

FCC Aqualia, S.A.

Financial Statements
for the year ended
31 December 2019 and
Directors' Report, together with
Independent Auditor's Report

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

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 2019, 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 2019, 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

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 2019, 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 2019, 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 2019 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

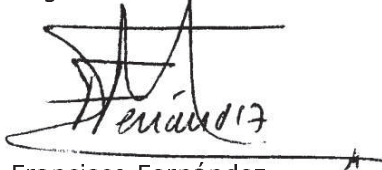
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

A handwritten signature in black ink, appearing to read "Francisco Fernández", is written over a horizontal line. The signature is stylized and includes a small star-like mark at the end of the line.

Francisco Fernández

Registered in ROAC under no. 20215

26 March 2020

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.

ANNUAL ACCOUNTS AND MANAGEMENT REPORT CORRESPONDING TO THE BUSINESS YEAR ENDED 31 DECEMBER 2019

➤ ANNUAL ACCOUNTS

- Financial Statements
 - Balance Sheet
 - Profit and Loss Account
 - Statement of Changes in Net Equity
 - Cash flow statement
- Review

➤ MANAGEMENT REPORT



FCC Aqualia, S.A.

STATEMENT OF ASSETS AND LIABILITIES AT 31 DECEMBER 2019 AND 2018

(Thousands of euros)

ASSETS	Notes to the Review	Business year 2019	Business year 2018	NET EQUITY AND LIABILITIES	Notes to the Review	Business year 2018	Business year 2018
NON-CURRENT ASSETS		1,878,152	1,852,738	NET EQUITY	Note 12	478,138	481,826
Intangible fixed and non-current assets	Note 5	505,710	542,616	SHAREHOLDERS' EQUITY		468,517	477,601
Development		8	835	Capital		145,000	145,000
Concessions		440,016	466,812	Issued capital		145,000	145,000
Concession agreements, financial capitalisation		14,811	15,574	Share premium		79,481	79,481
Commercial fund		49,658	57,935	Reserves		163,153	136,476
Other intangible fixed and non-current assets		1,217	1,460	Legal and statutory		29,000	29,000
Tangible fixed and non-current assets	Note 6	33,805	27,014	Miscellaneous reserves		134,153	107,476
Land and buildings		2,304	1,484	Profit/(loss) for the business year		80,883	116,644
Technical installations and other tangible fixed and non-current assets		29,525	24,794	Interim dividend			
Current and projected fixed and non-current assets		1,976	736	Valuation adjustments		5,953	
Long-term investments in Group companies and associates		1,217,826	1,159,340	GRANTS, DONATIONS AND LEGACIES	Note 13	3,668	4,225
Equity instruments	Note 7.1	321,842	258,155	Grants, donations and legacies received		3,668	4,225
Loans to companies	Notes 7.2 and 8	895,984	901,185				
Long-term financial investments	Note 8	102,999	96,297				
Equity instruments		11,152	10	NON-CURRENT LIABILITIES		1,463,492	1,461,996
Loans to third parties		71,893	77,750	Long-term provisions	Note 14	66,789	66,246
Miscellaneous financial assets	Note 8.3	19,954	18,537	Liabilities for long-term employee benefits		19	28
Deferred tax assets	Note 16	17,812	27,471	Other provisions		66,770	66,218
				Long-term payables	Note 15	1,384,435	1,383,198
				Debentures and other marketable values		1,345,306	1,344,204
				Finance lease payables		-	-
CURRENT ASSETS		553,789	585,765	Miscellaneous financial liabilities		39,129	38,994
Inventories		21,260	34,554				
Commercial		709	699	Payables to Group companies and associates	Note 15.2		565
Raw materials and miscellaneous procurement		10,743	10,267	Deferred tax liabilities	Note 16	8,317	7,850
Advance payments to suppliers		9,808	23,588	Long-term accruals	Note 17	3,951	4,137
Trade and other receivables		111,977	105,113				
Clients by sales and provision of services	Note 10.1	29,721	21,492				
Customers, Group companies and associates	Note 10.2	43,745	41,612				
Personnel		582	882				
Sundry receivables		11,585	15,350				
Current tax assets	Note 16	1,481	2,866	CURRENT LIABILITIES		490,311	494,681
Miscellaneous receivables from Public Administrations	Note 16	24,863	22,911	Short-term provisions	Note 14	6,623	7,887
Current payment rights, concession arrangements				Short-term payables	Note 15	22,950	21,390
				Interest payable on bonds and other marketable securities		15,227	15,227
Short-term investments in Group companies and associates	Note 9	108,953	97,884	Finance lease payables			5
Loans to companies	Note 9.1	101,892	94,659	Miscellaneous financial liabilities		7,723	6,158
Miscellaneous financial assets	Note 8.3	7,061	3,225	Payables to Group companies and associates	Note 15.3	123,507	129,385
Short-term financial investments	Note 9	27,130	23,215	Trade and other payables	Note 15	333,887	334,296
Loans to third parties	Note 9.2	17,229	15,763	Suppliers	Note 15.4	123,013	131,921
Miscellaneous financial assets	Note 8.3	9,901	7,452	Suppliers, Group companies and associates		20,738	19,153
Short-term accrued expenses		1,869	1,676	Purchase ledger sundry accounts		98,384	94,680
				Personnel		3,003	2,643
Cash and miscellaneous cash equivalents	Note 11	282,600	323,323	Current tax liabilities	Note 16	4,403	1,532
Treasury		282,600	323,323	Other payables to Public Administrations	Note 16	75,065	77,561
				Client advance payments		9,281	6,806
				Short-term accrued expenses		3,344	1,723
TOTAL ASSETS		2,431,941	2,438,503	TOTAL NET EQUITY AND LIABILITIES		2,431,941	2,438,503

The Notes 1 to 25 in the attached Review constitute an integral part of the Financial Statements for the 2019 business year



FCC Aqualia, S.A.

**INCOME STATEMENTS CORRESPONDING TO THE BUSINESS YEARS
ENDED 31 DECEMBER 2019 AND 2018**
(Thousands of euros)

	Notes to the Review	Business year 2019	Business year 2018
CONTINUING OPERATIONS			
Net business turnover	Note 19.1	734,514	717,852
Sales		734,514	717,852
Changes in inventories of finished goods and manufacturing in progress		15	(8)
Self-constructed assets		1,593	2,181
Consumables	Note 19.3	(260,447)	(252,351)
Consumption of commodities		(90,662)	(90,182)
Consumption of raw materials and other consumable materials		(88,112)	(86,051)
Subcontracted work		(81,673)	(76,118)
Impairment of merchandise, raw materials and other supplies		-	-
Miscellaneous operating income		27,137	28,051
Non-core and miscellaneous current management income		15,260	17,061
Operating grants included in the profit/(loss) for the business year	Note 13	11,877	10,990
Staff expenses		(198,859)	(184,787)
Salaries and wages and related items	Note 19.6	(149,521)	(140,004)
Labour costs	Note 19.7	(49,338)	(44,783)
Miscellaneous operating expenses		(136,178)	(139,110)
External services	Note 19.4	(130,366)	(127,360)
Taxes other than corporation tax		(3,533)	(3,089)
Losses on, impairment of and changes in provisions for commercial transactions.	Note 19.11	1,783	(4,774)
Other current management expenses	Note 19.12	(4,062)	(3,887)
Amortisation of fixed and non-current assets	Notes 5 and 6	(60,289)	(58,636)
Apportionment of fixed and non-current asset grants and others	Note 13	1,002	1,645
Provision surpluses		5,060	2,745
Impairment and profit/(loss) on disposal of fixed and non-current assets		4,132	(151)
Profit/(loss) on disposals and others		4,132	(151)
OPERATING PROFIT		117,680	117,431
Finance income		37,729	33,137
From marketable values and other financial instruments		37,729	33,137
- Group companies and associates	Note 19.2	33,981	28,587
- Third parties		3,748	4,550
Financial expenses	Note 19.8	(32,978)	(33,287)
On payables to Group companies and associates	Notes 15 and 19.2	(453)	(656)
On payables to third parties	Note 15	(32,079)	(32,038)
Interest cost relating to provisions		(446)	(593)
Exchange differences	Note 19.9	456	59
Impairment and losses on disposal of financial instruments	Note 19.10	(8,978)	(9,147)
Impairment and losses		(8,978)	(9,147)
FINANCIAL PROFIT/(LOSS)		(3,771)	(9,238)
PROFIT/(LOSS) BEFORE TAX		113,909	108,193
Corporate tax on profit	Note 16	(33,026)	8,451
PROFIT/(LOSS) FOR THE BUSINESS YEAR FROM CONTINUING OPERATIONS		80,883	116,644
PROFIT/(LOSS) FOR THE BUSINESS YEAR		80,883	116,644

The Notes 1 to 25 in the attached Review constitute an integral part of the Financial Statements for the 2019 business year



FCC Aqualia, S.A.

**STATEMENT OF CHANGES IN NET EQUITY CORRESPONDING TO
BUSINESS YEARS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018**
(thousands of euros)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR BUSINESS YEARS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018

	Notes to the review	2018
A) Statement of profit and loss		
116,644		
Income and expenses attributed directly to net equity		
III. Grants, donations and legacies received	13	715
V) Tax effect		(179)
B) Total Income and expenses attributed directly to net equity		
536		
Transfers to the profit and loss account		
VIII. Grants, donations and legacies received	13	(1,644)
IX. Tax effect		411
C) Total transfers to the profit and loss account		
(1,233)		
TOTAL RECOGNISED INCOME AND EXPENSES (A+B+C)		115,947
		2019
A) Statement of profit and loss		
80,883		
Income and expenses attributed directly to net equity		
I. On appreciation of financial instruments		6,201
1. Financial assets available for sale		5,953
1. Financial assets available for sale		5,953
III. Grants, donations and legacies received	13	238
V) Tax effect		10
B) Total Income and expenses attributed directly to net equity		
6,201		
Transfers to the profit and loss account		
VIII. Grants, donations and legacies received	13	(1,002)
IX. Tax effect		197
C) Total transfers to the profit and loss account		
(805)		
TOTAL RECOGNISED INCOME AND EXPENSES (A+B+C)		86,279

The Notes 1 to 25 in the attached Review constitute an integral part of the Financial Statements for the 2019 business year



FCC Aqualia, S.A.
STATEMENT OF CHANGES IN NET EQUITY CORRESPONDING TO
THE BUSINESS YEARS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018
 (THOUSANDS OF EUROS)

B) STATEMENT OF TOTAL CHANGES IN NET EQUITY CORRESPONDING TO THE BUSINESS YEARS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018

	SHARE CAPITAL (Note 12)	SHARE PREMIUM (Note 12)	RESERVES (Note 12)	PROFIT/(LOSS) FOR THE BUSINESS YEAR	TOTAL SHAREHOLDERS' EQUITY	ADJUSTMENTS FOR CHANGE OF VALUE (Note 12)	GRANTS (Note 13)	TOTAL
BALANCE AT 31 DECEMBER 2017	145,000	79,481	62,470	74,006	360,957	-	4,922	365,879
I. Total recognised income and expenses	-	-	-	116,644	116,644	-	(705)	115,939
II. Transactions with partners or owners	-	-	-	-	-	-	8	8
2. (-) Return of share premium	-	-	-	-	-	-	-	-
4. (-) Distribution of dividends	-	-	-	-	-	-	-	-
6. (+) Increase in equity due to business combinations	-	-	-	-	-	-	8	8
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
I. Total recognised income and expenses	-	-	-	80,883	80,883	5,953	(557)	86,279
II. Transactions with partners or owners	-	-	(89,967)	-	(89,967)	-	-	(89,967)
2. (-) Return of share premium	-	-	-	-	-	-	-	-
4. (-) Distribution of dividends	-	-	(90,000)	-	(90,000)	-	-	(90,000)
6. (+) Increase in equity due to business combinations	-	-	33	-	33	-	-	33
III. Other changes in net equity	-	-	116,644	(116,644)	-	-	-	-
BALANCE AT 31 DECEMBER 2019	145,000	79,481	163,153	80,883	468,517	5,953	3,668	478,138

The Notes 1 to 25 in the attached Review constitute an integral part of the Financial Statements for the 2019 business year



FCC Aqualia, S.A.

STATEMENT OF CASH FLOWS CORRESPONDING TO THE BUSINESS YEARS ENDED ON 31 DECEMBER 2019 AND 31 DECEMBER 2018 (THOUSANDS OF EUROS)

	Notes to the review	2019	2018
A) CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit/(loss) for the business year before tax		113,909	108,193
2. Adjustments to profit/(loss)		19,883	32,598
a) Amortisation of fixed and non-current assets (+)	5 and 6	60,289	58,636
b) Impairment loss allowances (+/-)		(1,785)	11,561
c) Change in provisions (+/-)		(1,665)	2,428
d) Attribution of grants (-)	13	(1,002)	(1,644)
e) Profit/loss from cancellations and disposals of fixed and non-current assets (+/-)		(1,957)	(3,653)
f) Profit/loss on cancellations and disposals of financial instruments (+/-)		5,495	(2)
g) Finance income and Dividends (-)		(77,081)	(67,956)
h) Finance costs (+)	19.8	32,978	33,287
i) Exchange differences (+/-)	19.9	(456)	(59)
j) Change in fair value of financial instruments (+/-)		-	-
k) Miscellaneous income and expenses (+/-)		5,067	-
3. Changes in working capital		(273)	25,651
a) Inventories, trade and other receivables and current assets (+/-)		(1,028)	18,283
b) Miscellaneous current assets (+/-)		(194)	(1,521)
c) Trade and other payables (+/-)		977	7,817
d) Miscellaneous current liabilities (+/-)		158	1,258
e) Miscellaneous non-current assets and liabilities (+/-)		(186)	(186)
4. Miscellaneous cash flows from operating activities		24,473	(3,723)
a) Interest paid (-)		(27,458)	(28,396)
b) Dividends received (+)		35,491	34,298
c) Interest received (+)		34,738	13,417
d) Income (payments) from profit tax receipts (+/-)		(16,284)	(21,041)
e) Miscellaneous payments (collections) (+/-)		(2,014)	(2,001)
5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)		157,992	162,719
B) CASH FLOWS FROM INVESTMENT ACTIVITIES			
6. Payments for investments (-)		(199,217)	(198,390)
a) Group companies and associates		(149,705)	(148,646)
b) Intangible and tangible fixed and non-current assets		(24,781)	(26,173)
c) Miscellaneous financial assets		(24,731)	(23,571)
7. Proceeds from disposals (+)		100,317	179,393
a) Group companies and associates		76,042	143,623
b) Intangible and tangible fixed and non-current assets		3,067	3,711
c) Miscellaneous financial assets		21,206	32,045
d) Miscellaneous assets		2	14
8. Cash flows from investment activities (7-6)		(98,900)	(18,997)
C) CASH FLOWS FROM FINANCING ACTIVITIES			
9. Proceeds from and payments for equity instruments		(152)	466
b) Amortisation of equity instruments (-)		-	-
e) Grants, donations and bequests received (+)		(152)	466
10. Proceeds from and payments for financial liabilities		(9,851)	(3,671)
a) Issue		53,902	1,024
1. Debentures and other marketable values (+)		1,102	1,082
2. Borrowings from credit institutions (+)		11	39
3. Payables to Group companies and associates (+)		49,420	-
3. Other payables (+)		3,369	(97)
b) Repayment and redemption of		(63,753)	(4,695)
1) Borrowings from credit institutions (-)		(16)	(70)
2) Payables to Group companies and associates (-)		(61,007)	(5,912)
3) Other payables (-)		(2,730)	1,287
11. Payments for dividends and remun. of miscellaneous equity instruments		(90,000)	-
b) Dividends (-)		(90,000)	-
12. Cash flows from financing activities (+/-9+/-10-11)		(100,003)	(3,205)
D) EFFECT OF CHANGES IN EXCHANGE RATES		189	(187)
E) NET INCREASE IN CASH AND CASH EQUIVALENTS. (+/-5+/-8+/-12+/-D)		(40,722)	140,330
Cash and cash equivalents at the start of the business year		323,323	182,992
Cash and cash equivalents at the end of the business year		282,600	323,323

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 established in 1980 under the corporate name of Seragua, SA In July 2002, it adopted the corporate name of Aqualia Gestión Integral del Agua, SA and on April 2, 2014, the agreement to change the corporate name by which it was renamed FCC Aqualia, S.A. was made public. The registered office is 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, retrieval, 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 to 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, on its own account or on account of others, of all manner of treatment stations, plants and equipment, the retrieval or disposal of wastes and the purification of water and of all those installations 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 for all manner of reports, studies and projects, and the provision and execution of all manner of services in relation to the above mentioned activities.
- The performance of all manner of cooperation inherent to the collection management of any of the Public Administrations, that does not involve the exercise of authority or the safe-keeping of public funds, which were awarded by these Administrations.
- The supply, piping and distribution of all manner of combustible gases, and regasification, liquefaction and storage activities. The performance, execution and maintenance of all manner of works, infrastructures and installations relating to such activities.
- The execution and maintenance of all manner of civil engineering and building works and installations of any type, both public and private, on its own account or on account of third parties, including the operation of sports installations, 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 client management, reading of meters, billing, bill collection management services, protection and maintenance of water networks and sewage systems, integral protection and maintenance of wastewater treatment plants, detection of escapes in the networks, sterilisation, disinfection, insect and rat control in buildings, premises and in forests and gardens, sewage systems, water networks and treatment plants, maintenance and repair of electrical and electronic equipment and installations, maintenance and repair of plumbing equipment and installations, water and gas pipes, treatment and incineration of waste, mud and municipal waste and general cleaning services.
- The performance of any activity related to the analysis and control of drinking and wastewater at the Company's laboratories and installations.

The Company may undertake of the above mentioned activities by itself or through ownership interests in other Spanish or foreign companies 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 values, that grant an equity interest in the capital stock or profits of such companies, and any type of association between companies. Excluded are all activities for which the law has special requirements that this Company does not meet.

