits to the website www.compromisoreal.com and 85,000 views on Twitter.

Also, in 2018, work was done to reinforce the perception of Aqualia as a glocal company (global management with a strong local commitment), a company that is close and provides local and at the same time international value whilst being open to new cultures. Thus, the Company has increased its presence in numerous events and strategic forums of international importance with the aim of positioning itself in the sector as a benchmark for innovative solutions responding to future challenges or responding to new models of public-private collaboration. This is true of Aqualia's participation in the International Water Summit, the Oman Energy & Water Exhibition and Conference, the SWAN Congress held in Formentera and the ANEAS convention-exhibition held in Mexico.

At the international level, Aqualia was chosen as one of the best water management companies in the world during the Global Water Awards gala with the "Distinction Award", which recognises the excellent performance of the company's team during the year. The awards were presented at the Global Water Summit, a conference held in London in April and which brought together the main companies, authorities from different countries, institutions and high-level individuals that are leaders in the water sector.

Also noteworthy is the iAgua publication award for Best Contract of the Year for the Empalme - Guaymas desalination plant in Mexico.

Aqualia also received the "IDA Exceptional Utility Leader in Water Reuse and Conservation Award", in recognition of its outstanding public and private service management that has successfully implemented innovative water reuse and conservation projects.

11.3. Corporate Social Responsibility (CSR)

Aqualia understands CSR as a cross-cutting element in its business model. In this way, economic profitability and competitiveness are integrated with the social and environmental factors of our environment, which are so important for the future of our business and for contributing to sustainable development.

In 2018 and in accordance with what is included in the CSR Plan 2018-2020 (CSRPlan), different actions have been developed linked to the three strategic lines defined:

- Citizen connection.
- Intelligent services
- Exemplary performance

Civic Connection.

Sustainability and awareness are two key factors for the company. For Aqualia, efficient management of natural resources, especially water, is fundamental. In 2018, campaigns were carried out to ensure responsible consumption of both drinking water and good use of the wastewater network.

Aqualia also joined Global 6K For Water, organised by World Vision, the largest clean water race held for the first time in Spain on 19 May in Madrid to raise funds to bring drinking water to 300 students at the Saint Mary Kevin orphanage and school in Uganda, where 68% of the population does not have access to

drinking water.

The Company, with a view to considering the results of decisions that improve the perception that customers have of the work that Aqualia carries out in the different regions, carries out different Satisfaction Studies for the final customer, institutional customer and Aqualia Contact.

Excellence in customer service is Aqualia's commitment to society. To achieve this, the company offers a highly customised service in line with users' needs. The public has been informed of the Company's new freephone numbers via press releases, and these have also been updated on invoices and on Aqualia's website.

Intelligent Services

In addition, and linked to its daily activity, Aqualia has launched several initiatives to raise awareness about the responsible use of water and the environment.

The Company celebrated World Water Day (22 March) with numerous activities for everyone, ranging from schoolchildren and the elderly to representatives of institutions. In Oviedo, schoolchildren were the main focus of the visit to the Cabornio DWTP. In the Balearic Islands, Ibiza hosted a massive event promoted by the Water Alliance, in which Aqualia participated as the concessionaire for water management in the Balearic Islands, to present the campaign "Not a drop in the sea". In Andalusia, the Tempul reservoirs, located in the Zoobotanical facilities of Jerez (Cadiz), opened their doors to receive hundreds of schoolchildren in a day organised by the City Council and Aquajerez. Open days were also held at facilities in municipalities such as Salamanca, in collaboration with the Centre for Technological Research and Development of Water (CIDTA), in Toledo, Medina del Campo (Valladolid), Mondoñedo (Lugo), Dénia (Alicante), Alcoi (Alicante), Anglès (Gerona), Almacelles (Lleida), Baix Ebre (Tarragona), Nájera (La Rioja), Miajadas (Cáceres), Los Santos de Maimona (Badajoz) and Olivenza (Badajoz), among others.

Water has also featured strongly on radio stations. In Linares (Jaén), the live programme "Hoy por Hoy" on Cadena Ser was broadcast from the city's drinking water plant facilities, and featured interviews with the management of Linaqua, who announced the work being carried out in the Municipal Water Service; and in Alcázar de San Juan (Ciudad Real), the management at Aguas de Alcázar took part in a special monographic water programme broadcast on the SER radio station.