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

a) The Joint Ventures in which FCC Aqualia participates perform the same activity and are detailed below:

COMPANY NAME	PARTNERS	LEGAL AND TAX DOMICILE	% SHAREHOLDING	OPERATING FUND (thousands of euros)
JV Agua Santo Domingo	FCC Aqualia, S.A. - Agua Energía y MSI SL	C/ San Pedro, 3. Nájera (La Rioja)	70%	-
JV Aguas de Alcalá	FCC Aqualia, S.A. - Canal de Isabel II.	C/ Federico Salmón, 13. Madrid	50%	3
JV Aguas del Doramás	FCC Aqualia, S.A. - Eicoh Explot. S.L. - E. Maspalomas, S.A.	C/ Bentago Semidán, 2 Gáldar (Gran Canaria)	50%	3
JV Agües Els Poblets	FCC Aqualia, S.A. - Hidrosal, S.A.	C/ Federico Salmón, 13. Madrid	95%	-
JV Alcantarillado Alcoy	FCC Aqualia, S.A. - FCC, S.A.	C/Balmes, 36. Barcelona	50%	8
JV Alcantarillado Burgos	FCC Aqualia, S.A. - FCC, S.A.	C/ Fernando Dancausa S/N. Poligono industrial Gamonal-Villimar. Burgos	40%	-
JV Alcantarillado Madrid Lote D	FCC Aqualia, S.A.	Camino Hormigueras 131. Madrid	99.99%	-
JV Alkhorayef	FCC Aqualia, S.A. - Alkhorayef Water & Power	Al Riyadh C Al Yarmook C. Riyadh. Saudi Arabia.	51%	-
JV Oviedo	FCC Aqualia, S.A. - Soc. Española de Aguas Filtradas, S.A.	Plaza América, 10. Oviedo	95%	6
JV Aqualia Riofabar Piloña	FCC Aqualia, S.A.	C/ Muñoz Degrain, 4-6. Oviedo	100%	6
JV Bombeo Zona Sur	FCC Aqualia, S.A. - FCC, S.A.	Camino Hormigueras 131. Madrid	99%	-
JV C.H. Talave	FCC Aqualia, S.A. - Soc. Española de Aguas Filtradas, S.A.	C/Balmes, 36. Barcelona	50%	3
JV Calle Cruz	FCC Aqualia, S.A. - Const. Y O.P. Luis Vazquez e Hijos S.L.	Avda. General Luxán 2. Castuera. (Badajoz)	80%	-
JV Cangas	FCC Aqualia, S.A. - FCC, S.A.	C/ Cantabria, s/n Vigo (Pontevedra)	99.99%	6
JV Centro Deportivo Granadilla de Abona	FCC Aqualia, S.A. - FCC, S.A.	C/ Federico Salmón, 13. Madrid	99%	-
JV Consorcio Louro	FCC Aqualia, S.A. - Civis Global, S.L.	C/Puerto Rico, 18-20 Of.7 Vigo (Pontevedra)	99%	6
JV Consorcio PTAR Arraiján	FCC Aqualia, S.A. - Aqualia Intech, S.A.	C/ Nicanor Obarrio 50, Edificio Torre Global Bank. Panama	50%	-
JV Costa Tropical	FCC Aqualia, S.A. - Acciona Agua, S.A.	C/ Nueva, 4. Motril (Granada)	51%	-
JV Costa Tropical II	FCC Aqualia, S.A. - Acciona Agua, S.A.	C/ Nueva, 4. Motril (Granada)	51%	-
JV Costa Tropical III	FCC Aqualia, S.A. - Acciona Agua, S.A.	C/ Nueva, 4. Motril (Granada)	51%	-
JV Denia	FCC Aqualia, S.A.	C/ José Luis Goyoaga, 36 Erandio (Vizcaya)	100%	6
JV Aqualia Inima (Depuración poniente almeriense)	FCC Aqualia, S.A. - Inima, S.A.	C/ Rrez. de Arellano, 15 Madrid.	75%	7
JV EDAM Bajo Almanzora	FCC Aqualia, S.A. - Aqualia Intech, S.A. - FCC Construcción, S.A.- BEFESA	C/ Ulises, 18. Madrid	10%	1
JV EDAM Santa Eulalia	FCC Aqualia, S.A. - Aqualia Intech, S.A.	C/ Gral. Ramírez de Madrid, 8. Madrid.	99%	3
JVWWTP A Guarda 2013	FCC Aqualia, S.A. - Depuración, Mantenimiento e Instalaciones, S.L.	C/Puerto Rico, 18-20 Of.7 Vigo (Pontevedra)	50%	3

COMPANY NAME	PARTNERS	LEGAL AND TAX DOMICILE	% SHAREHOLDING	OPERATING FUND (thousands of euros)
JVWWTP Albuñol	FCC Aqualia, S.A. - FCC Construcción, S.A.	C/Hilera, 10. Albuñol. Granada.	50%	3
JVWWTP Cuerva	FCC Aqualia, S.A. - FCC, S.A.	C/ Cardenal Marcelo Spínola, 42 Madrid	95%	6
JVWWTP La Ranilla	FCC Aqualia, S.A. - Aqualia Intech, S.A.	C/Balmes, 36. Barcelona	75%	9
JVWWTP Reinos	FCC Aqualia, S.A. - FCC, S.A.	C/ Federico Salmón, 13. Madrid	99%	-
JVWWTP San Vicente de la Barquera	FCC Aqualia, S.A. - FCC, S.A.	C/ Federico Salmón, 13. Madrid	99%	-
JVWWTP Valdepeñas	FCC Aqualia, S.A. - Aqualia Intech, S.A. - FCC Construcción, S.A.	C/ Ulises, 18. Madrid	50%	3
JV ETAPS Este	FCC Aqualia, S.A. - Iragaz Watin, S.A.	Pº Campo Volantín, 24-5-3 Bilbao	65%	4
JV Explotación ITAM Tordera	FCC Aqualia, S.A. - Acciona Agua, S.A.	C/ Berlín, 38-48. Barcelona	50%	3
JV Fuentes de Cádiz	FCC Aqualia - FCC S.A.- FCC M.A.	Ana de Viya 3, Cádiz	50%	8
JV Galindo - Beurko	FCC Construcción, S.A. - Bycam Serv.Edif e Ingfraestr. S.A. - FCC Aqualia, S.A.	C/ Rodríguez Arias 23-3º. Bilbao	10%	1
JV Gestión Cangas	FCC Aqualia, S.A. - Civis Global, S.L.	C/ Puerto Rico, 18-20-of.7 Vigo (Pontevedra)	70%	4
JV Groupement Solidaire Jerba	FCC Aqualia, S.A. - Aqualia Intech, S.A. - Inima	C/ Federico Salmón, 13. Madrid	20%	1
JV Guadiana Puelblonuevo	FCC Aqualia, S.A. - OPS INFR Y SERV HIDR	Pza. de España 13, Badajoz	51%	-
JV HIDC-HIDR-INV. do centr. ACE	FCC Aqualia, S.A. - Lena Ambiente-Gestao de Residuos, S.A.	Urb. Dos Plátanos-lote 2D-loja B Fregueria de Alferrarede - Concelho de Abrantes. Portugal	50%	-
JV Ibiza	FCC Aqualia, S.A. - Acciona Agua, S.A.	C/ Berlín, 38-48. Barcelona	50%	2
JV SWDP Janubio	FCC Aqualia, S.A. - Aqualia Intech, S.A.	C/Hermano Pedro, 15. Adeje. (Santa Cruz de Tenerife)	99%	-
JV SWDP Sant Antoni	FCC Aqualia, S.A. - Acciona Agua, S.A.	C/ Berlín, 38-48. Barcelona	50%	5
JV SWDP Sant Antoni II	FCC Aqualia, S.A. - Acciona Agua, S.A.	C/ Berlín, 38-48. Barcelona	50%	5
JV SWDP Santa Eulalia	FCC Aqualia, S.A. - Acciona Agua, S.A.	C/ Nápoles S/N. Santa Eulalia. Balearic Islands.	50%	3
JV Aqualia Infilco	FCC Aqualia, S.A. - Acciona Agua, S.A.	C/ Rrez. de Arellano, 15 Madrid.	50%	3
JV Louro	FCC Aqualia, S.A. - Movex Vial, S.L.	C/ Puerto Rico, 18-20-of.7 Vigo (Pontevedra)	65%	4
JV Mancomunidad de Órbigo	FCC Aqualia, S.A. - FCC, S.A.	C/ Federico Salmón, 13. Madrid	99%	-
JV Nigrán	FCC Aqualia, S.A. - FCC, S.A.	C/ Doctor Esquerdo, 59. Madrid	99%	6
JV ObraWWTP Argamasilla de Calatrava	FCC Aqualia, S.A. - Barahona Obras Y Serv. S.L	C/ Federico Salmón, 13. Madrid	70%	-
JV ObraWWTP El Endrinal	FCC Aqualia, S.A. - FCC Construcción, S.A.	Av. Camino de Santiago 40, Madrid	33.33%	-
JV OYM Cap Djinet	FCC Aqualia, S.A. - Inima, S.A.	C/ Ulises, 18. Madrid	50%	3
JV OYM Mostaganem	FCC Aqualia, S.A. - Inima, S.A.	C/ Gobelas, 35-37. Madrid	50%	3
JV Periférico Lote 3	FCC Aqualia, S.A. - FCC, S.A.	Camino Hormigueras 131. Madrid	50%	-
JV Recirculación la Gavia	FCC Aqualia, S.A. - Aqualia Intech, S.A.	Camino Hormigueras 131. Madrid	50%	-
JV Redes CABB	FCC Aqualia, S.A. - Iragaz Watin, S.A.	Pº Campo Volantín, 24-5-3 Bilbao	65%	4
JV Redondela	FCC Aqualia, S.A. - FCC, S.A.	C/ Doctor Esquerdo, 59. Madrid	99.99%	6
JV Reparaciones Lote 9	FCC Aqualia, S.A.	Camino Hormigueras 131. Madrid	100%	-
JV Saneamiento Canet y L'Almardà	FCC Aqualia, S.A. - Aqualia Intech, S.A. - FCC Construcción, S.A.	Avda. Blasco Ibáñez, 25. Valencia	50%	1
JV Santomera	FCC Aqualia, S.A. - FCC, S.A.	C/ Doctor Esquerdo, 59. Madrid	99.99%	6
JV Vigo	FCC Aqualia, S.A. - FCC, S.A.	C/ Federico Salmón, 13. Madrid	99.99%	28,978
JV Sollanoko Ura	FCC Aqualia, S.A. - Iragaz Watin, S.A.	C/ Gregorio de Revilla, 27. Bilbao	50%	3
JV TSE Riad	FCC Aqualia, S.A. - Alkhorayef Water & Power	Al Riyadh - Assahafah - Al Imam Saud Bin Faisal Road. Riyadh. Saudi Arabia	51%	-
JV Ussa A 17	FCC Aqualia, S.A. - Iragaz Watin, S.A.	Pº Campo Volantín, 24-5-3 Bilbao	65%	4
JV Vigo Piscinas	FCC Aqualia, S.A. - Idonea Cys, S.L.	C/ Puerto Rico, 18-20-of.7 Vigo (Pontevedra)	50%	3

b) The Company also participates in Economic Interest Groupings (E.I.Gs), with ownership percentages as 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. Participates in the capital stock of the company that supplies drinking water to a number of 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 installations 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 (previously A.I.E. Aquagest Medioambiente, S.A. – Aqualia). It has an equity interest in the 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. Founded on 14 October 2009, it participates in the capital stock of a company that engages in wholesale water services management in the territorial area of the 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) FCC Aqualia also has equity interests in companies with similar objects and activities to its own. Details of the Group companies and associates may be found 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 this Review in accordance with the provisions of 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 Registry.

The Company's consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS-EU), as laid down in 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 2019 were prepared by the Administrators and will be submitted for approval by the shareholders at the Annual General Meeting, and they are expected to 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, show a volume of assets amounting to 3,277,652 thousand euros (2,973,893 thousand euros at 31 December 2018) and net equity attributable to the Company's shareholders of 499,155 thousand euros (498,807 thousand euros at 31 December 2018). Consolidated sales and attributable profit amounted to 1,186,881 thousand euros and 110,529 thousand euros (1,106,112 thousand euros and 127,033 thousand euros at 31 December 2018).

NOTE 2: BASIS FOR THE SUBMISSION OF THE FINANCIAL STATEMENTS

2.1. Regulatory Framework for financial information applicable to the Company

These financial statements have been authorised for issue by the Administrators in accordance with the financial reporting regulatory framework applicable to the Company, as laid down in:

- The Spanish Commercial Code and other mercantile legislation.
- The Spanish National Charter for Accounting, 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 Charter for Accounting to public infrastructure concessionaires, approved by order EHA/3362/2010.
- The binding rules approved by the Spanish Accounting and Audit Institute for the implementation of the Spanish National Charter for Accounting and its supplementary rules.
- All other applicable Spanish accounting regulations.

2.2. True and fair view

The financial statements were obtained from the Company's accounting records and are presented in accordance with the applicable financial reporting standards framework, in particular with the accounting principles and criteria contained therein and, accordingly provide a fair presentation of the Company's equity, financial position, results and cash flows corresponding to the business year.

In these annual accounts, information or breakdowns have been omitted that do not require detail due to their qualitative importance and so have been considered non-material or to have no relative importance in accordance with the concept of materiality or relative importance defined in the conceptual framework of the PGC 2007.

These financial statements, which have been prepared by the Company's Administrators, will be submitted for approval at the Annual Shareholders' Meeting, and they are expected to be

approved without any modification. Meanwhile, the 2018 financial statements were approved by the shareholders at the Annual General Meeting held on 30 May 2019.

Consolidated balance sheets, income statements and cash flow statements for the joint ventures in which the Company has participated have been proportionally consolidated in accordance with the shareholding in each joint venture.

The 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 reciprocal income and expenses. In the notes to this review, the amounts corresponding thereto were broken down when they were of significance.

Furthermore, the Company includes in its financial statements, the earnings for the Economic Interest Groupings in which it has a stake, under the sub-account "Income from equity investments under the epigraph "Net Business Revenue" in the attached Profit and Loss Statement (see Note 19.1).

2.3. Non-obligatory accounting principles applied

No non-mandatory accounting principles have been applied. Also, the Administrators prepared these financial statements taking into account 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 aspects of the appraisal

In the preparation of the attached financial statements, the Company's Administrators made estimates based on historical experience and other factors that are felt 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 ongoing 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 9 and 10).
- The life cycle of property and tangible 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 income to be reported to the tax authorities in the future, that 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 metres supplied to subscribers between the dates of the last meter reading and the closure of accounts (see Note 4.10)
- Fair value of certain financial assets including group companies (see Note 4.5.1).

Even though these estimates were made on the basis of the best information available at year-end 2019, future events may make it necessary to change these estimates (upwards or downwards) in

the following business years. Any changes in accounting estimates are recognised prospectively.

2.5. Comparison of the information

The financial statements for each item in the balance sheet, income statement, statement of changes in net equity, statement of cash flows and the review are presented for comparison purposes not only with the figures for the 2019 business year, but also with those included in the financial statements for the 2018 business year.

The same accounting criteria were applied in both the 2019 and 2018 business years. 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 net equity and statement of cash flows are grouped together to make them easier to understand. However, whenever the amounts involved are significant, the information is broken down in the related notes in the review.

2.7. Correction of errors

No significant errors in the preparation of these financial statements were detected that required the figures included in the 2018 financial statements to be restated.

2.8. Business combinations

On June 28, 2019, the Shareholders' General Meetings of FCC Aqualia, SA and Aguas de Alcaidesa S.L.U. approved the merger by absorption of the latter, as a company absorbed by the former. Prior to this operation, the Company directly controlled 100% of the shares of Aguas de Alcaidesa S.L.U., an entity that was dedicated to the supply of drinking water and sanitation and purification in the wastewater sectors in the municipality of San Roque, province of Cádiz (Spain).

The merger by absorption was registered in the Mercantile Registry on October 25, 2019 in the terms resulting from the Common Merger Project drafted and signed by the members of the respective administrative bodies on June 20, 2019. This operation led to the dissolution without liquidation of the absorbed company, as of said date, and with it the block transfer of the assets of Aguas de Alcaidesa, S.L.U to FCC Aqualia, S.A., the Company taking over all the rights and obligations of the absorbed company.

Since the merger was included in the concept of the takeover of fully affiliated companies, a simplified procedure was followed in accordance with article 49 of Law 3/2009 on Structural Modifications, not requiring a capital increase in the Acquiring company, regulation of the exchange procedure, or the intervention of independent experts.

In the same way, since it is a merger between Group companies, the date after which the operations of the absorbed companies will be considered to be completed for accounting purposes by the acquiring company will be January 1, 2019. Given that it is a merger between the parent company (FCC Aqualia, SA) and an affiliate (Aguas de Alcaidesa, S.L.U.), the assets acquired were valued at the amount that would correspond to them, once the operation had been completed, in

the consolidated annual accounts of the subgroup according to the Rules for the Formulation of Consolidated Annual Accounts, governed by the Commercial Code.

The operation was subject to the tax neutrality regime regulated in Chapter VII of Title VII of Law 27/2014 of November 27 governing corporate income tax. As at January 2019 both the transferring entity and the Company belong to the same tax consolidation group, which is that corresponding to FCC Aqualia, S.A., so any tax benefits are transferred from the extinguished company to the Company.

The book value of the assets and liabilities of Aguas de Alcaidesa incorporated on the date of the merger, on 1 January 2019, was as follows:

(thousands of euros)	Book value
Intangible fixed and non-current assets (Note 5)	1,465
Tangible fixed and non-current assets (Note 6)	56
Long-term financial investments	30
Trade and other receivables	703
Short-term investments in group companies and associates	488
Cash and miscellaneous cash equivalents	16
Other long-term payables	(22)
Trade and other payables	(1,661)
Net total	1,075
Participation costs	(1,200)
Difference assigned to Intangible Fixed and Non-Current Assets	210
Difference recognised liabilities due deferred tax	52
Difference recognised in Reserves (note 12)	33

The last Balance Sheet closed by the transferring entity corresponds to 31 December 2018 and is shown below:

ASSETS	2018	LIABILITIES	2018
NON-CURRENT ASSETS	1,551	NET EQUITY	1,075
Intangible fixed and non-current assets	1,465	Shareholders' Equity	
Tangible fixed and non-current assets	56	Capital	576
Long-term financial investments	30	Reserves	463
		Profit/(loss) for the business year	36
CURRENT ASSETS	1,207	NON-CURRENT LIABILITIES	22
Trade and other receivables	703	Other long-term payables	22
Short-term investments in group companies and associates	488	CURRENT LIABILITIES	1,661
Cash and miscellaneous cash equivalents	16	Trade and other payables	1,661
TOTAL ASSETS	2,758	TOTAL LIABILITIES	2,758

NOTE 3. DISTRIBUTION OF PROFIT

The proposed distribution of profit for the 2019 business year 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 business year	80,883
Distribution:	
To voluntary reserves	80,883

NOTE 4. REGISTRATION AND APPRECIATION RULES

The main rules for registration and appreciation used by the Company when preparing its financial statements for the 2019 business year, in accordance with the accounting policies and standards laid down in the Spanish Commercial Code and included in the General Accounting Plan, in addition to other company law in effect at the reporting date, were as follows:

4.1. Intangible fixed and non-current assets

As a general rule, intangible fixed and non-current assets are initially valued at acquisition price or production costs, and subsequently they are at a lower cost excluding any accumulated amortisation and any accumulated impairment losses.

a) Intangible assets due to concession agreements.

Concession contracts are agreements 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 this service may be received directly from the users or, occasionally through the concession grantor itself, which regulates the prices for providing the service.

The concession right generally means that the concessionary company has an exclusive right to provide the service under the concession for a specific period of time, after which the infrastructure corresponding to the concession and required to provide the service reverts to the concession grantor, generally with no compensation. Concession contracts are required to provide for the management or operation of this infrastructure. Likewise, a common feature is the existence of obligations to acquire or build all those elements required to provide the concession service over the contract term.

The above mentioned concession agreements are registered pursuant to Order EHA/3362/2010 of 23 December, approving the rules for adapting the General Accounting Plan to concessionary companies for public infrastructures.

The Company registers as "Intangible assets under concession arrangements" all the infrastructures built, improved or acquired by the Company as concessionary company to provide a public service associated with a concession contract. Recognition of an Intangible Asset occurs in those cases in which, pursuant to the above-mentioned rule, the Company is entitled to charge a tariff to the users of the public service, based on the use that they make of this service, and whereby the concessionaire assumes the demand

risk. The fact that the grantor controls both the physical use that should be made of the infrastructure, the way in which the service is provided and its price means that such infrastructure is registered as an intangible fixed and non-current asset and not as a tangible fixed and non-current asset.

Its is initially valued at the fair value for the service provided, equivalent to the acquisition or production costs, plus the margin for the construction of the infrastructure. This value is recovered during the lifecycle of the agreement, through the entitlement to collect a tariff from service users based on the degree of use of this infrastructure.

Provisions for dismantling, withdrawal or rehabilitation, and any steps taken to improve or increase capacity, whose revenue is envisaged in the initial contract, will also be registered as increased value at the start of the concession and the amortisation of these assets and the financial update of these provisions will be attribute to profit/loss during the lifecycle of the contract. Furthermore, provisions for the replacement and repair of the infrastructures are systematically recognised in profit or loss in accordance with commitment to the obligation.

For those elements under this epigraph that require construction periods exceeding one year, the Company will capitalise any borrowing costs incurred before the assets are made available for use and charged by the supplier or relate to loans or other specific or general-purpose borrowings directly attributable to the acquisition or manufacture of the assets.

The Company also registers under "Administrative concessions" the amounts contributed under the technical specifications and committed to when signing of the concession contracts, together with other costs incurred to obtain water supply and sanitation service concessions.

They are linearly amortised during the lifecycle of the concession, and no significant differences exist between the amount calculated in this way and that obtained based on the cubic metres of water produced under the contracts operated by the Company.

At the close of the business year, the rates of impairment identified in certain Intangible Assets included under this epigraph were adjusted and the Administrators consider that the recoverable value of the Company's remaining assets is greater than their book value.

From the time the assets become operational, the financial burdens for the business year are assigned to profit and loss in proportion to expected income envisaged in the Company's Economic and Financial Plan.

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

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

b) Commercial fund.

The Company includes the commercial fund that appeared in the 2002 business year as a result of the Company's merger by absorption with a number of its subsidiaries under this heading.

After initial recognition, the commercial fund is valued at its acquisition cost, less any accumulated amortisation and where applicable, any accumulated impairment loss allowances recognised, in accordance with the method detailed in Note 4.3. Pursuant to applicable regulations, the useful life of the commercial fund was set at 10 years, and it is linearly amortised.

Furthermore, value impairment is verified each year or more frequently if there are signs of any potential loss of value for the asset. For this purpose, the commercial fund arising from 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.

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 commercial fund included on the asset side of the balance sheet, allocating an amount of profit representing at least 5% of the value of the commercial fund. If there was no profit, or if the profit reported was insufficient, unrestricted reserves had to be used.

In accordance with the amendments made to the Spanish Limited Liability Companies Law 22/2015 of 20 July governing Account Auditing, for reporting periods beginning on or after 1 January 2016, the Company must interrupt contributions to this commercial fund reserve, and any amount that exceeds the commercial fund included on the asset side of the balance sheet must be reclassified to voluntary reserves, and will be made available as from this financial year. No amount was reclassified to Voluntary Reserves in 2018 or in 2019.

c) Computer applications.

“Computer applications” includes the costs incurred in the acquisition of computer programmes and they are amortised over a maximum period of five years. Maintenance costs are recorded in the income statement for the business year in which they are incurred.

d) Research and development costs.

They are initially valued at price of acquisition or production costs when the Company has performed research and development work. They are recorded on an individual basis and are only capitalised when there are justified expectations of the project's technical success and economic profitability.

These costs are linearly amortised over the useful life of the project and, in any case, over a maximum term of five years.

4.2. Tangible fixed and non-current assets

Tangible fixed and non-current assets are initially valued at acquisition or production cost when the Company has performed in-house work on its fixed and non-current assets, and are subsequently reduced by accumulated depreciation and any impairment losses, where applicable, in accordance with the method detailed in Note 4.3. At the close of the business year, none of the Company's tangible fixed and non-current assets showed any indications of impairment. As the Company's Administrators consider that the recoverable value of these assets is greater than their book value, no provisions were recorded for value impairment.

Upkeep and maintenance costs relating to the different elements included in tangible fixed and non-current assets are assigned to the income statement in the business year in which they are incurred. However, the costs for improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are recorded as increased costs.

For fixed and 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 or general-purpose borrowings directly attributable to the acquisition or manufacturing of the assets.

Work done by the Company to build its own fixed and non-current assets is recorded as 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 linearly amortises its tangible fixed and non-current assets, applying annual amortisation percentages based on the years of estimated useful life of the assets, detailed as follows:

YEARS OF ESTIMATED USEFUL LIFE	
Buildings	33 – 50
Technical installations and machinery	10 – 25
Other installations, tools and furniture	7 – 10
Other tangible fixed and non-current assets	4 – 6

4.3. Impairment of non-financial assets

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

Impairment losses are recognised in the income statement under "Impairment and profit/loss for disposal of fixed and non-current assets".

To calculate the recoverable value of the assets subject to impairment tests, the present value of the net cash flows originating from the associated Cash Generating Units (CGUs) was estimated, except those flows related to payments or collections on financing operations and corporation tax payments on profits, together with those arising from future improvements or remodelling envisaged for the assets belonging to these Cash Generating Units. To update cash flows, a pre-tax discount rate was used, which includes current market assessments for the time value of the money and the specific risks for 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 features of the business advise longer periods. In this regard, to calculate the recoverable value of the Group's concession assets, the remaining concession term for the concessions is taken into account, and only if the Group has contractual remuneration commitments likely to materialise will additional extensions be considered. Furthermore, growth rates are included, supported by different business plans approved and frequently reviewed,

taking into account zero growth rates for those periods beyond the business years projected in the above mentioned plans. It is also 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 any future changes on these variables.

At the end of each reporting period, the Company determines whether there is any indication that a value impairment recognised in previous periods may no longer exist or may have decreased. Losses through value impairment corresponding to the commercial fund are not reversible. Losses through value impairment corresponding to the remaining assets are reversed only if there is a change in the estimates used to determine the recoverable amount for the asset.

The reversal of a value impairment loss is recorded as a credit in the income statement. Nevertheless, the reversal of a loss may not increase the book value of the asset above the book value that it would have had, net of amortisation, had the impairment not been recorded.

Once the valuation adjustment for impairment or its reversal has been recognised, amortisations for the subsequent business years are adjusted taking the new book value into account.

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

4.4. Leases

Leases are classified as financial leases whenever their terms imply that all the inherent risks and benefits for the ownership of the leased asset have been substantially transferred. At 31 December 2019, the Company had signed an agreement of this type, and the Administrators did not consider that it would have a significant impact on the Company's attached financial statements.

Operating leases

Expenses arising from operating leases are recorded in the income statement for the year in which they are incurred.

Any payment received or made on entering into an operating lease is considered as an advanced payment received or made and will be assigned to the income statements over the lease term in accordance with the profits for the leased asset being 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 and 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 asset 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. In addition, jointly controlled companies are those over which, pursuant to an agreement, joint control is exercised with one or more partners.
- Financial assets held for trading: Assets acquired for the purpose of sale in the short term or that form part of a backlog for which there is evidence of a recent pattern of transactions having that same purpose.

Initial appreciation

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

From 1 January 2010 onwards, for equity investments in Group companies that grant control over the subsidiary, the fees paid to legal advisers or other professionals involved in the acquisition are assigned directly to the income statement.

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 appreciation

Loans, receivables and investments held until maturity are valued at amortised cost.

Investments in Group companies, associates and jointly controlled entities are valued at cost net, where appropriate, of any accumulated value impairment losses. These impairment losses are calculated as the difference between the book value and the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the present value of future cash flows arising from the investment. The investee's net equity is taken into account, corrected for any implied gains at the appreciation date (including the commercial fund), unless better evidence for the recoverable amount of the investment is available.

Financial assets held for trading are valued at fair value and the result of any variation in this fair value is recorded in the income statement.

At least at the close of the business year, the Company tests its financial assets not recorded at fair value for impairment. Objective evidence of impairment is said to exist if the recoverable value of the financial asset is less than its book value. When an impairment arises, it is recorded in the income statement.

Specifically, and with regard to value adjustments made to trade and other receivables, the Company calculates the corresponding value adjustments as follows:

- Private clients with balances due for over one year are provisioned in full.
- Private clients with balances due for under one year are provisioned in a percentage calculated on the basis of historical bad debts.
- Public clients are provisioned based on a specific analysis.

4.5.2. Cancellation of financial assets.

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

Nevertheless, the Company does not cancel financial assets and recognises a financial liability for an amount equal to the consideration received in transfers of financial assets in which it substantially retains all the risks and benefits of ownership, such as the discounting of bills, recourse factoring, sales of financial assets with repurchase 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 are included in the purchase ledger and represent 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 valued at the fair value of the consideration received, adjusted for directly attributable transaction costs. Subsequently, these liabilities are valued at their amortised cost.

The Company cancels financial liabilities when the obligations giving rise to them are no longer applicable.

4.6. Inventories

Inventories are valued 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 for the payables are deducted when determining the acquisition cost.

Production costs include the direct costs for materials and, where applicable, direct labour costs and the manufacturing overheads incurred.

Net realisable value represents the estimated selling price minus all the estimated costs to complete its

manufacturing plus the costs that will be involved in the marketing, selling and distribution processes.

The Company makes the appropriate adjustments to value, recognising them as 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 on the transaction date.

At the close of the business year, monetary assets and liabilities held in foreign currencies are converted at the exchange rate on the balance sheet date. Exchange profits and losses are assigned directly to the income statement for the business year in which they occur.

Likewise, 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 exchange rate applicable at the close of the business year.

4.8. Corporation tax on profits

Corporation tax expense (on profits) consists of current tax expense (tax revenue) and deferred tax expense (deferred tax revenue).

Current tax is the amount of taxes the Company pays as a result of corporation tax settlements on profits corresponding to a business year. These tax settlements take into account the permanent differences between taxable profit and accounting profit. Tax credits and other tax benefits, excluding tax withholdings and payments on account, and tax loss carryforwards from previous business years effectively applied in the current period, give rise to a reduction in current corporation tax expense.

Deferred tax expense or income corresponds to the recognition and settlement of deferred tax assets and liabilities. These include temporary differences identified as the amounts expected to be payable or recoverable arising from the differences between the book values of assets and liabilities and their tax value, as well as outstanding tax losses and unused tax credits not applied fiscally. These amounts are recorded by applying the tax rate at which they are expected to be recovered or settled to the corresponding temporary difference or credit.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of commercial funds or of other assets and liabilities in a transaction that does not affect either accounting profit/(loss) or taxable profit/(loss) and is not a business combination.

Deferred tax assets are only 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 applied.

Deferred tax assets and liabilities arising from transactions directly charged or credited to equity accounts are also entered into accounts with a charge or credit, respectively, in net equity.

Recorded deferred tax assets are reassessed when accounts are closed and the appropriate adjustments are made where there are doubts as to their future retrieval. Deferred tax assets not recorded in the balance sheet are also assessed at the end of each reporting period, and are recognised to the extent they will probably be recovered with future tax relief.

Deferred tax assets and liabilities are recognised in the balance sheet as 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, with regard to corporate income tax, in accordance with the Special Tax Consolidation Regime, envisaged in article 64 and subsequent articles of Consolidated Legislative Royal Decree 4/2004, of 5 March.

Since 13 February 2019, although effective on 1 January, the Company has been the parent company of Fiscal Group 233/19. Since this date, corporate income tax expenses for companies filing consolidated tax returns is verified by taking into account both the parameters to be considered for individual returns detailed above as well as the following:

- Temporary and permanent differences as a result of the elimination of results for intra-group transactions, arising from the calculation of the consolidated tax base.
- The tax relief and tax credits corresponding to each company in the tax group under the regime of consolidated tax returns; for these purposes, tax relief and tax credits are assigned to the company that performed the activity or earned the income necessary to obtain the right to receive the tax relief or tax credit.
- With regard to tax payables originating from any of the Group companies and that have been set off by the other companies in the consolidated Group, a reciprocal credit and debit arises between the companies to which they are attributable and the companies in which they have been set off. 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 criteria established for their recognition, and the tax group is considered to be the one liable for payment of tax.
- The Group's Parent Company recognises the total to be paid (refunded) for consolidated corporate income tax with a charge (credit) to the sales ledger from (payable to) Group companies and associates.
- The amount of the receivable (payable) relating to subsidiary companies is recorded with a credit (charge) to the sales ledger from (payable to) Group companies and associates.

Following the above mentioned sales transaction, FCC Aqualia ceased to form part of the consolidated tax group headed by Fomento de Construcciones y Contratas. As a result of the above, the tax loss and outstanding tax credit carryforwards, together with outstanding temporary differences, must be reassigned to the Company that generated them. Accordingly, at 31 December 2018, the corporation tax expense or tax revenue for each company belonging to the FCC Aqualia Group was calculated individually and comprised the part relating to current tax expense or revenue and the part relating to deferred tax expense or revenue.

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

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

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

Each time accounts are closed, deferred tax assets are reassessed and all appropriate adjustments are made to the extent that there are any doubts regarding future retrieval. Likewise, each time accounts are closed, deferred tax assets not accounted for in the consolidated balance sheet are recognised to the extent their retrieval is likely through future taxable relief.

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

4.9. Provisions and contingencies

In preparing the financial statements, the Company's Administrators make 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, but 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.

Financial statements include all the provisions relating to those for which it is estimated that the probability that the obligation will have to be met is greater than it would be otherwise. Contingent liabilities are not recognised in the financial statements, but rather are reported in the notes to the review, depending on whether or not they are considered remote.

Provisions are valued 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 update of those provisions as a financial expense as they accrue.

4.10. Revenue and expenses

Revenue from sales is recognised when the inherent risks and benefits 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 taking into account the degree of completion of the transaction at the balance sheet date always providing the result of the transaction can be reliably estimated.

Interest received on financial assets is recorded using the effective interest rate and dividend method, when the shareholder's right to receive them is declared. 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 metres supplied to subscribers valued at the sales price. This sales price is established for each agreement, based on the rates approved by each Municipality, 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 accounting closure, the Company assesses the unbilled revenue from water supplies up to the date of the balance sheet for the recognition of "Completed output pending certification" under the "Client receivables for sales and services" epigraph. For quantification purposes, it takes into consideration the cubic metres consumed by each subscriber from the date of the last invoice until the date of the last meter reading performed, where appropriate. Likewise, remaining consumption is estimated based on the available information for comparable historical periods between the dates of the last metre reading and the accounting closure.

- Sale of works and services. This includes the amount corresponding to the construction works and activities performed by the Company relating 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 established in the contract, the works units completed in the period while accounting for the expenses incurred. 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 the "Client receivables for sales and services" epigraph or as "Production certified in advance" under the "Trade and other purchase ledger accounts payable" epigraph.

- Dividends obtained from investments in equity instruments in Group companies and associates and interests in joint ventures. In accordance with Consultation 2 of BOICAC 79 (Official Gazette of the Spanish Accounting and Audit Institute), it is considered that the dividends obtained from equity instruments in Group companies and associates form part of "Net 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 occurs.

4.11. Compensation for dismissal

Under current Spanish legislation, the Company is required to pay compensation for dismissal to employees terminated under certain conditions. Therefore, compensation for dismissal that can be reasonably quantified is recognised as an expense in the business year in which the decision to terminate the employment relationship is taken. The attached 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 Net Equity and are valued at the fair value of the amount or asset granted, depending on whether they are monetary or non-monetary grants. They are then assigned to 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 partners or owners, which are recorded directly in shareholders' equity and are not considered to be income.

b) Operational grants:

These grants are credited to income when they are awarded, except if they are granted to finance operating losses in future periods, in which case they will be assigned in those business years. Grants awarded to finance specific expenses are recognised as income when the financed expenses accrue.

4.13. Joint ventures

The Company accounts for its joint venture contracts (Uniones Temporales de Empresas) or JVs by recognising its corresponding proportional share in the balance sheet, based on its shareholding, in the assets that it controls jointly and its proportional share of the liabilities incurred. The corresponding portion of the income and expenses accrued by the jointly exploited contract is also recorded in the income statement, and the statement of changes in net equity and the cash flow statement include the proportional fraction of the amounts for the corresponding entries in the joint contract.

The amounts contributed by the JVs to the Company's balance sheet and income statement are reflected in each of the Notes that comprise this review.

4.14. Related party transactions

The Company undertakes all transactions with related parties at market values. Furthermore, as transfer prices are suitably documented, the Company's Administrators consider that there are no significant risks that could give rise to material liabilities in the future.

In mergers and business spin-offs, the acquired items are generally valued at their post-transaction book value in the consolidated annual accounts. The differences that arise are recorded in reserves.

4.15. Business activities with an effect on the environment

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

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

Those items that may be included in the Company's assets, are for long-term employment in the Company's operations and whose main purpose is to minimise environmental impact and to protect and improve the environment, are recorded as tangible fixed and non-current assets.

Also, the Company makes provisions for environmental activities when it learns of the existence of expenses arising in the business year or in prior years, clearly specified with respect to their nature but uncertain as to their amount or date. These provisions are made 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 the 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 date for the closure of accounts or when they involve cash or cash equivalents, unless they are restricted from being exchanged or used to settle a liability for at least twelve months after the date for the closure of accounts. Otherwise, they are classified as non-current.
- 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 purpose of being traded, they are due to be settled within twelve months after the date for the closure of accounts, or the Company does not have an unconditional right to defer settlement of the liability within twelve months following the date for the closure of accounts. Otherwise, they are classified as non-current.

4.17. Cash flow statement

The following terms are used in the cash flow statement:

- Cash flows: inflows and outflows of cash and cash equivalents.
- Cash flows from operating activities: payments and collections for the Company's typical activities and other activities that are not classified as investment or financing activities.
- Cash flows from investment 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 and dividends.

NOTE 5. INTANGIBLE FIXED AND NON-CURRENT ASSETS

5.1. Variation

a) The amounts and changes in intangible fixed and non-current assets in 2019 were as follows:

INTANGIBLE FIXED AND NON-CURRENT ASSETS						
<i>(Amounts in thousands of euros)</i>						
<i>Variation between 31 December 2018 and 31 December 2019</i>						
	BALANCE	(+)	(-)	(+/-)	(+/-)	BALANCE
	31.12.18	ADDITIONS	CANCELLATIONS	TRANSF.	Combination of businesses	31.12.19
Research and development costs	5,252	98	-	-	-	5,350
Commercial fund	82,763	-	-	-	-	82,763
Software applications	1,147	25	(48)	-	-	1,124
Other intangible fixed and non-current assets	11	-	-	-	-	11
Advance payments on concession arrangements	136	36	-	-	-	172
Concession agreements, financial capitalisation	15,574	202	(1,137)	-	-	14,639
Concession agreement, regulated assets	1,106,827	15,873	(4,029)	-	3,809	1,122,480
TOTAL COST	1,211,710	16,234	(5,214)	-	3,809	1,226,539
Research and development costs	(4,417)	(925)	-	-	-	(5,342)
Commercial fund	(24,829)	(8,276)	-	-	-	(33,106)
Software applications	(1,070)	(40)	38	-	-	(1,072)
Other intangible fixed and non-current assets	-	-	-	-	-	-
Concession agreement, regulated assets	(623,054)	(45,755)	3,201	-	(2,134)	(667,742)
TOTAL ACCUMULATED AMORTISATION	(653,370)	(54,996)	3,239	-	1,675	(707,262)
Concession agreement, regulated assets	(15,723)	-	2,156	-	-	(13,567)
TOTAL IMPAIRMENT LOSSES	(15,723)	-	2,156	-	-	(13,567)
NET TOTAL	542,616	(38,762)	181	-	1,675	505,710

Below, we explain the change for each of the items under the epigraph:

- Research and development costs.

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

- ALL-GAS project. This project is encompassed within the "Algae to Biofuel" initiative of European Union Framework Programme 7. The first phase started in May 2011 and the current phase finished at the end of 2019. The project was undertaken at the Chiclana Wastewater Treatment Plant (Cadiz), and the Company leads a consortium of European companies that are making studies for the recovery of wastewater in the cultivation of microalgae and their subsequent conversion to energy products. The amount capitalised totalled 4,937 thousand euros of cost and 4,937 thousand euros of accumulated depreciation at 31 December 2019 (4,840 thousand euros and 4,045 thousand euros, respectively, at 31 December 2018).

- ITACA project for the Investigation of Technologies for Treatment, Reuse and Control for the sustainability of water purification. This project was undertaken 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 2019 (242 thousand euros and 242 thousand euros, respectively, at 31 December 2018).
- INNPRONTA-IISIS project for Energy Improvements for Resources and Research, equipment and systems for the comprehensive water cycle. The amount capitalised totalled 29 thousand euros of cost and 29 thousand euros of accumulated depreciation at 31 December 2019 (29 thousand euros and 29 thousand euros, respectively, at 31 December 2018).
- ININTERCONECTA SMARTIC-Extremadura project for the development of a “System for the Monitoring of Water in Real Time with Smart Technology”. The amount capitalised totalled 30 thousand euros of cost and 30 thousand euros of accumulated depreciation at 31 December 2019 (30 thousand euros and 30 thousand euros, respectively, at 31 December 2018).
- Other minor projects started since 2016, with 111 thousand euros capitalised in cost and 103 thousand euros in accumulated depreciation at 31 December 2019 (111 thousand euros and 71 thousand euros, respectively, at 31 December 2018).
 - Concession agreement, regulated assets.

In the 2019 business year, the Company recorded 15,873 thousand euros as additions, which correspond to the activity undertaken in Spain and mainly for the following contracts:

- Castrillón (Asturias) for 4,597 thousand euros corresponding to the investment commitments to be made by the concessionaire during the concession period established by the grantor.
- Santa Eulalia (Ibiza) for 2,719 thousand euros for the activation of the investment commitment for the water service infrastructure modernisation plan agreed with this municipality.
- Lloret de Mar (Gerona) for 2,222 thousand euros as an administrative concession to be recovered in the tariffs for the comprehensive water cycle in the 12 remaining years of the contract.
- Avila (Avila) amounting to 2,057 thousand euros for an investment commitment for improvements to the treatment plant in this city.
- Huéscar (Granada) for an amount of 1,145 thousand euros for the contract obtained with this municipality after the transfer made by the company Aguas y Gestión Servicios Ambientales, S.A.

As a result of the merger of Aguas de Alcaidesa (Note 2.8), the Company has also incorporated additions for a net amount of 1,675 thousand euros.