In Portugal, Aqualia gave talks on the responsible use of water to Fundão's schoolchildren, who also learned about the drinking water treatment process through the educational material provided through the Children's Digital Drawing Competition "Water for Grifus" (videos, comics, hobbies, etc.). Similarly, in Italy, Caltaqua joined in the celebration of World Water Day by publicising the Company's commitment to protecting this resource and raising public awareness about responsible water use.

On the occasion of World Environment Day, which is celebrated every 5th June, Aqualia organised various actions at a local level with the aim of raising public awareness on correct water use thus contributing to the care of the environment. Among other actions, the event held in the educational classroom of Entemanser, Aqualia's subsidiary in the Canary Islands brought together nearly 250 schoolchildren from Granadilla de Abona (Tenerife) for a talk and demonstration on the problem caused by wipes thrown into the toilet and on how to use the sewage network properly.

In addition, as in previous years, Aqualia has also organised open days for the facilities it manages.

In 2018 more than 150 days were organised with different groups (homemakers, retired people, journalists) and more than 100 visits brought together around 10,000 schoolchildren. Visitors were informed of how the integrated water cycle is managed by companies like Aqualia and were trained in the correct use of the resource: responsible consumption, correct use of the toilet, what to do with oils, etc to care for and make a firm commitment to protecting the environment.

Outstanding Performance

In this context, the awareness-raising campaigns carried out on the occasion of International Women's Day (8 March) are particularly noteworthy. Aqualia launched the campaign #AqualiaEquality among its employees, inviting them to publish their thoughts and reflections on equality on the website www.aqualiaigualdad.com.

At the same time, the Company produced a video based on the experiences of 10 women in positions of responsibility (as service manager, plant manager, customer service centre supervisor). In the video they

share their daily experiences as well as their opinions and wishes to continue advancing towards a 50:50 planet in 2030.

Training activities on the theme of equality were also held, such as the second Women's Talent Encounter in Aqualia, under the slogan "Talent without gender". Attendees reflected and debated on the role of women in the water sector, self-imposed gender limitations in professional development, the next steps on the road to Equality, the management of female talent from a production perspective and "talent without gender". In addition, the closing ceremony of the third Mentoring programme, hosted by the Mayor of Jerez, and EOIs Development Programme for Executive Leadership for Women was also held.

On the occasion of the day against Gender Violence, Aqualia launched a new edition of the #AqualiaContigo campaign. On this occasion, the company invited all employees to take part in a photography competition, publishing inspirational images on the website www.aqualiacontigo.com with which the Aqualia's workers expressed their "NO" to gender violence in a resounding manner.

From all the material gathered, the company has edited a video with a selection of the images and messages received, which also includes a few words of introduction by Aqualia's CEO, Félix Parra, explaining the objective of the campaign and the company's commitment to this cause. This video was shared with all employees and also with the sector media on the World Day Against Gender Violence (25 November).

Likewise, during the week of 25 November, various actions were organised in collaboration with the Town Councils of the municipalities in which Aqualia is present. Examples include Santa Eulària (Ibiza), Lluçmajor (Mallorca), Abarán (Murcia) and El Vendrell (Tarragona). The water in fountains in municipalities such as Oviedo was also dyed violet and talks and conferences were organised - in Martos (Jaén) - alongside other activities, such as dramatised performances or the canvas competition "Ávila - a space free of male violence".

Similarly, in 2017, the Company successfully completed the family-friendly company certification process (efr) by Fundación Másfamilia. And in 2018 Aqualia received the efr seal for its commitment to work-life balance from the Ministry of Health, Social Services and Equality, highlighting the progress made by the Company over the last year in the area of work-life balance. An important dissemination campaign on this subject has been launched among employees, via emailing, Flash information, Tu Flash and by setting up a specific work-life balance site on the ONE Aqualia Intranet. In addition, the Company's CEO recorded a video encouraging all employees to continue working on the commitment to create a working environment that helps people to develop professionally.

Aqualia and Caritas has strengthened its alliance against poverty and social exclusion in a meeting held at the headquarters of Cáritas de Ávila. Beyond the commitment to respond to the social needs of the most vulnerable groups, the agreement with Cáritas is another example of the importance of public-private collaboration and the company's effort to collaborate with organisations that help people.