- Impairments.

During the business year, the Company has reversed the impairment accrued from previous years amounting to 2,156 thousand euros, as a result of which the concession assets for which this deterioration accrued are still operative and generating amortisation in the business year.

b) The amounts and changes in intangible fixed and non-current assets in 2018 were as follows:

INTANGIBLE FIXED AND NON-CURRENT 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	CANCELLATIONS	TRANSF.	Transfer interest JVs	31.12.18
Research and development costs	5,052	200	-	-	-	5,252
Commercial fund	82,763	-	-	-	-	82,763
Software applications	1,142	21	(11)	-	(5)	1,147
Other intangible fixed and non-current assets	55	-	-	(44)	-	11
Advance payments on concession arrangements	2,846	523	-	(3,233)	-	136
Concession agreements, financial capitalisation	15,703	236	(365)	-	-	15,574
Concession agreement, regulated assets	1,088,193	15,066	-	3,277	291	1,106,827
TOTAL COST	1,195,754	16,046	(376)	-	286	1,211,710
Research and development costs	(3,282)	(1,134)	-	(1)	-	(4,417)
Commercial fund	(16,552)	(8,277)	-	-	-	(24,829)
Software applications	(1,020)	(65)	8	1	6	(1,070)
Other intangible fixed and non-current assets	(4)	(1)	-	5	-	-
Concession agreement, regulated assets	(578,406)	(44,643)	-	(5)	-	(623,054)
TOTAL ACCUMULATED AMORTISATION	(599,264)	(54,120)	8	-	6	(653,370)
Concession agreement, 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	-	292	542,616

Below, we explain the change for each of the items under the epigraph:

- Research and development costs.

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

- ALL-GAS project. This project is encompassed within the “Algae to Biofuel” initiative of European Union Framework Programme 7. The first phase started in May 2011 and the current phase is expected to end at the end of 2019. The project was undertaken at the Chiclana Wastewater Treatment Plant (Cadiz), and the Company leads a consortium of European companies that make studies for the recovery of wastewater in the cultivation of microalgae 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 undertaken 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-ISIS project for Energy Improvements for Resources and Research, equipment and systems for the comprehensive 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).
- ININTERCONECTA SMARTIC-Extremadura project for the development of a “System for the Monitoring of Water in Real Time with Smart 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 started 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 agreement, regulated assets.

In the 2018 business year, the Company recorded 15,066 thousand euros as additions, which correspond to the activity undertaken in Spain and mainly for 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 the 2018 business year and during 15 years, of the provision for the comprehensive water cycle and an amount of 5,000 thousand euros, corresponding to investment commitments to be made by the concessionaire in the renewal period awarded by the grantor. The Company has been providing a service in this municipality since June 1988 on a constant basis.
 - Pozuelo de Calatrava and Moral de Calatrava (Ciudad Real), amounting to 950 thousand euros, for the purchase from the previous concessionaire, under the water and sewage system supply agreement, in the first of the municipalities over 14 years and the supply, sewage system and purification at the second of them over a period of 20 years. The agreement was entered into with the approval of the respective municipalities, and the Company assumed all the legal rights and obligations of the former concessionaire.
- - La Guardia (Toledo), amounting to 500 thousand euros for the agreement reached with this municipality, whereby it transferred the management of the operation of the municipal water supply service to the Aguas del Río Algodor Association for the Company, as the Association's concessionary company, to provide the service through indirect management.
- Other Spanish municipalities with significant additions under this epigraph include Añover de Tajo and Navalcán (Toledo), amounting to 420 thousand euros and 267 thousand euros, respectively, and Miajadas (Cáceres), totalling 265 thousand euros, for an investment commitment to be made in the water supply and sanitation networks of both municipalities.
- Advance payments for concession agreements

During the 2018 business year, a water infrastructure was completed and entered into service at Guijuelo (Salamanca), which accounted for investments valued at 424 thousand euros, and transfer to the “Concession agreements for regulated assets” heading, for an amount of 3,233 thousand euros.

- Impairments.

During the business year, the Company made provisions for impairment amounting to 2,073 thousand euros, corresponding to two concessions in the Valencia Autonomous Community, for which the Company estimated that the cash flows pending receipt corresponding to both concessions would not be sufficient to recover the investment made.

5.2. Balances arising from the inclusion of JVs

The balances provided for the JVs to 31 December 2019 include 249,526 thousand euros corresponding to costs, 204,070 thousand euros corresponding to accumulated amortisation and 118 thousand euros corresponding to impairment (249,442 thousand euros corresponding to costs, 197,053 thousand euros corresponding to accumulated amortisation and 122 thousand euros corresponding to impairment to 31 December 2018).

5.3. Fully amortised items

The breakdown by epigraph is as follows:

FULLY AMORTISED INTANGIBLE FIXED AND NON-CURRENT ASSETS		
<i>(Amounts in thousands of euros)</i>		
	31.12.19	31.12.18
Development	5,183	334
Administrative concessions and concession agreements, regulated assets	69,369	61,993
Software applications	911	901
TOTAL	75,463	63,228

5.4. Items located outside Spain

At 31 December 2019, intangible fixed and non-current assets located outside Spanish territory amounted to 90 thousand euros in cost and to 77 thousand euros in accumulated amortisation (111 thousand euros in cost and 93 thousand euros in accumulated amortisation at 31 December 2018).

5.5. Intangible assets under concession agreements

The concession agreements recognised as Intangible Assets at 31 December 2019 and 2018 can be broken down as follows in terms of cost and accumulated amortisation (amounts in thousands of euros):

Year 2019

Contract	Concession agreement regulated asset			Advance payments for A.I.A.C.	A.C.Act. Financial	Duration
	Cost	Accum. Am.	Impairment			
Alcalá de Henares (Madrid)	18,021	(10,394)	-	-	-	25 years
Algeciras (Cadiz)	16,294	(6,473)	-	-	-	50 years
Almansa (Albacete)	9,234	(2,254)	-	-	-	25 years
Almería (Almería)	28,617	(15,460)	-	-	-	40 years
Arcos de la Frontera (Cadiz)	11,187	(3,228)	-	-	-	25 years
Badajoz (Badajoz)	52,795	(26,492)	-	-	-	50 years
Barbate (Cadiz)	7,218	(2,185)	-	-	-	25 years
Cabezo Torres (Murcia)	6,314	(5,750)	-	-	-	40 years
Calahorra (La Rioja)	6,498	(4,546)	-	-	-	25 years
Cartaya (Huelva)	8,724	(2,093)	-	-	801	25 years
Chipiona (Cadiz)	7,054	(3,827)	-	-	-	40 years
Denia (Alicante)	11,568	(7,037)	-	-	-	35 years
Gáldar (Gran Canaria)	13,098	(3,953)	(1,812)	-	-	25 years
Jaén (Jaén)	9,594	(7,124)	-	-	960	30 years
La Linea de la Concepción (Cadiz)	11,246	(8,184)	-	-	594	40 years
La Nucía (Alicante)	23,297	(11,724)	-	-	-	30 years
La Solana (Ciudad Real)	5,513	(2,446)	-	-	715	35 years
L'Ametlla de Mar (Tarragona)	9,008	(5,405)	-	-	-	25 years
Llanera (Asturias)	9,544	(5,192)	(3,333)	-	-	25 years
Lleida (Lleida)	49,277	(12,401)	-	-	-	25 years
Lloret de Mar (Girona)	24,774	(12,846)	(2,652)	-	-	25 years
Los Alcázares (Murcia)	8,258	(7,227)	-	-	367	20 years
Mdad. El Girasol (Toledo)	7,855	(5,122)	-	-	614	25 years
Mdad. Río Algodor (Toledo)	7,677	(2,101)	-	-	-	50 years
Mérida (Badajoz)	21,402	(13,378)	-	-	-	30 years
Moguer (Huelva)	7,413	(2,801)	-	-	-	30 years
Oviedo (Asturias)	37,077	(16,209)	(117)	-	7,226	50 years
Salamanca (Salamanca)	8,053	(4,069)	-	-	722	25 years
San Lorenzo Escorial (Madrid)	6,512	(2,335)	-	-	-	30 years
Sanlucar de Barrameda (Cadiz)	17,268	(6,363)	-	-	-	40 years
Sant Feliu de Guixols (Girona)	6,967	(4,291)	-	-	-	50 years
Sant Josep (Balearic Islands)	10,554	(5,361)	-	-	-	28 years
Santander (Cantabria)	86,349	(47,370)	-	-	-	25 years
Sóller (Balearic Islands)	6,681	(3,086)	-	-	-	30 years
Talavera de la Reina (Toledo)	28,354	(18,478)	-	-	249	25 years
Valverde del Camino (Huelva)	6,206	(1,799)	-	-	-	25 years
Vélez-Málaga (Malaga)	7,800	(4,280)	-	-	-	20 years
Vigo (Pontevedra)	183,100	(175,534)	-	-	-	30 years
Others	326,078	(188,924)	(5,653)	172	2,563	5-50 years
Total	1,122,480	(667,742)	(13,567)	172	14,811	

Year 2018

Contract	Concession agreement regulated asset			Advance payments for A.I.A.C.	A.C.Act. Financial	Duration
	Cost	Acum. Am.	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'Ametlla 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 Solana (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 (Malaga)	7,800	(3,968)	-	-	-	20 years
Vigo (Pontevedra)	183,100	(167,982)	-	-	-	30 years
Others	316,923	-175,336	(7,321)	136	4,387	5 - 50 years
TOTAL	1,106,827	(623,054)	(15,723)	136	15,574	

In these contracts, the Company undertakes the management of the comprehensive water cycle, covering all its phases:

- Capture from catchment basins or wells.
- Drinking water treatment in the Drinking Water Treatment Plants.
- Supply to all subscribers through the water network.
- Collection of wastewater through the sanitation network to the wastewater treatment plants, from where it is returned to the natural environment.

Administrative concessions are defined by Law 13/2003, of 23 May, including those whereby the Public Authorities or the public law grantor awards to a concessionaire the construction and operation for a period of time, or just the operation of works susceptible to operation and required to provide public services of an economic nature. The construction and exploitation of public works subject to concession will be undertaken at the concessionaire's risk and peril, and the concessionaire will assume the economic risks arising from their execution and exploitation.

From the above, it may be concluded that the concession agreements require the existence of an infrastructure controlled by the Public Administration, which is operated by the Company within the framework of the regulations set by this Administration and which determine significant aspects such as the tariff required to recover the investment made by the concessionary company.

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

The intangible Assets referred to in this Note are recognised as such because the Company is entitled to charge tariffs to the users of the public service, based on the use that they make of this service, whereby the concessionary company assumes the demand risk.

Furthermore, in these agreements it is an established fact that the grantor controls both the physical use that should be made of this infrastructure, the way in which the service is provided and the price.

The balance in the "Concession Agreement – Financial Capitalisation" epigraph fully relates to the deferred financial burden of the financing instrument associated with the building of concessions. (see Note 4.1.a)

As stated previously, the tariffs that the Company should charge to users of the public service are regulated by the grantor. However, there are clauses in these contracts enabling the Company to request a review of the tariffs should an economic redress be required.

Also, at the start of each concession the Company recognises as Intangible Assets the amount for investment commitments included in each contract which involve improvements to networks and infrastructures subject to concession, and which are recovered in the tariffs charged to subscribers from the initial date. Until the investment is actually made, the Company records these amounts in the "Provisions for action relating to infrastructure" epigraph, which is included under "Other provisions for contingencies and costs" (See Note 14).

5.6. Capitalisation of financial burdens

The Company did not capitalise any financial burdens under “Advance payments on concession agreements” either in the 2019 or the 2018 business year, accumulating an original amount of 3,836 thousand euros.

Furthermore in the 2019 business year, the Company capitalised a net amount of 935 thousand euros under “Financial capitalisation of concession agreements”, (net negative assignment of 129 thousand euros at 31 December 2018).

5.7. Commitments to acquire goods

At 31 December 2019, there were no additional commitments to those already included under “Provisions for actions relating to infrastructure” (see Note 14).

5.8. Insurance Policies

It is Company policy to take out all the insurance policies considered necessary to cover any possible risks that might affect intangible fixed and non-current assets.

NOTE 6. TANGIBLE FIXED AND NON-CURRENT ASSETS

6.1. Variation

Movement in the different tangible fixed and non-current asset accounts and the corresponding accumulated amortisation during the business year was as follows:

a) Variation in 2019

TANGIBLE FIXED AND NON-CURRENT ASSETS						
<i>(Amounts in thousands of euros)</i>						
Variation between 31 December 2018 and 31 December 2019						
	BALANCE	(+)	(-)	(+)(-)	(+)	BALANCE
	31.12.18	ADDITIONS	CANCELLATIONS	TRANSF.	Additions due to business combination	31.12.19
Land and buildings	3,507	274	-	620	2	4,403
Technical installations and other tangible fixed and non-current assets	96,855	9,940	(6,583)	200	81	100,493
Current fixed and non-current assets	736	2,060	-	(820)	-	1,976
TOTAL COST	101,098	12,274	(6,583)	-	83	106,872
Buildings	(2,022)	(77)	-	-	-	(2,099)
Technical installations and other tangible fixed and non-current assets	(72,062)	(5,216)	6,337	-	(27)	(70,968)
TOTAL ACCUM. AMORT.	(74,084)	(5,293)	6,337	-	(27)	(73,067)
NET TOTAL	27,014	6,637	(246)	-	56	33,805

- Additions. The Company recorded tangible fixed and non-current asset additions amounting to 12,274 thousand euros, corresponding to goods used in the contracts undertaken by the Company that are not concession contracts, together with those acquired under contracts that, despite being concession contracts, do not revert to the grantors.

- Cancellations. They mainly correspond to fully amortised items cancelled in the balance sheet. The recorded profit from the cancellation of tangible fixed and non-current assets in the "Impairment and profit/loss from disposals of fixed assets" epigraph was 2,756 thousand euros.

b) Variation in 2018

TANGIBLE FIXED AND NON-CURRENT ASSETS						
<i>(Amounts in thousands of euros)</i>						
Variation between 31 December 2017 and 31 December 2018						
	BALANCE	(+)	(-)	(+/-)	(+)	BALANCE
	31.12.17	ADDITIONS	CANCELLATIONS	TRANSF.	Addition due to change in % of JVs	31.12.18
Land and buildings	3,585	103	(182)	-	-	3,507
Technical installations and other tangible fixed and non-current assets	88,902	8,323	(438)	52	16	96,855
Current fixed and non-current assets	553	235	-	(52)	-	736
TOTAL COST	93,040	8,662	(620)	-	16	101,098
Buildings	(2,115)	(65)	157	-	-	(2,022)
Technical installations and other tangible fixed and non-current assets	(68,011)	(4,452)	413	-	(12)	(72,062)
TOTAL ACCUM. AMORT.	(70,126)	(4,517)	570	-	(12)	(74,084)
NET TOTAL	22,914	4,145	(50)	-	4	27,014

- Additions. The Company recorded tangible fixed and non-current asset additions amounting to 8,662 thousand euros, corresponding to goods used in the contracts undertaken by the Company that are not concession contracts, together with those acquired under contracts that, despite being concession contracts, do not revert to the grantors.

- Cancellations. They mainly correspondED to fully amortised items cancelled in the balance sheet.

6.2. Land and buildings

At 31 December 2019, land amounted to 278 thousand euros in cost (294 thousand euros in cost at 31 December 2018).

6.3. Balances arising from the inclusion of JVs

The balances at 31 December 2019 include 7,173 thousand euros and 4,387 thousand euros corresponding to cost and accumulated amortisation contributed by the JVs, respectively (6,559 thousand euros and 4,347 thousand euros respectively, at 31 December 2018).

6.4. Fully amortised items

At 31 December 2019, fully amortised items still in use were recorded in the "Technical installations and other tangible fixed and non-current assets" epigraph, with a book value of 57,677 thousand euros (54,994 thousand euros at 31 December 2018).

6.5. Acquisitions of fixed and non-current assets from Group companies

During the 2019 and 2018 business years, no fixed and non-current assets were acquired from Group companies.

6.6. Insurance policies

It is Company policy to take out all the insurance policies considered necessary to cover any possible risks that might affect tangible fixed and non-current assets.

6.7. Fixed and non-current assets located outside Spain

At 31 December 2019, the Company had fixed and non-current assets located outside Spanish territory amounting to 1,106 thousand euros in cost and 459 thousand euros in accumulated amortisation (529 thousand euros in cost and 403 thousand euros in accumulated amortisation at 31 December 2018).

6.8. Commitments to acquire goods

At the closure of the 2019 and 2018 business years, the Company had no commitments to acquire fixed and non-current assets.

6.9. Assets under guarantee

There are no tangible assets transferred under guarantee for Company commitments.

NOTE 7. LONG-TERM INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

7.1. Equity instruments

The breakdown and movements under this epigraph are as follows:

a) Variation in 2019

EQUITY INSTRUMENTS					
<i>(Amounts in thousands of euros)</i>					
<i>Variation between 31 December 2018 and 31 December 2019</i>					
	BALANCE	(+)	(-)	(+/-)	BALANCE
	31.12.18	ADDITIONS	CANCELLATIONS	TRANSFERS	31.12.19
Equity Instruments in Group companies	259,390	69,273	(1,200)	8,308	335,771
Disbursements pending on shares in Group Companies	(27)	-	-	-	(27)
Equity instruments in Associate Companies	29,029	7,080	(490)	(13,495)	22,124
Disbursements pending on shares in Associate Companies	(185)	-	-	-	(185)
Total	288,207	76,353	(1,690)	(5,187)	357,683
Impairments	(30,052)	(5,789)	-	-	(35,841)
NET TOTAL	258,155	70,564	(1,690)	(5,187)	321,842

By heading, the main movements recorded in 2019 were as follows:

- Equity instruments in Group Companies.
 - Addition amounting to 28,859 thousand euros for the acquisition of 49% of the capital of Aquajerez, S.L. FCC Aqualia previously had a 51% share in this company, so the purchase in this business year has increased the share from 51% to 100%. Aquajerez's corporate purpose is the operation under administrative concession of the water supply, sewerage and purification services in the municipality of Jerez de la Frontera (Cadiz) in accordance with the administrative concession granted by the said municipality. The agreement for the sale of 49% of the capital stock with the previous shareholder involved the transfer of the equity participation loans assigned by this shareholder to FCC Aqualia, which also holds 100% of the equity participation loans granted to Aquajerez.
 - Addition amounting to 31,655 thousand euros for the acquisition of 100% of SPI Environment with headquarters in France. This company was founded in 2002 and its corporate purpose is holding majority shares in two companies holding concession contracts providing distribution and maintenance services for drinking water networks in a number of municipalities in France. In December 2019, SPI Environment changed its registered corporate name to Aqualia France.
 - Addition amounting to 1,382 thousand euros for the acquisition of 100% of Agua y Gestión Ciclo Integral S.L.U. This company was founded in 1999 and its corporate purpose is to undertake activities in the comprehensive water cycle field through direct management or indirect management via administrative concession or joint venture. This is why it owns shares and holds contracts related to this activity and that provide services in the Spanish regions of Andalusia, Castile La Mancha and Extremadura.

- Addition amounting to 7,377 thousand euros for the acquisition of 49% of the company Aqualia New Europe of which FCC Aqualia previously owned the remaining 51%. The Aqualia New Europe company has registered offices in the Netherlands and owns shares in companies that undertake contracts related to the comprehensive water cycle in Egypt.
- Cancellation amounting to 1,200 thousand euros due to the business combination undertaken during the business year with its subsidiary Aguas de Alcaidesa, which owned 100% of the capital (see Note 2.8).
- Transfer amounting to 8,308 thousand euros from equity instruments in associated companies corresponding to the reclassification undertaken in the 2019 business year of the share that the Company has in Shariket Thalya Miyah Mostaganem as a result of an agreement reached with the owner of 25.5% of the capital stock for the assignment of the latter to FCC Aqualia of political rights over this percentage of shares for 9 years so FCC Aqualia may exercise control over the board and the annual general meeting of the subsidiary.
- Equity instruments in Associate Companies.
 - Addition amounting to 6,500 thousand euros for the acquisition of 26% of the capital stock of CODEUR, S.A., a company whose corporate purpose is the construction and maintenance of public and private infrastructure and undertaking by administrative concession the comprehensive water cycle in the Municipality of Vera (Almería).
 - Addition amounting to 490 thousand euros for the subscription of 49% of the capital stock of Aigues del Vendrell, SA, a mixed economy company established together with the municipality of Vendrell (Tarragona) for the provision of the comprehensive water cycle, as well as other activities in this municipality for a period of 25 years. This company takes over the provision of the service from Aigues del Tomoví liquidated at the beginning of the 2019 business year.
 - Cancellation amounting to 490 thousand euros for the liquidation of Aigues del Tomoví.
 - Transfer amounting to 8,308 thousand euros to equity instruments in Group companies for the reclassification of the Company's share in Shariket Thalya Miyah Mostaganem, as commented above.
 - Transfer amounting to 5,187 thousand euros to long-term financial investments of the Company's share in Shariket Miyeh Ras Djinet as a result of an agreement reached with one of its shareholders for the transfer, by FCC Aqualia, of political rights in this company for a period of 9 years (see note 8.1).
- Impairments
 - Impairment amounting to 5,789 thousand euros in subsidiaries that are water contract concessionaires with a defined lifecycle.

b) Variation 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	CANCELLATIONS	31.12.18
Equity Instruments in Group companies	163,332	96,058	-	259,390
Disbursements pending on shares in Group Companies	(27)	-	-	(27)
Equity instruments in Associate Companies	28,407	622	-	29,029
Disbursements pending on shares in Associate Companies	(185)	-	-	(185)
Total	191,527	96,680	-	288,207
Impairments	(20,840)	(9,218)	6	(30,052)
NET TOTAL	170,687	87,462	6	258,155

By heading, the main movements recorded in 2019 were as follows:

- Equity instruments in Group Companies.
 - Addition amounting to 83,435 thousand euros for the acquisition of 48.99% of the capital of Aqualia Czech, S.A. FCC Aqualia previously had a 51% share in this company, so the purchase in this business year has increased the share from 51% to 99.99%. Aqualia Czech is the majority shareholder of Severomoravske Vodovody a Kanalizace Ostrava s.r.o.
 - Addition amounting to 9,065 thousand euros for the acquisition of 49% of Aqualia Infraestructuras Inzenyring. The corporate purpose of this company involves building work in the water networks. It operates mainly in the Czech Republic. The other 51% of the capital is owned by Aqualia Intech, S.A. so with the acquisition in this business year, the FCC Aqualia Group controls 100% of the company.
 - Addition amounting to 2,358 thousand euros for 70% of the shares in the founding of Aqualia Desalación Guaymas, S.A. de C.V., with registered offices in Querétaro (Mexico) and with a corporate purpose of providing drinking water in the municipalities of Guaymas and Empalme in Mexico, by building, equipping, starting up and operating 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 capital stock of Aguas de Alcaidesa, S.L.U. whose corporate purpose consists of the provision of the public service involving the supply of drinking water to homes as well as 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 Associate Companies.
 - Addition amounting to 622 thousand euros for 49% of the capital stock in the foundation of Oman Sustainable Water Services SAOC, a company founded in the Sultanate of Oman with a local partner, whose main activity is the management of treatment plants for the port of Oman.

- Impairments
 - Impairment amounting to 9,218 thousand euros in subsidiaries that are water contract concessionaires with a defined lifecycle.
- c) Disbursements outstanding for shares in Group companies and associates in the balance sheet at 31 December 2019 and 31 December 2018 were as follows:

DISBURSEMENTS OUTSTANDING FOR GROUP COMPANIES			
<i>(Amounts in thousands of euros)</i>			
	31.12.19		31.12.18
Compañía Onubense de Aguas, S.A.	27		27
TOTAL	27		27

DISBURSEMENTS OUTSTANDING FOR ASSOCIATED COMPANIES			
<i>(Amounts in thousands of euros)</i>			
	31.12.19		31.12.18
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) Breakdown of equity instruments in Group companies. The breakdown of the balance for this account at 31 December 2019 and 31 December 2018 was as follows:

EQUITY INSTRUMENTS IN GROUP COMPANIES 2019				
<i>(Amounts in thousands of euros)</i>				
COMPANIES	ACTIVITY	INVESTMENT	PROVISION	NET COST
FCC Aqualia América, S.A.U. C/ Uruguay, 11 – Vigo (PONTEVEDRA)	Water cycle management	601	(601)	-
Aquajerez, S.L. Pol.Ind.Ronda Oeste, 24 Jerez de la Frontera (CADIZ)	Water cycle management	28,859	-	28,859
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	(15,151)	3,658
Aquaelvas – Aguas de Elvas, S.A. Rua Paco Bandeira, 14 – Assunção Elvas (PORTUGAL)	Water cycle management	402	-	402
Aquafundalia - 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
Servicios Hídricos Agricultura y Ciudad, S.L.U. 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	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	(14,514)	49,439
Infraestructuras y Distribución General de Agua, S.L. C/La Presa, 14 – Tijoco Bajo-ADEJE (S.C.TENERIFE)	Investment and construction works	8,665	(604)	8,061
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	Investment and construction 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	118,779	-	118,779
Aqualia MACE LLC P.O Box 105547 Abu Dhabi (UNITED ARAB EMIRATES)	Op.&Main. Infrastr. of the sanitation and purification sys.	15	-	15
Aqualia New Europe B.V. C/Calude Debussylann, 24 – Amsterdam (NETHERLANDS)	Water cycle management	15,538	(3,614)	11,924
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	(544)	331
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)	Constr. and op. desalination plants	2,358	-	2,358
Aqualia Infraestructuras Inzenyring Marienskké Hory, Slavnikovcu 571/21- Ostrava (CZECH REPUBLIC)	Execution of construction projects	9,065	-	9,065
Water and Comprehensive Cycle Management Avda. Camino de Santiago, 40 – MADRID	Water cycle management	1,383	-	1,383
Shariket Thalya Miyah Mostaganem Cité Abdoni llot, 36 – Dar el Beida (ALGERIA)	Constr. and op. desalination plants	8,308	-	8,308
Aqualia France 65, rue Monceau - Paris (FRANCE)	Water cycle management	31,655	-	31,655
TOTAL		335,771	(35,121)	300,650

EQUITY INSTRUMENTS IN GROUP COMPANIES 2018
(Amounts in thousands of euros)

COMPANIES	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
Aquafundalia - 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/Pinzel, 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)	54,907
Infraestructuras y Distribución General de Agua, S.L. C/La Presa, 14 – Tijoco Bajo-ADEJE (S.C.TENERIFE)	Investment and construction 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. Infrastr. of the sanitation and purification sys.	15	-	15
Aqualia New Europe B.V. C/Calude Debussylann, 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 N° 1351, ROBLE 304 - QUERÉTARO (MEXICO)	Water treatment and purification	2,358	-	2,358
Aqualia Infraestructuras Inzenyring Mariennské Hory, Slavnikovcu 571/21- Ostrava (CZECH REPUBLIC)	Execution of projects	9,065	-	9,065
Aguas de Alcaidesa, S.L.UNIPERSONAL C/ Villa Real 1. CC. La Hacienda. Local 11. - Linea de la concepción. (CADIZ)	Water cycle management	1,200	-	1,200
TOTAL		259,390	(28,931)	230,459

The equity details in the balance sheets of these companies at 31 December 2019 and 2018 were as follows: 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 2019
(Amounts in thousands of euros)

COMPANIES	CAPITAL	Reserves and other Net Equity items	2019 Profit/(loss)		% SHARE.	
			Operating Profit/Loss	Profit from continuing operations		
Abrantaqua, S.A.	500	1,559	629	364	364	60.00%
Acque di Caltanissetta, S.p.a.	3,500	5,270	520	(138)	(138)	98.48%
Agua y Gestión Ciclo Integral, S.L.	2,693	(102)	166	2,030	2,030	100.00 %
Aguas de Alcázar Empresa Mixta, S.A.	126	869	863	595	595	52.38%
Aguas de las Galeras, S.L.	3	343	1,052	296	296	51.00%
Aigües de Vallirana, S.A. (*)	102	3,646	309	336	336	100.00%
Aqua Campiña, S.A.	601	463	523	343	343	90.00%
Aquaelvas – Aguas de Elvas, S.A.	50	1,126	539	352	352	100.00%
Aquafundalia – Agua do Fundão, S.A.	510	437	95	33	33	100.00%
Aquajerez, S.L.	3	3,086	6,700	3,130	3,130	100.00%
Aqualia Czech, S.L.U.	69,302	17,873	(719)	10,596	10,596	100.00%
Aqualia Desalación Guaymas, S.A. de C.V.	3,534	1,523	398	1,363	1,363	70.00%
Aqualia France	400	2,087	(495)	2,487	2,487	100.00%
Aqualia Infraestructuras Inzenyring	64	2,772	3,288	2,640	2,640	49.00%
Aqualia México, S.A. de C.V.	6,449	4,898	1,056	1,005	1,005	0.01%
Aqualia Intech, S.A.	1,200	29,477	11,116	7,049	7,049	99.99%
Aqualia MACE	37	2,575	2,906	2,943	2,943	51.00%
Aqualia New Europe B.V.	16,000	(6,509)	(207)	(159)	(159)	100.00%
Aquamaior – Aguas de Campo Maior, S.A.	50	330	123	90	90	100.00%
Cartagua, Aguas do Cartaxo, S.A.	1,850	429	361	75	75	60.00%
Compañía Onubense de Aguas, S.A. (*)	33	(45)	-	-	-	60.00%
Conservación y Sistemas, S.A.	300	1,812	316	292	292	99.99%
Depurplan 11, S.A.U.	4,700	1,369	1,001	1,096	1,096	100.00%
Empresa Gestora de Aguas Linenses, S.L.	3	1,033	1,112	524	524	52.33%
Empresa Mixta de Butarque, S.A. (*)	120	(120)	-	-	-	70.00%
Entemanser, S.A.	2,137	14,701	6,915	5,226	5,226	97.00%
FCC Aqualia América, S.A.U. (*)	601	(3,349)	(1)	(3,068)	(3,068)	100.00%
Hidrotec Tecnología del Agua, S.L.U.	3	14,691	4,746	3,573	3,573	100.00%
Infraestructuras y Dist. General del Agua, S.L. (*)	63	4,468	757	603	603	100.00%
Servicios Hidricos Agricultura y Ciudad S.L.	3	287	-	-	-	100.00 %
Sociedad Española de Aguas Filtradas, S.A.	1,087	5,099	1,713	1,213	1,213	99.99%
Sociedad Ibérica del Agua, S.A.U. (*)	60	189	97	73	73	100.00%
Shariket Tahlya Miyah Mostaganem S.p.A.	23,702	132,016	16,973	15,536	15,536	25.49%
Tratamiento Industrial de Aguas, S.A.	656	25,243	10,616	8,357	8,357	99.99%

(*) Unaudited figures at 31 December 2019.

EQUITY DETAILS OF GROUP COMPANIES 2018

(Amounts in thousands of euros)

COMPANIES	CAPITAL	Reserves and other Net Equity items	2018 Profit/(loss)		% SHARE.	
			Operating Profit/Loss	Profit from continuing operations		
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%
Aigües de Vallirana, 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%
Aquafundalia – 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, LLC	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 Cartaxo, 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 Linenses, 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%
Servicios Hidricos Agricultura y Ciudad tort, 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.

- e) Details of equity instruments in associated companies. The following is a breakdown of the balance at 31 December 2019 and 31 December 2018:

EQUITY INSTRUMENTS IN ASSOCIATE COMPANIES 2019				
<i>(Amounts in thousands of euros)</i>				
COMPANIES	ACTIVITY	INVESTMENT	PROVISION	NET
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
Aigües del Vendrell, 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 op. Desalination plant	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	(290)	152
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	(52)	66
Aigües del Segarra Garrigues, S.A. C/Santa Clara, 4 – Tárrega (LERIDA)	Construction and op. 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)	Treatment plant maintenance	1,508	-	1,508
Aquos El Realito, S.A. de C.V. B.Manuel Avila Camacho, nº36 - piso5 – Col. Lomas de Chapultepec México	Drinking water distribution and prod.	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 making studies	240	-	240
Codeur, S.A. C/Mayor, 22 - Vera (ALMERÍA)	Water cycle management	6,500	-	6,500
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/nº - 17487 EMPURIABRAVA (GERONA)	Supply high-pressure water	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	(66)	7
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)	Constr. and op. desalination plants	713	-	713
TOTAL		22,124	(720)	21,404

EQUITY INSTRUMENTS IN ASSOCIATE COMPANIES 2018				
<i>(Amounts in thousands of euros)</i>				
COMPANIES	ACTIVITY	INVESTMENT	PROVISION	NET
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 op. Desalination plant	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.Tívoli, 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 op. 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)	Treatment plant maintenance	1,508	(452)	1,056
Aquos El Realito, S.A. de C.V. B.Manuel Avila Camacho, nº36 - piso5 – Col. Lomas de Chapultepec México	Drinking water distribution and prod.	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 making studies	240	-	240
Shariket Thalya Miyah Mostaganem Cité Abdoni Ilot, 36 – Dar el Beida (ALGERIA)	Constr. and op. desalination plants	8,308	-	8,308
Shariket Miyeh Ras Djinet Cité Abdoni Ilot, 36 – Dar el Beida (ALGERIA)	Constr. and op. 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/nº - 17487 EMPURIABRAVA (GERONA)	High-pressure 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
Omán Sustainable Water Services SAOC Batinah Highway - 322 - SOHAR (OMAN)	Industrial purification	622	-	622
TOTAL		29,029	(1,122)	27,907

The equity details in the balance sheets for these companies at 31 December 2019 and 31 December 2018 were as follows: None of these companies are listed on the stock market and none of them generated profit or loss from discontinued operations in 2019 and 2018.

EQUITY DETAILS OF ASSOCIATE COMPANIES 2019						
<i>(Amounts in thousands of euros)</i>						
COMPANIES	CAPITAL	Reserves and other Net Equity items	PROFIT/LOSS 2019			
			Operating Profit/Loss	Profit from continuing operations	Profit/(loss)	Shareholding
Aguas de Archidona, S.L.	150	11	47	16	16	48.00%
Aguas de Denia, S.A. (*)	425	941	35	26	26	33.00%
Aguas de Langreo, S.L.	1,800	197	248	15	15	49.00%
Aguas de Narixa, S.A.	600	255	416	244	244	50.00%
Aguas de Priego, S.L.	500	(878)	83	(32)	(32)	49.00%
AIE SOREA Aqualia (*)	400	4	(1)	186	186	37.50%
AIE Gestion Hydraulic Services Ciudad Real (*)	0	0	60	133	133	75.00%
AIE Costa Brava Abastament Aqualia – Sorea	156	0	0	73	73	50.00%
AIE Costa Tropical de Granada	1,623	0	2,193	1,351	1,351	51.00%
AIE ITAM Delta de la Tordera (*)	0	0	(355)	(355)	(355)	50.00%
Aigües del Segarra Garrigues, S.A.	30,000	(3,338)	1,768	1,237	1,237	1.00%
Aigües del Vendrell, S.A. (*)	1,000	26	242	26	26	49.00%
Aquos El Realito, S.A. de C.V.	9,118	6,185	7,371	1,010	1,010	49.00%
Cía. de Serv. Medioambientales do Atlántico, S.A.	601	440	75	16	16	49.00%
CODEUR, S.A.	200	3,109	779	665	665	26.00%
Concesionaria de Desalación de Aguas de Ibiza, S.A.	1,850	636	871	345	345	50.00%
EMANAGUA - Empresa Municipal de Aguas de Níjar, S.A.	450	1,302	401	277	277	49.00%
Empresa Mixta de Aguas de Jódar, S.A.	150	-136	87	24	24	49.00%
Empresa Mixta de Aguas de Ubrique, S.A.	150	108	43	30	30	49.00%
Empresa Municipal Aguas de Algeciras, S.A.	451	(142)	26	(128)	(128)	49.00%
Empresa Municipal de Aguas Benalmádena, S.A.	1,803	1,053	1,377	692	692	50.00%
Empresa Municipal de Aguas de Linares, S.A.	300	412	359	269	269	49.00%
Empresa Municipal de Aguas de Toxiria, S.A	240	(106)	15	4	4	49.00%
Girona, S.A.	1,200	4,552	(152)	(24)	(24)	33.61%
Nueva Sociedad de Aguas de Ibiza, S.A. (*)	60	103	54	41	41	40.00%
Omán Sustainable Water Services SAOC	1,160	581	621	547	547	49.00%
Orasqualia O&M	1,359	3,556	1,526	1,327	1,327	50.00%
SERA.Q.A. Duitama, S.A. (*)	34	31	0	0	0	30.60%
Suministro de Agua de Queretaro, SA de CV	16,361	23,623	11,143	5,137	5,137	26%

(*) Unaudited figures

EQUITY DETAILS OF ASSOCIATE COMPANIES 2018
(Amounts in thousands of euros)

COMPANIES	CAPITAL	Reserves and other Net Equity items	PROFIT/LOSS 2018			% SHARE.
			Operating Profit/Loss	Profit from continuing operations	Profit/(loss)	
Aguas de Archidona, S.L.	150	(5)	4	(16)	(16)	48.00%
Aguas de Denia, 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%
Aigües del Segarra Garrigues, S.A.	15,000	10,425	2,583	1,995	1,995	1.00%
Aigües del Tomoví, S.A. (*)	1,000	4,037	29	24	24	49.00%
Aquos 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 Níjar, 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 Toxiria, 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. Duitama, 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 Tahlya 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

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

7.2. Long-term loans to Group and Associated companies

The breakdown is as follows:

LONG-TERM LOANS TO COMPANIES		
(Amounts in thousands of euros)		
	31.12.19	31.12.18
Loans to Group companies (Note 7.2.1)	863,341	867,487
Interest on loans to Group companies (Note 7.2.1)	-	2,465
Loans to Associated Companies (Note 7.2.2)	32,643	31,233
TOTAL	895,984	901,185

7.2.1 Long-term loans to Group companies. The breakdown and balance under this heading at 31 December 2019 and 2018 were as follows:

LOANS TO GROUP COMPANIES				
<i>(Amounts in thousands of euros)</i>				
	31.12.19	31.12.18	INTEREST RATE	MATURITY
Aqua Campiña, S.A.	2,626	3,074	Euribor+1%	2026
Aquajerez, S.L.	11,896	15,437	3% + Variable	2038
Aqualia Desalación Guaymas, S.A. de C.V.	8,001	7,314	- (*)	2022
Depurplán, S.A.U.	8,877	7,897	4.5%	2027
Empresa Gestora de Aguas Linenses, S.L.	5,217	6,366	Euribor+7.5%	2021
Aguas de las Galeras, S.L.	15,374	15,374	10%	2021
Aguas de Alcázar Empresa Mixta, S.A.	4,149	4,818	4%	2024
Fomento de Construcciones y Contratas, S.A.	806,479	806,479	3.55%	2048
Sociedad Española de Aguas Filtradas, S.A.	722	728	4.25%	2021
Interest	-	2,465		2019
TOTAL	863,341	869,952		

(*) 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 28 September 2018, the Company signed a contract with Fomento de Construcciones y Contratas, SA which involved the non-extinguishing amending novation of the three existing loans between the two companies since 8 June 2017, the date the bonds were issued, and that it was subordinated in the payment of the principal to the repayment conditions existing in the Refinancing Agreement signed by Fomento de Construcciones y Contratas, SA and a syndicate of financial entities, dated 26 June 2014 and subsequently renewed in November 2014 and in June 2017.

This innovation involved the following:

- Early repayment of the loan granted to Fomento de Construcciones y Contratas, SA amounting to 90,174 thousand euros plus interest accrued between 8 June 2017 and 28 September 2018 amounting to 2,731 thousand euros.
- Recasting as a single loan with Fomento de Construcciones y Contratas of the outstanding balances, both of the principal and of the interest, for 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 between 8 June 2017 and 28 September 2018, amounting to 23,712 thousand euros.

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

As a result of the entry into force of the novation of the loan contract, the loan conditions were substantially modified with no impact on the income statement since no costs were pending assignment.