In addition, during 2018 the different initiatives have continued to guarantee access to drinking water and sanitation services for those citizens who for economic and social exclusion reasons find themselves unable to pay water bills. Thus, services such as Barbate (Cádiz), Denia (Alicante), Jaén, Molins de Rei (Barcelona), Sant Andreu de la Barca (Barcelona) or Vigo (Pontevedra) are some examples of this initiative that Aqualia intends to bring to practically all of the areas in which it operates. The objective is to ensure that no citizen is deprived of domestic water service for financial reasons, always in collaboration with the owner of the service (city council) and with the relevant local social services.

As a company dedicated to the management of a public asset such as water, Aqualia has an added responsibility towards society, so during this year it has collaborated in different actions to integrate people with disabilities into society and into the workforce. The company was involved on March 21 (World Down Syndrome Day) in publicising the campaign of the Down's Syndrome Foundation of Madrid to raise awareness and contribute to social-workforce integration through the sector media, via Twitter and in Aqualia's various channels of internal and external communication (corporate website, premises and ONE Aqualia intranet).

In 2018 Aqualia was once again awarded the Stela Prize, one of the awards given by the Down's Syndrome Foundation of Madrid (Down Madrid) in recognition of companies that incorporate workers with

intellectual disabilities into their workforce.

In addition, on the occasion of the International Day of Persons with Disabilities the Company linked in with the Adecco Foundation's campaign #Contralasetiquetas to break down the stereotypes that hinder the professional development of people with disabilities and support their inclusion in society and the workforce. Aqualia has been involved in publicising the campaign among its employees and the media in the sector.

In its commitment to society, also worthy of note are the more than one hundred cultural, sports and environmental collaborations that reflect the company's effort to be recognised as an agent of change and involvement in the region, establishing relationships with citizens to create a more just society.

Also worthy of note is presentation in Salamanca of the book "Women in First Person", edited by Aqualia, which brings together the experience of more than 60 women, both workers of the company and representatives of the Public Administration, in the day to day management of the integrated water cycle from their positions in the various town halls.

In another order of topics, the Be Aqualia initiative was recently presented at a conference held at Federico Salmón's offices in Madrid. The Department of Communication, Marketing and CSR collaborated in the design and implementation of different initiatives to convey to all workers the concept of the Company as a healthy and safe environment in which communication and participation is promoted.

As part of the 2018 Christmas campaign, in collaboration with UNHCR, the Company donated to help 214 refugee children from South Sudan receive the appropriate treatment to combat malnutrition.

And to collect all its activity in the field of CSR Aqualia published the 12th edition of its Corporate Social Responsibility Report, which summarises the main economic, social and environmental milestones reached by the company in 2017. It does so in a very visual way, and it reflects the key aspects of the relationship of the company with its public of interest: employees, citizens, media and public administrations, among others. The report can be consulted on the Aqualia website (www.aqualia.com).

Within this strategic line, it should be noted that the Company has been distinguished as one of the 100 best companies to work for in Spain according to the annual ranking of "Actualidad Económica", the leading magazine of the Spanish financial press. Aqualia is the only water management company that appears in the 20th edition of this ranking. As Aqualia's strengths, the publication highlights the work environment, the training it offers its employees and its talent management policy.

OTHER INFORMATION

The Company's exposure to financial risks is detailed in the accompanying report in Note 23.

As detailed in Note 24.2 to the consolidated financial statements, the Company has exceeded the maximum average payment period to suppliers. The Company has established measures aimed at adjusting this maximum period, such as

- Review of internal procedures in relation to the payment process (receipt of invoices and internal approval processes).
- Optimisation of working capital management, shortening the average collection and payment periods.
- Study and, if necessary, implement electronic invoicing processes.

With regard to transactions involving treasury shares, the Company has not purchased any treasury shares, nor does it plan to do so in the future.

Any possible events occurring subsequent to 31 December 2018 are described in Note 24.1 of the attached report.

The Annual Accounts and the Management Report of FCC Aqualia, S.A., which correspond to the financial year ended 31 December 2018, were prepared by the directors of the Company on 27 February 2019 and are presented on 61 sheets of official State stamped paper, typed on both sides of the series 0L numbers 4175892 to 4175952 both inclusive, being signed, in proof of conformity, on the State stamped paper sheet of the series 0L number 4175953.

Chair

Mr Alejandro Aboumrad González

Deputy Chair

Member

Mr Nicolás Villén Jiménez

Mr Lars Bespolka

Member

Member

Mr Pablo Colio Abril

Mr Werner Kerschl

Member

Member

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Mr Juan Rodríguez Torres