7.2.2 The long-term loans to associates can be broken down as follows:

LOANS TO ASSOCIATED COMPANIES				
<i>(Amounts in thousands of euros)</i>				
	31.12.19	31.12.18	INTEREST	MATURITY
AIE Gest. Serv. Hidráulicos Ciudad Real	79	79	-	2021
Emp. Municipal de Aguas de Algeciras, S.A.	2,113	2,468	EURIBOR + 1%	2045
Emp. Municipal de Aguas de Benalmádena, S.A.	3,956	4,728	EURIBOR (12) + 0.9%	2025
Emp. Municipal de Aguas de Toxiria, S.A.	377	420	EURIBOR (12) + 1%	2029
Aguas de Langreo, S.L.	3,719	4,085	EURIBOR + 1	2031
EMANAGUA - Empresa Mpal de Aguas de Nijar	2,499	2,786	EURIBOR (12) + 1.25%	2029
Aigües del Tomoví, S.A.	1	1	4%	2032
Aigües del Vendrell, S.A.	4,799	-	5.50%	2044
Aguas de Archidona, S.A.	467	486	T.I. LEGAL + 3%	2036
Aguas de Narixa, S.A.	4,259	5,463	6.3%	2034
Aquos El Realito, S.A. de C.V.	6,272	5,918	- (/*)	2022
AIE Costa Brava Abastament Aqualia Sorea	2	2	-	2021
Aguas de Priego, S.L.	3,186	3,305	5%	2037
Empresa Mixta de Aguas de Jódar, S.A.	880	913	7%	2035
Emp. Municipal de Aguas de Linares, S.A.	-	549	EURIBOR + 0.05%	2032
Others	34	30	-	
TOTAL	32,643	31,233		

(*) 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 investments in Group companies and associates is as follows:

FINANCIAL ASSETS BY CATEGORY						
<i>(Amounts in thousands of euros)</i>						
	31.12.19			31.12.18		
	Non-current	Current	Total	Non-current	Current	Total
Assets held for trading						
Unlisted equity instruments (Note 8.1)	11,152	-	11,152	10	-	10
Loans and receivables						
Loans to Group companies and associates (notes 7.2 and 9)	895,984	101,892	997,876	901,185	94,659	995,844
Loans to third parties (notes 8.2 and 9.2)	71,893	17,229	89,122	77,750	15,763	93,513
Other financial assets with Group companies and associates (note 8.3)		7,061	7,061	-	3,225	3,225
Other financial assets with third parties (note 8.3)	19,954	9,901	29,855	18,538	7,452	25,990
Trade and other receivables (note 10)		111,977	111,977	-	105,113	105,113
TOTAL FINANCIAL ASSETS	998,983	248,060	1,247,043	997,483	226,212	1,123,695

The fair value of the Company's financial assets does not differ significantly from their book value. The only gains and losses arising from financial assets related to the corrections for impairment detailed in Note 10.3 and to the finance income relating to loan interest amounting to 37,729 thousand euros at 31 December 2019 (33,137 thousand euros at 31 December 2018).

8.1. Unlisted equity instruments

The breakdown at 31 December 2019 and 2018 was as follows:

EQUITY INSTRUMENTS (Amounts in thousands of euros)	31.12.2019	31.12.2018
Other investments	11,152	10
TOTAL	11,152	10

In the 2019 business year, the Company transferred a total of 5,187 thousand euros to this heading from equity instruments in joint ventures and associates corresponding to the shareholding that the Company owns in Shariket Miyeh Ras Djinet as a result of an agreement reached with one of its shareholders for the assignment, by FCC Aqualia, to that shareholder of the political rights in this company for a period of 9 years (see note 7.1).

From that time the Company began to value the investment at fair value by updating the cash flows provided for in the model during the lifecycle of the contract at a discount rate of 8.7%, which takes into account the location of the desalination plant in Algeria and the high proportion of collections in US dollars. This valuation involved an adjustment of 5,953 thousand euros in the "Adjustments for changes in value" account within Net Equity (see note 12.3).

8.2. Loans to third parties

This epigraph mainly includes loans granted to municipalities to undertake works and installations in the water network. These loans accrue variable interest in line with the Euribor, and are repaid in accordance with the repayment schedule included in the contract, by setting off loans with the municipalities, arising from the collection of one-off royalties and other items. The portion of these loans maturing at less than one year is included under the "Short-term financial investments" epigraph (see Note 9.2).

The breakdown at 31 December 2019 and 2018 was as follows:

LOANS TO THIRD PARTIES				
<i>(Amounts in thousands of euros)</i>				
	31.12.19	31.12.18	FINAL MATURITY	
			< 5 YEARS	> 5 YEARS
Municipality of Alboraya	3,416	3,639		>2024
Municipality of Alcalá de Henares	2,863	3,176		>2024
Municipality of Aller	99	184	2021	
Municipality of Ávila	470	470		>2024
Municipality of Bollulllos Par del Condado	1,420	1,415		>2024
Municipality of Calasparra	167	208	2022	
Municipality of Callosa del Segura	1,508	1,520		>2024
Municipality of Caravaca de la Cruz	148	179		>2024
Municipality of Chipiona	2,014	2,341		>2024
Municipality of Cristina	53	66		>2024
Municipality of El Vendrell	117	142		>2024
Municipality of Gúimar	147	176		>2024
Municipality of Hellín	10	12	2022	
Municipality of Hondón de los Frailes	53	88	2022	
Municipality of Jaén	25,870	27,599		>2024
Municipality of La Guardia	395	408		>2024
Municipality of La Línea	903	1,068		>2024
Municipality of Lepe	10,364	10,490		>2024
Municipality of Llera	129	-	2022	
Municipality of Lora del Río	-	314		
Municipality of La Albuera	95	-		>2024
Municipality of Magán	151	180		>2024
Municipality of Platja d'Aro	148	-		>2024
Municipality of Matalascañas	908	1,362		>2024
Municipality of Medina del Campo	68	75		>2024
Municipality of Mula	149	238	2022	
Municipality of Olivenza	474	623		>2024
Municipality of Puerto de la Cruz	-	375		
Municipality of Ribera del Fresno	278	278		>2024
Municipality of Ronda	2,296	2,515		>2024
Municipality of San Pedro del Pinatar	292	317		>2024
Municipality of San Lorenzo del Escorial	2,533	2,806		>2024
Municipality of Sant Fost	129	918		>2024
Municipality of Solana de Los Barros	116	135		>2024
Municipality of Turcia	8	9		>2024
Municipality of Ubrique	173	371		>2024
Municipality of Vélez-Málaga	7,822	8,519		>2024
Municipality of Villarrubia de Santiago	152	155		>2024
Base General Menacho	126	140		>2024
Campo de Gibraltar region	5,073	5,137		>2024
Llanos Villamartín Irrigation Community	-	78		
Loans to personnel	56	24	2021	
Santa Eulalia Siglo XXI, S.A.	700	-	2022	
Total loans to third parties	71,893	77,750		

8.3 Miscellaneous financial assets

The breakdown for this balance at 31 December 2019 and 2018 was as follows:

MISCELLANEOUS FINANCIAL ASSETS		
<i>(Amounts in thousands of euros)</i>		
Non-current	31.12.19	31.12.18
Long-term deposits and guarantees created	19,954	18,538
TOTAL	19,954	18,538
Current	31.12.19	31.12.18
Short-term deposits and guarantees created	9,901	7,443
Miscellaneous financial assets	-	9
Dividends receivable from Group companies and associates (note 8.3.1)	7,061	3,225
TOTAL	16,962	10,677

8.3.1 Dividends receivable from Group companies and associates

The breakdown for dividends receivable from Group companies and associates and receivable shares in profit/(loss) at 31 December 2019 and 2018 were as follows:

DIVIDENDS RECEIVABLE FROM GROUP COMPANIES AND ASSOCIATES		
<i>(Amounts in thousands of euros)</i>		
	31.12.19	31.12.18
A.I.E. ITAM Delta de La Tordera	1,354	1,531
A.I.E. Gestión de servicios hidráulicos Ciudad Real	194	94
A.I.E. Sorea - Aqualia	70	97
A.I.E. Costa Tropical de Granada	2,153	1,464
A.I.E. Costa Brava Abastament Aqualia Sorea	36	39
Aguas de Álcazar Empresa Mixta, S.A.	193	-
Aqua Campiña, S.A.	277	-
Aquajerez, S.L.	2,172	-
Aqualia Mace LLC	612	-
TOTAL	7,061	3,225

NOTE 9: SHORT-TERM LOANS

The breakdown of the balance at 31 December 2019 and 2018 was as follows:

SHORT-TERM LOANS		
<i>(Amounts in thousands of euros)</i>		
	31.12.19	31.12.18
Loans to Group companies and associates	101,892	94,659
Miscellaneous loans to non-Group third parties	17,229	15,763
TOTAL	119,121	110,422

9.1. Loans to Group companies and associates: The breakdown at 31 December 2019 and 2018 was as follows:

SHORT-TERM LOANS TO GROUP COMPANIES AND ASSOCIATES		
<i>(Amounts in thousands of euros)</i>		
	31.12.19	31.12.18
Loans to Group companies and associates	87,758	84,855
Interest on short-term loans to Group companies and associates	14,134	9,804
TOTAL	101,892	94,659

SHORT-TERM LOANS TO GROUP COMPANIES AND ASSOCIATES		
<i>(Amounts in thousands of euros)</i>		
	31.12.19	31.12.18
A.I.E. Costa Tropical de Granada	11,818	11,066
A.I.E. ITAM La Tordera	234	234
Abast. Alta Costa Brava Emp.Mixta	1	1
Abrantaqua	2,010	1,607
Acque de Caltanissetta, S.P.A.	6,089	5,186
Agua y Gestión Ciclo Integral, S.A.	1,558	-
Aguas de Alcaidesa, S.L.	-	784
Aguas de Alcázar Empresa Mixta, S.A.	683	620
Aguas de Archidona, S.L.	30	29
Aguas de Langreo, S.L.	732	732
Aguas de las Galeras, S.L.	2,137	2,215
Aguas de Narixa, S.A.	465	524
Aguas de Priego, S.L.	331	184
Aguas del Puerto Empresa Municipal	13	8
Aigües de Vallirana, S.A.U.	134	82
Aigües del Vendrell, S.A.	408	-
Aqua Campiña, S.A.	555	513
Aquaelvas - Aguas de Elvas, S.A.	2,573	2,637
Aquafundalia- Agua Do Fundao, S.A.	1,722	1,723
Aquajerez, S.L.	1,325	949
Aqualia Czech, S.L.	2,455	2,301
Aqualia Intech, S.A.	30,758	30,565
Aquamaior - Aguas de Campo Maior, S.A.	502	502
Cartagua, Aguas do Cartaxo, S.A.	4,313	4,495
Compañía de Servicios Medioambientales do Atlántico, S.A.	7	5
Conservación y Sistemas, S.A.	2,101	2,117

SHORT-TERM LOANS TO GROUP COMPANIES AND ASSOCIATES*(Amounts in thousands of euros)*

	31.12.19	31.12.18
Depurplán 11, S.A.U.	996	721
EMANAGUA – Emp. Municipal de Aguas de Nijar, S.A.	408	406
Ematoxiria, S.A.	43	47
Emp. Mixta de Aguas de Jodar, S.A.	33	31
Emp. Municipal de Aguas de Benalmádena, S.A.	793	790
Emp.Municipal de Aguas de Linares, S.A.	4	43
Empresa Gestora de Aguas Linenses, S.L.	202	66
Empresa mixta de aguas y servicios, S.A.	8	7
Empresa municipal de Aguas de Algeciras, S.A.	327	341
Entemanser, S.A.	468	1
FCC Aqualia América, S.A. Unipersonal	24	1,997
FCC Construcción, S.A.	-	80
FCC Medioambiente, S.A.	44	-
Fomento de Construcciones y Contratas, S.A.	2,525	386
Hidrotec Tecnología del Agua, S.L.U.	9,772	9,208
Infraestructuras y Distribución General del Agua, S.L.	6,744	6,148
Omán Sustainable Water Services SAOC	16	16
Sociedad Española de Aguas Filtradas, S.A.	203	8
Shariket Miyeh Ras Djinet, S.p.a.	-	3
Shariket Tahlya Mostaganem, S.p.a.	34	34
Sociedad Ibérica del Agua, S.A.	10	-
Tratamiento Industrial de Aguas, S.A.	6,283	5,247
Water Sur, S.L.	1	-
TOTAL	101,892	94,659

These loans accrue market interest and 2,329 thousand euros were recorded under this heading at 31 December 2019 for corporate income tax receivable from subsidiaries belonging to the FCC Aqualia tax group. At 31 December 2018, FCC Aqualia and its subsidiaries did not belong to the above mentioned Tax Group, so there were no balances under that heading.

- 9.2. Loans to non-Group third parties. This epigraph mainly includes loans granted to municipalities, maturing in the short term, to undertake works and installations on the water network. The portion of these loans maturing at more than one year is included under the "Non-current financial assets" epigraph (see Note 8.2). These loans are included in the following breakdown at 31 December 2019 and 2018:

LOANS TO THIRD PARTIES
(Amounts in thousands of euros)

	31.12.19	31.12.18
Campo Gibraltar Association of Municipalities	260	97
Municipality of La Albuera	45	0
Municipality of Alboraya	229	230
Municipality of Alcalá de Henares	370	370
Municipality of Algeciras	-	72
Municipality of Aller	140	53
Municipality of Ávila	1,214	1,202
Municipality of Bollullos Par del Condado	273	139
Municipality of Calasparra	45	45
Municipality of Callosa del Segura	136	178
Municipality of Caravaca de la Cruz	41	41
Municipality of Chipiona	459	459
Municipality of El Vendrell	25	23
Municipality of Güimar	29	29
Municipality of Hondón de los Frailes	22	21
Municipality of Jaén	2,619	2,279
Municipality of La Guardia	34	37
Municipality of La Línea	208	208
Municipality of L'Ametlla de Mar	-	945
Municipality of Lepe	3,832	3,133
Municipality of Lora del Río	371	702
Municipality of Martos	123	237
Municipality of Masllorens	-	7
Municipality of Matalascañas	478	484
Municipality of Mula	224	183
Municipality of Olivenza	137	25
Municipality of Peralada	-	178
Municipality of Platja d'Aro	511	
Municipality of Puerto de la Cruz	2,030	1,605
Municipality of Ribera del Fresno	465	397
Municipality of Ronda	193	172
Municipality of San Lorenzo del Escorial	196	95
Municipality of San Pedro del Pinatar	28	28
Municipality of Sant Fost	56	149
Municipality of Ubrique	220	213
Municipality of Vélez-Málaga	901	716
Llanos Villamartín Irrigation Community	114	379
Dual Fuel Solutions, S.L.	-	32
Tierras del Adaja Association	7	7
Santa Eulalia Siglo XXI, S.A.	416	-
Miscellaneous loans	362	6
Loans with partners of JVs due to a different contribution	416	587
Total loans to third parties	17,229	15,763

NOTE 10. TRADE AND OTHER RECEIVABLES

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

CLIENTS BY SALES AND PROVISION OF SERVICES		
<i>(Amounts in thousands of euros)</i>		
	31.12.19	31.12.18
Invoiced production with payment outstanding from non-Group clients	100,810	98,825
Assignment without recourse of client receivables, third parties	(96,990)	(96,338)
Completed work pending invoicing to non-Group clients	49,253	46,118
Deductions for non-group client guarantees	560	780
Non-tax receivables from public entities	1,088	125
Impairment of client value	(25,000)	(28,018)
TOTAL	29,721	21,492

At 31 December 2019, 11,960 thousand euros of the net Trade receivables balance corresponded to Joint Ventures (15,904 thousand euros at 31 December 2018).

The "Invoiced Production with Payment Outstanding" epigraph includes the amount for the invoices issued to clients for services rendered and with payment outstanding on the date for the balance sheet.

The difference between the amount for the output recorded for each of the water supply works and services, valued in accordance with the criteria laid down in Note 4.10 "Revenue and expenses" and the certified amount for each of them is included in "Completed output pending certification". At 31 December 2019, the "Completed output pending certification" epigraph includes 2,932 thousand euros relating to construction works and 46,321 thousand euros relating mainly to water supply to subscribers, pending invoicing at the above mentioned date.

The "Assignment without recourse of trade receivables, third parties" heading relates to collection rights assigned without recourse by the Group at 31 December 2019 and 31 December 2018 to a banking syndicate in which Banco Santander acts as lead bank, based on an agreement signed on 15 July 2011 and amended on 16 June 2014 and the following years with a maturity date as of 15 July, 2020. Under this agreement, the Parent acts on its own behalf and also as the agent for two subsidiaries Entemanser, S.A. and Aigues de Vallirana, S.A.U. In 2015, the joint limit available on the assignment was increased from 90,000 thousand euros to 102,000 thousand euros.

- 10.2. The breakdown for the balance of "Client receivables from Group companies and associates" at 31 December 2019 and 2018, which mainly includes trade activities, was as follows:

CUSTOMERS, GROUP COMPANIES AND ASSOCIATES		
<i>(Amounts in thousands of euros)</i>		
GROUP COMPANIES	31.12.19	31.12.18
Abrantaqua, S.A.	880	938
Acque di Caltanissetta, S.P.A.	17,296	11,681
Aguas de Alcaidesa, S.L.	-	1,308

CUSTOMERS, GROUP COMPANIES AND ASSOCIATES*(Amounts in thousands of euros)*

Aguas de Alcázar Empresa Mixta, S.A.	339	353
Aguas de las Galeras, S.L.	30	27
Aigües de Vallirana, S.A.U.	18	20
AISA D.O.O. Beograd-Vracar	1	8
AISA Montenegro	4	8
AISA Pristina LLC	23	20
Aqua Campiña, S.A.	58	206
Aquaervas – Aguas de Elvas, S.A.	576	1,469
Aquafundalia -Agua Do Fundao, S.A.	1,500	1,488
Aquajerez, S.L.	1,840	1,639
Aqualia France	31	-
Aqualia Infraestructuras Inzenyring	8	-
Aqualia Mace LLC	287	178
Aqualia Mace Qatar	11	-
Aqualia Infraestructuras de México, S.A. de C.V.	476	326
Aqualia Intech, S.A.	999	1,385
Aqualia New Europe B.V.	-	215
Aquamaior – Aguas del Campo Maior, S.A.	22	31
Cartagua, Aguas Do Cartaxo, S.A.	2,960	2,433
Conservación y Sistemas, S.A.	212	6
Depurplan 11, S.L.	97	80
Empresa Gestora de Aguas Linenses, S.L.	138	290
Entemanser, S.A.	198	126
Fast Consortium Limited LLC	2	104
FCC Aqualia USA Corp	36	-
FCC Construcción, S.A.	172	400
FCC Equal CEE, S.L.	1	-
FCC Medio Ambiente, S.A.	6	-
FCC Servicios Industriales y Energéticos, S.A.	20	15
Fomento de Construcciones y Contratas, S.A.	183	58
FS Colaboración y Asistencia, S.A.	-	-
Hidrotec Tecnología del Agua, S.L.	52	85
Infraestructuras y Distribución General del Agua, S.L.	51	91
Matinsa	8	7
Severomoravske Vodovody a Kanalizace Ostrava, a.s.	308	235
Sociedad Española de Aguas Filtradas, S.A.	239	33
Shariket Tahlya Miyah Mostaganem S.p.A.	355	-
Tratamiento Industrial de Aguas, S.A.	96	34
Vodotech Spol, S.R.O.	5	-
ASSOCIATED COMPANIES		
Aguas de Archidona, S.L.	302	151
Aguas de Langreo, S.L.	198	212
Aguas de Narixa, S.A.	16	29
Aguas de Priego, S.L.	419	428
AIE Abast. Alta Costa Brava emp. Mixta	3	2
AIE Aquagest-Aqualia	16	16
AIE Costa Brava AB. Aqualia-Sorea	29	69
AIE Costa Tropical de Granada	2,842	2,431
AIE ITAM Delta de la Tordera	-	399
Aigües del Tomoví, S.A.	-	184
Aigües del Segarra Garrigues, S.A.	23	138
Aigües del Vendrell, S.A.	155	-
Compañía de Servicios Medioambientales do Atlántico, S.A.	40	39
Concesionaria de Desalación de Ibiza, S.A.	39	24
Emp. Mixta d'Aigües de la Costa Brava	-	-
Empresa Mixta de Aguas de Jodar, S.A.	501	400
Empresa Mixta de Aguas de Ubrique, S.A.	264	261

CUSTOMERS, GROUP COMPANIES AND ASSOCIATES		
<i>(Amounts in thousands of euros)</i>		
Empresa Mixta de Aguas y Servicios, S.A.	79	77
Empresa Municipal de Aguas de Algeciras, S.A.	5,158	6,535
Empresa Municipal de Aguas de Benalmádena, S.A.	63	95
Empresa Municipal de Aguas de Linares, S.A.	1,103	442
Empresa Municipal de Aguas de Níjar, S.A.	2,353	2,179
Empresa Municipal de Aguas de Toxiria, S.A.	545	446
Girona, S.A.	5	5
Nueva Sociedad de Aguas de Ibiza, S.A.	1	1
Omán Sustainable Water Services, SAOC	39	-
Orasqualia Devel. Water Treatment Plant. S.A.E.	8	183
Orasqualia O&M	6	69
Shariket Miyeh Ras Djinet S.p.A.	-	631
Shariket Tahlya Miyah Mostaganem S.p.A.	-	869
TOTAL	43,745	41,612

The balance receivable from Shariket Tahlya Miyah Mostaganem SpA 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 dirhams; the balance with Aquos El Realito, S.A. de CV is denominated in Mexican pesos and the balance for Severomoravske Vodovody to Kanalizace Ostrava, A.S. is denominated in Czech crowns. All of them were converted at the exchange rate applicable at the close of each business year.

10.3 The breakdown of the balance existing under "Impairment of the value of credits for commercial transactions" was as follows:

IMPAIRMENT OF CREDIT VALUE FOR COMMERCIAL TRANSACTIONS		
<i>(amount in thousands of euros)</i>		
	31.12.2019	31.12.2018
Client insolvencies	25,000	28,018
Receivable insolvencies	6	52
TOTAL	25,006	28,070

10.4 Movements in the "Impairment of the value of credits for commercial transactions" account was as follows:

IMPAIRMENT OF THE VALUE OF CREDITS FOR COMMERCIAL TRANSACTIONS	
<i>(Amounts in thousands of euros)</i>	
<i>Variation between 1 January 2018 and 31 December 2018</i>	
Balance at 31 December 2017	30,420
Impairment charge recognised in the current business year	2,743
Balance arising from change of % of JVs	25
Reversal of impairment charge recognised in previous business years	(5,118)
Balance at 31 December 2018	28,070
<i>Variation between 1 January 2019 and 31 December 2019</i>	
Balance at 31 December 2018	28,070
Impairment charge recognised in the current business year	815
Balance arising from change of % of JVs	-
Reversal of impairment charge recognised in previous business years	(3,879)
Balance at 31 December 2019	25,006

The Company includes the net effect of this provision under the "Losses on, impairment of and variations in provisions for commercial transactions" epigraph (see Note 19.11). This epigraph also includes the loss

on receivables deemed to be uncollectible, amounting to 4,416 thousand euros at 31 December 2019 (6,966 thousand euros at 31 December 2018) and other short-term provisions for allocation.

NOTE 11. CASH AND MISCELLANEOUS 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. Since that date, treasury has been managed autonomously so the Company has considerably increased its levels of cash as a result of its ability to generate cash flows.

In the Company's bond issue environment in the 2017 business year (see note 15.1), guarantees were provided relating to certain accounts held by FCC Aqualia, S.A. at 31 December 2019 with a value of 251,810 thousand euros (285,489 thousand euros at 31 December 2018). These amounts include the balances for debt service accounts amounting to 26,979 thousand euros as at December 31, 2019 and December 31, 2018.

NOTE 12. NET EQUITY

The composition of and movements in Net Equity are presented in the Statement of Changes in Net Equity.

12.1. Capital stock is represented by 145,000,000 fully subscribed and paid up registered shares with a nominal par value of one euro each. During the 2001 business year, capital stock was redenominated in euros, generating a restricted reserves account amounting to 76 thousand euros, which is posted under the "Other reserves" epigraph in the attached balance sheet. The Company's shares are not listed on the Stock Market.

During the 2018 business year, **Fomento de Construcciones y Contratas, S.A.** sold 49% of the capital stock to Global Infraco Spain, S.L.U., belonging to the IFM investment fund and transferred 10% of its shareholding to a company 100% owned by the FCC Group, known as FCC MIDCO, S.A., and its shareholder structure is thereby distributed as follows:

Shareholder	No. of shares	% direct shareholding
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 a company 100% owned by Fomento de Construcciones y Contratas, S.A., making Fomento de Construcciones y Contratas, S.A. the direct and indirect holder of 51% de FCC Aqualia, S.A.

12.2. The **share issue premium** was fully distributable at 31 December 2019 and 2018.

12.3 The breakdown of **reserves** at 31 December 2019 and 2018 was as follows:

RESERVES		
<i>(Amounts in thousands of euros)</i>		
	31.12.19	31.12.18
Legal reserve	29,000	29,000
Voluntary reserves	101,442	74,765
Special reserves	76	76
Commercial fund reserves	32,635	32,635
TOTAL	163,153	136,476

On 28 June 2019, at the Annual General Shareholders Meeting, the Company approved a distribution of dividends charged to Reserves amounting to 90,000 thousand euros, which was paid in full in July.

At 31 December 2019, the **Legal Reserve** was equal to 20% of capital stock, so no additional amount will be assigned in the distribution of profit for the 2019 business year (see Note 3). Accordingly, the Legal reserve had been fully provisioned at 31 December 2018.

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 capital stock and provided no other reserves are available for this purpose, the Legal reserve may only be used to offset losses.

Availability of **voluntary reserves** was unrestricted at 31 December 2019 and 2018.

Commercial fund 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 commercial fund appearing on the asset side of the balance sheet (see Note 5), whose balance at 31 December 2019 was 32,635 thousand euros (same balance at 31 December 2018).

In accordance with the amendments made to the Spanish Limited Liability Companies Law by Audit Law 22/2015, of 20 July, for business years beginning on or after 1 January 2016, the Company interrupted contributions to this commercial fund reserve, and any amount that exceeds the commercial reported on the asset side of the balance sheet must be reclassified as voluntary reserves, and will be made available as from this year. In 2019, no amount was reclassified as Voluntary reserves since the above mentioned circumstance had not arisen.

12.4 Adjustments due to changes in value.

The breakdown for this heading is as follows:

ADJUSTMENTS DUE TO CHANGES IN VALUE		
<i>(Amounts in thousands of euros)</i>		
	31.12.19	31.12.18
Financial investments at fair value	5,953	-
TOTAL	5,953	-

Under this heading the Company records the adjustment made in accounts in 2019 for the fair value valuation of the financial investment in 25.5% of the capital stock of Shariket Ras Djinet, a concession company for the desalination plant located in the city of the same name in Algeria and for which it has signed an agreement with one of the other shareholders for the transfer of the political rights of the shares and their ability to significantly influence this company (see note 8.1 and 7.1).

NOTE 13. GRANTS

Movements under this epigraph in each business year were as follows:

GRANTS	
<i>(amount in thousands of euros)</i>	
<i>Variation between 1 January and 31 December 2019</i>	
Balance at 31 December 2018	4,225
Additions during the business year	259
Amount assigned to Profit and Loss	(1,002)
Tax effect	186
Balance at 31 December 2019	3,668

GRANTS	
<i>(amount in thousands of euros)</i>	
<i>Variation between 1 January and 31 December 2018</i>	
Balance at 31 December 2017	4,922
Additions during the business year	716
Amount assigned to Profit and Loss	(1,645)
Tax effect	232
Balance at 31 December 2018	4,225

The income statement includes 1,002 thousand euros relating to the assignment to profit and loss of non-financial fixed and non-current assets (1,645 thousand euros at 31 December 2018).

At 31 December 2019, there was an amount of 370 thousand euros originating from the inclusion of JVs (555 thousand euros at 31 December 2018). These amounts were granted by the European Union to finance an investment plan being implemented by the Company in JVs with other companies.

The income statement includes 11,877 thousand euros corresponding to operating grants (10,990 thousand euros at 31 December 2018) relating to grants awarded to the Company by the municipalities that provide a comprehensive water cycle service, in recognition to the concessionary company of the operational shortfall in the concessions, in accordance with the provisions in the specifications for the tender and the contract respectively.

The amounts pending payment in this regard at 31 December 2019 and 2018 are detailed in Note 16.

NOTE 14. PROVISIONS

The breakdown and movements in the 2019 and 2018 business years were as follows:

LONG-TERM PROVISIONS					
<i>Variation between 31 December 2018 and 2019</i>					
	BALANCE	(+)	(+)	(-)	BALANCE
	31.12.18	PROVISION	UPDATE	APPLICATION/REVE	31.12.19
				RSION	
Provisions for pensions	28	-	-	(9)	19
Other provisions	35,165	2,870	4	(4,849)	33,190
Provisions for action relating to infrastructure	31,053	11,015	442	(8,930)	33,580
TOTAL	66,246	13,885	446	(13,788)	66,789
<i>Variation between 31 December 2017 and 2018</i>					
	BALANCE	(+)	(+)	(-)	BALANCE
	31.12.17	PROVISION	UPDATE	APPLICATION/REVE	31.12.18
				RSION	
Provisions for pensions	33	-	-	(5)	28
Other provisions	34,804	4,841	4	(4,484)	35,165
Provisions for action relating to infrastructure	29,587	9,190	589	(8,313)	31,053
TOTAL	64,424	14,031	593	(12,802)	66,246

The "Other provisions" recorded at 31 December 2019, amounting to 2,870 thousand euros (4,841 thousand euros at 31 December 2018) was recorded with a charge in the "Other current management expenses" epigraph in the attached income statement, and covers contractual responsibilities that could lead to a probable payment obligation in the future.

Updating of the provisions amounting to 446 thousand euros at 31 December 2019 (593 thousand euros at 31 December 2018) was recorded with a charge in the "Financial burdens" epigraph (see Note 19.8) in the attached Income Statement.

Long-term provisions correspond to:

- Provisions for pensions. The Company externalised all commitments relating to complements to Social Security pensions and retirement bonuses. The balance at 31 December 2019 and 2018 corresponds to commitments originating from the Aqualia – FCC (Vigo) JV that it was not possible to externalise.
- Other provisions. Includes estimates made by the Company for contractual responsibilities that may involve a payment obligation in the future, with a special mention for a provision with the Arteixo Municipality, amounting to 14,000 thousand euros.

With regard to the dispute with the Arteixo City Municipality, a legal claim was filed on their behalf against FCC Aqualia amounting to 29,390 thousand euros. Until 30 June 2013, the date on which the Annual General Meeting was held and in which it was decreed to liquidate "Augas municipais de Arteixo, S.A.", FCC Aqualia and the Municipality were shareholders of this company for the provision of the comprehensive water cycle service in that municipality, with a shareholding of 51% owned by FCC Aqualia and the remainder owned by the Municipality. In order to file an appeal against the above-mentioned legal claim at 31 December 2017, the Company provided a bank guarantee for 14,000 thousand euros, which was still in force at 31 December 2019.

In January 2018, a verdict of guilty was recorded against FCC Aqualia, against which an appeal was filed. In October 2018, a ruling on the appeal revoked the previous sentence, making it obligatory to issue a new one. This has not yet occurred so the provision has been maintained.

- c) Provisions for action relating to infrastructure. This refers to those established whereby the Company is obliged to take action to improve infrastructure and this action is not offset by higher income in the concession. This is balanced by an entry in the “Intangible assets by concession agreement” epigraph. The breakdown by contract at 31 December 2019 and 2018, was as follows:

	<i>(Amounts in thousands of euros)</i>	
	31.12.19	31.12.18
Almansa (Albacete)	-	218
Añoover de Tajo (Toledo)	150	290
Arcos de la Frontera (Cadiz)	2,600	2,839
Arico (Santa Cruz de Tenerife)	700	700
Ávila (Ávila)	1,979	-
Azuaga (Badajoz)	263	302
Barbate (Cadiz)	302	486
Benalup (Cadiz)	392	422
Bollulos del Condado (Huelva)	-	70
Calamonte (Badajoz)	104	-
Candelaria (Santa Cruz de Tenerife)	1,076	1,153
Candeleda (Ávila)	190	-
Cangas (Pontevedra)	2,349	2,349
Caspe (Zaragoza)	112	129
Castrillón (Asturias)	4,250	-
Cazalegas (Toledo)	151	-
Chiclana (Cádiz)	-	24
Els Poblets (Alicante)	140	96
Fraga (Huesca)	22	179
Huerta de Valdecarabanos (Toledo)	67	-
Huésca (Granada)	536	-
La Guardia (Toledo)	46	293
Lepe (Huelva)	-	28
Librilla (Murcia)	44	-
Lleida (Lleida)	8,186	9,459
Campaña Sur Community of Municipalities (Badajoz)	-	86
Los Molinos Community of Municipalities (Badajoz)	133	133
Campo de Gibraltar Community of Municipalities (Cadiz)	1,133	1,386
Río Torcón Community of Municipalities (Toledo)	35	-
Mérida (Badajoz)	375	-
Miajadas (Cáceres)	414	225
Moguer (Huelva)	319	484
Navalcán (Toledo)	219	267
San Pedro del Pinatar (Murcia)	3,436	4,881
Santa Eulalia (Balearic Islands)	1,904	-
Tarazona de la Mancha (Albacete)	-	100
Turleque (Toledo)	90	-
Valle del Zabalí (Granada)	220	-
Vigo (Pontevedra)	1,098	2,640
Villacañas (Toledo)	209	-
Villanueva de Alcardete (Toledo)	7	327
Villaviciosa (Asturias)	147	147
Other contracts	182	1,340
TOTAL	33,580	31,053

Short-term provisions include the Company's obligations to meet future payment commitments for events occurring when undertaking its activities and which correspond to contractual or legal obligations.

NOTE 15. FINANCIAL LIABILITIES AND TRADE PAYABLES BY CATEGORY

During the 2017 business year and in accordance with the breakdown in 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 the close of the 2019 and 2018 business years was as follows:

BALANCES AT 31.12.19 (in thousands of euros)	Non-current	Current	Total
Payables			
Payables to Group companies and associates (notes 15.2 and 15.3)	-	123,507	123,507
Debentures and other marketable values (note 15.1)	1,345,306	15,227	1,360,533
Miscellaneous financial liabilities (note 15.5)	39,129	7,723	46,852
Trade and other payables	-	254,419	254,419
TOTAL	1,384,435	400,876	1,785,311

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
Debentures and other marketable values	1,344,204	15,227	1,359,431
Financial lease payables	-	5	5
Miscellaneous 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

For financial liabilities classified in the "Purchase Ledger", the difference between book value and fair value is not significant.

Net gains and losses from financial liabilities relating mainly to the financial burden of the payables to Group companies and associates and bank borrowings and bondholders, amounted to 453 thousand euros and 32,079 thousand euros respectively at 31 December 2019 (656 thousand euros and 32,038 thousand euros respectively at 31 December 2018).

15.1. Debentures and other marketable values

The breakdown of this heading was as follows:

Amounts in thousands of euros	31.12.2019	31.12.2018
Issue of non-convertible bonds listed in Ireland	1,345,306	1,344,204
TOTAL NON-CURRENT	1,345,306	1,344,204
Interest on non-convertible bonds listed in Ireland	15,227	15,227
TOTAL CURRENT	15,227	15,227
TOTAL	1,360,533	1,359,431

Movement at 31 December 2018 and 31 December 2019 was as follows:

	Balance at 31/12/18	Issues	Interest and others	Balance at 31.12.19
Debt values issued in the EU requiring a prospectus to be registered	1,359,431	-	1,102	1,360,533
	1,359,431	-	1,102	1,360,533

	Balance at 31.12.17	Issues	Interest and others	Balance at 31/12/18
Debt values issued in the EU requiring a prospectus to be registered	1,358,634	-	797	1,359,431
	1,358,634	-	797	1,359,431

Issue of non-convertible bonds listed in Ireland.

In the context of the Refinancing Agreement relating to the financial debt of Fomento de Construcciones y Contratas, S.A. and of certain Group companies, agreements made by the Board of Directors of FCC Aqualia at a meeting held on 24 February 2017 included making one or more issues of non-convertible Company bonds, for a joint maximum nominal amount of 1,350,000,000 euros.

Subsequently, on 1 June 2017, the Irish Stock Exchange approved the prospectus in relating to two issues of non-convertible bond guaranteed by the Company with the following features:

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

Lastly, on 8 June 2017, the Company executed in the public articles of incorporation the terms and conditions of the two previous issues which, aside from those already mentioned, have the following features:

- The nominal value of the bonds is €100,000 and, above that figure, in whole multiples of €1,000, until reaching €199,000.
- Interest will be paid annually on 8 June of each year.

- The amortisation dates envisaged for the first and second issues are 8 June 2022 and 8 June 2027, respectively.
- The non-convertible bonds are admitted for trading on the Irish Stock Exchange, on an unregulated market.
- Both issues have the following guarantees:
 - o Pledge on 100% of the shares of Tratamiento Industrial de Aguas, S.A., Conservación y Sistemas, S.A., Sociedad Española de Aguas Filtradas, S.A., Depurplán y Aigues de Vallirana, S.A. and 97% of the shares of Entemanser, S.A.
 - o Pledge on 100% of the shares of Infraestructura y Distribución General del Agua, S.L., Empresa Gestora de Aguas Linenses. S.L., Aguas de las Galeras, S.L., Hidrotec Tecnología del Agua, S.L. and on 51% of Aqualia Czech.
 - o Pledge on 98% of the shares of Acque di Caltanissetta and on 100% of the shares of Aqualia Mexico, S.A.C.V.
 - o Pledge on the balances of certain accounts. (Note 11)

Under the heading of "Obligations and current bonds with third parties", the Company recorded an amount of 15,227 thousand euros at 31 December 2019 (15.227 thousand euros at 31 December 2018) for interest accrued since 8 June each year.

The listing for these debentures at 31 December 2019 was as follows:

- Bonds maturing in 2022: 102.419%.
- Bonds maturing in 2027: 107.310%.

In addition to the guarantees set forth in the previous paragraphs, the non-convertible bond issues by FCC Aqualia have placed the following restrictions on the Company

- Restriction to new financial indebtedness that did not exist on the date the bonds were issued if a Net Debt / Ebitda proportion of less than 5 times is not reached or if it has nothing to do with the purchase and sale of goods and services, possible employee claims, or contractual obligations and guarantees provided by the FCC Aqualia Group in the normal performance of its activities. In addition to the above-mentioned transactions, it is permitted to grant credits and loans within the consolidation perimeter. This financial debt restriction does not include the three subsidiaries that have their own funding, namely Severomoravske Vodovody a Kanalizace Ostrava, Shariket Talhya Mostaganem and Aquajerez, or without recourse financing on behalf of the Group.
- Restrictions on the distribution of dividends. A dividend distribution is not allowed as long as a Net Debt to EBITDA ratio of less than 5 times is not reached.
- Restriction to variations in the Company's capital structure and in that of its investees whose shares are subject to pledge, except for capital increases permitted in accordance with the terms and conditions of the issue.

15.2. Non-current financial debts with Group companies.

	(Thousands of euros)	
	31.12.2019	31.12.2018
Aqualia Intech, S.A.	-	565
TOTAL	-	565

15.3. Current payables to Group companies and associates at 31 December 2019 and 2018 for financial transactions and the tax effect of tax consolidation were as follows:

<i>SHORT-TERM PAYABLES TO GROUP COMPANIES AND ASSOCIATES</i>		
<i>(Amounts in thousands of euros)</i>		
	31.12.19	31.12.18
Acque Di Caltanissetta, S.P.A.	1,819	931
Water and Comprehensive Cycle Management	30	-
Aguas de Alcaidesa, S.L.U.	-	1,272
Aguas de Archidona, S.L.	1	-
Aguas de las Galeras, S.L.	417	313
Aguas de Priego, S.L.	3	2
Aguas de Tomovi, S.A.	32	5
Aguas del Vendrell	46	-
AIE Itam Delta de la Tordera	749	749
Aigües de Vallirana, S.A.U.	3,261	3,004
Aqua Campiña, S.A.	28	28
Aqualia Czech, S.L.	2,632	-
Aqualia Intech, S.A.	33,612	42,519
Aqualia México, S.A. de C.V.	2,961	3,259
Augas Municipais de Arteixo, S.A.	1	1
Conservación y Sistemas, S.A.	4,416	4,413
Depurplan 11, S.A.U.	7,777	4,980
Empresa Gestora de Aguas Linenses, S.L.	199	-
Empresa Mixta de Aguas de Ubrique, S.A.	509	471
Empresa Mixta de Butarque, S.A.	166	166
Empresa Municipal de Aguas de Linares, S.A.	-	471
Entemanser, S.A.	3,489	4,101
FCC AQUALIA América, S.A.U.	-	318
FCC Construcción, S.A.	71	46
Fomento de Construcciones y Contratas, S.A.	534	637
Grupo Proactiva	13	13
Hidrotec, S.L.	13,338	14,097
Infraestructuras y Distribución General de Agua, S.L.	9,185	8,750
Inversora Riutort, S.L.	290	290
Shariket Taliya Miyah Mostaganem	-	1
Sistemas y Vehículos de Alta Tecnología, S.A.	17	17
Sociedad Española de Aguas Filtradas, S.A.	6,463	7,556
Sociedad Ibérica del Agua, S.A.	203	222
Tratamiento Industrial de Aguas, S.A.	31,252	30,753
Water Sur, S.L.	-7	-
TOTAL	123,507	129,385

At 31 December 2019, the short-term balance for corporate income tax held with the subsidiaries belonging to the FCC Aqualia tax group amounted to 4,553 thousand euros. At 31 December 2018, FCC Aqualia and its subsidiaries had not yet formed the above-mentioned Tax Group so there are no balances under that heading.

The average interest rate applied in 2019 and 2018 was 0.10%.

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

<i>CURRENT SUPPLIERS FOR GROUP COMPANIES AND ASSOCIATES IN THE SHORT TERM</i>		
<i>(Amounts in thousands of euros)</i>		
	31.12.19	31.12.18
A.I.E. Itam Delta de la Tordera	798	1,355
Aguas de Alcaidesa, S.L.U	-	106
Aguas de Archidona, S.L.	1	-
Aguas de Denia, S.A.	181	284
Aguas de Langreo, S.A.	14	14
Aguas de las Galeras, S.L.	1	-
AIE Costa Tropical de Granada	5	6
Aigües del Tomoví, S.A.	-	1
Aigues del Vendrell	1	-
Aquajerez, S.L.	3	-
Aqualia Intech, S.A.	323	1,061
Aqualia México, S.A. de C.V.	207	335
Áridos de Melo, S.L.	15	-
Conservación y Sistemas, S.A.	11	13
Ecoactiva Medioambiente, S.A.	8	6
Emp. Gestora de Aguas Linenses, S.L.	26	2
Emp. Mixta de Aguas de Ubrique, S.A.	5	5
Emp. Mixta de Aguas y Servicios, S.A.	66	45
Emp. Municipal Mixta de Aguas de Nijar	587	735
Empresa Municipal de Aguas de Algeciras, S.A.	385	983
Empresa Municipal de Aguas de Linares, S.A.	6	10
Entemanser, S.A.	105	105
FCC Ámbito, S.A.	8	20
FCC Construcción, S.A.	3,435	4
FCC Equal CEE, S.L.	9	5
FCC Industrial y Servicios Energéticos, S.A.	19	89
FCC Medio Ambiente, S.A.	12	40
Fedemes, S.L.	488	407
Fomento de Construcciones y Contratas, S.A.	3,020	3,350
Gamasur Gibraltar, S.L.	34	33
Hidrotec Tecnología del Agua, S.L.	7,399	5,915
Hormigones Reinares	1	-
Infraestructuras y Distribución General de Agua, S.L.	49	83
Nueva Sociedad de Aguas de Ibiza, S.A.	26	40
Orasqualia Devel. Waste T.P. S.A.E.	-	21
Prefabricados Delta, S.A.	-	2
Proveiments D'Aigua, S.A.	11	18
Servicios Especiales de Limpieza, S.A.	1	58
Severomoravske Vodovody A Kanal Ost	1	2
Sociedad Española de Aguas Filtradas, S.A.	191	987
Tratamiento Industrial de Aguas, S.A.	3,286	3,013
TOTAL	20,738	19,153

15.5. Miscellaneous financial liabilities.

This epigraph mainly includes deposits received from subscribers in water contracts and suppliers of fixed and non-current assets.

NOTE 16. PUBLIC ADMINISTRATIONS AND TAX STATUS

After completion of the sale mentioned in Note 1 to these accounts, the Company ceased to be part of the tax consolidation headed by Fomento de Construcciones y Contratas, SA and in 2018, both it and all its Spanish subsidiaries paid corporate income tax individually and recorded the balance to be paid for corporate income tax for 2018 with the Public Treasury separately.

Since 13 February 2019, and effective from 1 January 2019, the Company is the head of Tax Group 233/19.

16.1. Balances with Public Administrations.

The breakdown of the balance held with public Administrations at 31 December 2019 and 2018 was as follows:

RECEIVABLE FROM PUBLIC ADMINISTRATIONS		
<i>(Amounts in thousands of euros)</i>		
	31.12.19	31.12.18
Current tax assets	1,481	2,866
Long-term tax grants receivable from the Public Treasury	3,159	2,768
Short-term tax grants receivable from the Public Treasury	21,586	20,089
Other tax subsidies receivable from the Public Treasury	118	54
TOTAL	26,344	25,777
CURRENT PAYABLES TO PUBLIC ADMINISTRATIONS		
<i>(Amounts in thousands of euros)</i>		
	31.12.19	31.12.18
Current tax liabilities	4,403	1,532
VAT payable to Public Treasury	156	702
Public Treasury withholdings payable on account of personal work	2,597	2,355
Public Treasury withholdings payable on account of movable capital and real estate	65	57
Other Public Treasury withholdings payable	66,095	68,681
Accrual of fees and other taxes	1,014	1,082
Indirect taxes assigned	719	586
Amounts payable to Social Security	4,374	3,997
Current VAT deferrals payable	4	61
Current tax deferrals payable on account of personal work	41	40
TOTAL	79,468	79,093

“Other taxes payable” mainly include the taxes collected by the Company on behalf of certain municipalities and which were outstanding at 31 December 2019 and 2018.

16.2. Deferred tax assets and liabilities.

Deferred tax assets correspond essentially to provisions that are non-deductible for tax purposes in the business year, temporary restriction in the deduction of the amortisation of fixed and non-current assets recorded in previous business years and negative taxable amounts for the JVs that assign their profit/(loss) in the following business year, while deferred tax liabilities correspond essentially to non-repayable grants, taxable amounts for the JVs that will be assigned to profit/(loss) in the following business year and to the capitalisation of the financial burden, concession agreement.

DEFERRED TAX ASSETS		
<i>(Amounts in thousands of euros)</i>		
	31.12.19	31.12.18
Impairment of backlog, fixed and non-current assets and clients	12,289	18,054
Amortisations	2,774	3,248
For the profit/(loss) of JVs assigned to the following business year and adjustments thereto	2,424	4,085
Others	325	2,084
TOTAL	17,812	27,471

DEFERRED TAX LIABILITIES		
<i>(Amounts in thousands of euros)</i>		
	31.12.19	31.12.18
For the profit/(loss) of JVs assigned to the following business year and adjustments thereto	5,153	3,969
For financial leases	9	51
For non-deductible backlog provisions	1,127	1,691
For freedom of amortisation	509	372
For capital grants	1,378	1,531
Others	141	236
TOTAL	8,317	7,850

Movements in deferred tax assets and liabilities were as follows:

	Deferred tax assets	Deferred tax liabilities
Balance at 31.12.2017	6,856	13,381
Originating in the business year	4,491	(3,668)
Originating in previous business years	(2,336)	4,242
Miscellaneous adjustments	18,460	(6,131)
Balance at 31.12.2018	27,471	7,824
Originating in the business year	209	4,144
Originating in previous business years	(3,055)	(3,984)
Miscellaneous adjustments	(6,813)	333
Balance at 31.12.2019	17,812	8,317

At 31 December 2018, the Company calculated its corporate income tax following an individual criterion and revalued the deferred tax assets and liabilities in accordance with both the new situation and the current business plan, considering that there are no doubts about retrieval in a period not exceeding 10 years.

16.3. Reconciliation between accounting profit and taxable profit:

Reconciliation between accounting profit for the business year and taxable profit for corporate income tax purposes at 31 December 2019 and 2018, was as follows:

RECONCILIATION OF ACCOUNTING PROFIT WITH TAXABLE PROFIT FOR CORPORATE INCOME TAX PURPOSES		
<i>(Amounts in thousands of euros)</i>		
	31.12.19	31.12.18
Accounting profit/(loss) for the business year before tax	113,909	108,193
Permanent differences	(23,895)	(31,613)
Adjusted accounting profit/(loss)	90,014	76,580
Temporary differences: Prepaid	(11,384)	3,291
Originating in the business year	837	17,963
Originating in previous business years	(12,221)	(14,672)
Temporary differences: Deferred	(640)	7,624
Originating in the business year	(16,576)	16,967
Originating in previous business years	15,936	(9,343)
Basic taxable amount	77,990	87,495

In the above table, special mention should be made of the permanent differences corresponding to both business years. These differences arise from exemption in order to avoid the double taxation of dividends. Law 27/2014, of 27 November on Corporate Income Tax, to be applied from the 2015 business year, eliminated tax credit for the double taxation of dividends, replacing it with the above-mentioned exemption.

16.4. Tax recognised in Net Equity

No tax was recognised in Net Equity for a significant amount in the 2019 and 2018 business years.

16.5. Reconciliation between accounting profit and corporate income tax expense.

The calculation of Corporate Income Tax for accounting purposes was as follows:

CALCULATION OF CORPORATE INCOME TAX FOR ACCOUNTING PURPOSES		
<i>(Amounts in thousands of euros)</i>		
	31.12.19	31.12.18
Profit before tax	113,909	108,193
-Permanent differences	(23,895)	(31,613)
Adjusted Accounting Profit	90,014	76,580
Accrued gross corporate income tax (25%)	22,504	19,145
+Tax credits and discounts	(672)	(6,167)
+Miscellaneous adjustments	11,194	(21,429)
Corporate Income Tax expense	33,026	(8,451)

As at 31 December 2019, "Other adjustments" includes an amount of 2,234 thousand euros for corporate income tax accrued by permanent establishments abroad and an amount of 6,813 thousand euros for the assignment to profit/(loss) of assets for deferred tax, after re-evaluation by the Company of its future recoverability. As at 31 December 2018, "Other adjustments" included 24,591 thousand euros for reduced expense for the re-evaluation of deferred tax assets and liabilities, and a further amount of 3,162 thousand for increased expense for the application of tax credits used as reduced expense in previous business years but pending application in the FCC Tax Group.

16.6. Breakdown of Corporate Income Tax Expense

The breakdown of Corporate Income Tax expense for the 2019 and 2018 business years was as follows:

Breakdown of corporate income tax expense		
<i>(Amounts in thousands of euros)</i>		
	31.12.19	31.12.18
Current tax	24,067	(11,895)
Deferred taxes	8,959	20,346
Total corporate income tax (expense)/income	33,026	8,451

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. Business years for which inspections are outstanding

The 2018 business year concluded with no significant effects on the FCC Aqualia Group as a result of the procedures initiated on 8 June 2015 by the Tax and Customs Control Department, answerable to the Tax Authority with regard to Corporate Income Tax for Tax Group 18/89 headed by FCC, S.A. (periods from 01/2010 to 12/2013), and for Value Added Tax (periods from 01/2012 to 12/2013) as the main taxes affecting the Group.

On 11 October 2017, the FCC Group had already signed consent with the corporate income tax return for 2010-2012 which did not generate significant liabilities for the FCC Aqualia Group other than those recorded in the financial statements for the 2017 business year.

Consent with the VAT returns for the 2012 and 2013 business years was also signed on 11 December 2017, generating a liability of 131 thousand euros, to be paid by FCC Aqualia, and which was paid in 2018.

With regard to other years for which Group companies have been inspected, in certain cases, the different criteria applied by the tax authorities gave rise to claim proceedings against which the corresponding Group companies are currently appealing.

The criteria that the tax authorities could apply with regard to the business years open to inspection could give rise to contingent tax liabilities that may not be objectively quantified. The administrators consider that the resulting liabilities, relating both to the business years open to inspection and to the proceedings filed, will not significantly affect the Company's equity.

NOTE 17. LONG-TERM ACCRUALS

This epigraph covering the balance sheet at 31 December 2019 and 2018 includes the amounts received in the tariff to undertake works and investments that involve environmental improvements in the water supply networks during the construction phase and right up until they are implemented.

NOTE 18. SURETIES AND GUARANTEES

At 31 December 2019, the Company had provided sureties, mainly to guarantee compliance with contractual obligations, and as collateral in the submission of tenders for future contracts, for an amount of 270,989 thousand euros (263,293 thousand euros at 31 December 2018).

It had also granted guarantees vis-à-vis third parties for the following Group companies and for the following amounts (in thousands of euros):

	31.12.19	31.12.18
Abrantaqua	463	1,663
Aguas de Langreo, S.A.	-	650
Aguas de las Galeras, S.L.	727	727
Aquafundalia - Agua do Fundao, S.A.	-	308
Acque di Caltanissetta, S.p.a.	9,745	9,745
Aqualia Czech, S.L.	37	37
Aqualia Intech, S.A.	16,918	16,099
Concesionaria de Desalación de Ibiza, S.A.	9	12
Conservación y Sistemas, S.A.	39	43
Sociedad Española de Aguas Filtradas, S.A.	121	111
Tratamiento Industrial de Aguas, S.A.	21	2
Aqualia México, S.A. de C.V.	3,765	3,472
Aquamaior – Aguas de Campomaior, S.A.	900	2,563
Empresa Gestora de Aguas Linenses, S.L.	30	47
Hidrotec Tecnología del Agua, S.L.	23	21
TOTAL	32,798	35,500

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

NOTE 19. REVENUE AND EXPENSES

19.1. The distribution of the Company's **net revenue** by geographical location and type of activity was as follows:

TURNOVER			
BY GEOGRAPHICAL AREA			
<i>(Amounts in thousands of euros)</i>			
	Autonomous Region	31.12.2019	31.12.2018
Andalusia		178,516	175,774
Aragón		8,051	8,196
Asturias		30,123	29,823
Balearic Islands		35,957	35,717
Canary Islands		25,672	25,690
Cantabria		21,581	21,590
Castile – La Mancha		54,432	52,230
Castile – León		48,851	46,273
Catalonia		53,902	59,184
Valencia		37,045	37,310
Extremadura		40,334	40,958
Galicia		60,446	58,044
Madrid		70,553	60,302
Murcia		32,650	32,315
Navarre		2,949	2,167
Basque Country		3,035	3,416
La Rioja		5,929	5,568
	National Total	710,026	694,557
	International		
United Arab Emirates		343	357
Bosnia and Herzegovina		53	20
Chile		3	13
Serbia		13	3
Czech Republic		330	196
Algeria		10,067	8,877
Egypt		207	192
Colombia		156	-
Italy		5,668	4,144
France		31	-
Mexico		167	157
Montenegro		13	1
Portugal		2,560	2,935
Saudi Arabia		885	3,488
Tunisia		80	1,311
Uruguay		-	34
USA		45	-
Ecuador		24	238
Romania		7	15
Panama		3,548	830
Qatar		12	-
Oman		276	484
	International total	24,488	23,295
	TOTAL	734,514	717,852

TURNOVER BY TYPE OF ACTIVITY		
<i>(amount in thousands of euros)</i>		
	31.12.2019	31.12.2018
Supply	389,640	389,821
Sewage	113,881	101,141
Sewage treatment	90,422	92,647
Hydraulic works	64,562	63,771
Income from shareholding in capital	39,352	34,819
Desalination	10,387	9,836
Miscellaneous income	26,270	25,817
TOTAL	734,514	717,852

The breakdown of income from shareholding in capital received from Group companies and associates in 2019 and 2018 was as follows:

DIVIDENDS RECEIVED		
<i>(Amounts in thousands of euros)</i>		
	31.12.19	31.12.18
Tratamiento Industrial de Aguas, S.A.	8,340	8,244
Conservación y Sistemas, S.A.	412	885
Aqualia Czech, S.L.U.	8,800	9,020
Aqua Campiña, S.A.	277	-
Entemanser, S. A.	5,468	9,046
Infraestructuras y Distribución General del Agua, S.A.	448	155
Depurplan 11, S.A.	105	110
Sociedad Ibérica del Agua, S.A.U.	70	75
Aguas de las Galeras, S.L.	379	156
Sociedad Española de Aguas Filtradas, S.A.	943	409
Hidrotec Tecnología del Agua, S.L.U.	3,659	3,274
Aquajerez, S.L.	3,525	-
Aqualia Mace LLC	3,689	-
Aqualia Infraestructuras Inzenyring	1,255	1,242
TOTAL GROUP COMPANIES	37,370	32,616
Nueva Sociedad de Aguas de Ibiza, S.A.	28	40
AIE Ciudad Real	100	95
AIE Costa Tropical de Granada	689	878
Girona, S.A.	-	117
AIE Costa Brava Ab. Aqualia-Sorea	36	39
AIE Aquagest – Aqualia	-	97
Empresa Municipal de Aguas de Linares, S.A.	210	69
Empresa Municipal de Aguas de Benalmádena, S.A.	401	413
Concesionaria de Desalación de Ibiza, S.A.	229	201
Aguas de Alcázar, S.A.	193	254
A.I.E. Sorea - Aqualia	70	-
A.I.E. I.T.A.M. Delta de la Tordera	(178)	-
Suministros aguas de Querétaro, S.A. de C.V.	53	-
Omán Sustainable Water Services SAOC	151	-
TOTAL ASSOCIATES	1,982	2,203
TOTAL DIVIDENDS	39,352	34,819

Breakdown of the contribution of JVs to turnover in thousands of euros:

JOINT VENTURE	31.12.19	31.12.18
JV Agua Santo Domingo	142	142
JV Aguas de Alcalá	7,293	6,855
JV Aigües Els Poblets	843	1,227
JV Alkhorayef-FCC Aqualia	146	2,622
JV Aqualia - FCC Vigo	42,653	41,563
JV Aqualia - Riofabar Piloña	310	317
JV Bombeo Zona Sur	-	254
JV Centro Deportivo Granadilla de Abona	835	859
JV Consorcio Louro	2,964	2,867
JV Costa Tropical III	3,027	2,985
JV Depuración Poniente Almería	1,632	1,577
JV EDAM Santa Eulalia	48	216
JVWWTP A Guarda 2013	40	43
JVWWTP Albuñol	-	327
JVWWTP Cuerva	28	90
JVWWTP Ranilla	1,280	1,519
JVWWTP Reinosá	487	502
JVWWTP San Vicente de la Barquera	-	253
JV ETAP Este	842	870
JV Explotación ITAM Tordera	-	1,947
JV FCC – Aqualia Oviedo	15,522	15,798
JV Gestión Cangas	1,388	1,513
JV Groupement Solidaire Jerba	80	1,311
JV Guadiana	-	20
JV Hidr-Inv. Do Centr. Ace	873	995
JV Mancomunidad de Órbigo	168	160
JV Mérida	-	3,156
JV Nigrán	855	1,668
JV OYM Cap Djinet	4,483	3,912
JV OYM Mostaganem	5,553	4,933
JV Redes CABB	535	933
JV Redondela	1,931	1,958
JV Saneamiento Canet l'Almardà	-	163
JV Sollanoko Ura	465	424
JV USSA A 17	705	837
JV SWDP Janubio	246	1,760
JV Reparaciones Lote 9	2,605	2,729
JV C.H. Talave	77	87
JV Alcantarillado Burgos	244	239
JV Alcantarillado Madrid Lote D	8,857	4,273
JV Recirculación La Gavia	392	65
JV Calle Cruz	-20	322
JV Periférico Lote 3	1,820	418
JV Consorcio PTAR Arraiján	3,548	830
JV TSE Riad	715	706
JV Fuentes de Cádiz	114	-
JV Ibiza	199	-
JV ObraWWTP Argamasilla de Calatrava	16	-
JV Galindo-Beurko	157	-
JV SWDP Santa Eulalia	257	-
JV Alcantarillado Alcoy	99	41
TOTAL	114,454	116,286

19.2. Income and expenses with related parties. The following related party transactions were performed in 2019 and 2018:

TRANSACTIONS WITH GROUP COMPANIES IN 2019				
<i>(Amounts in thousands of euros)</i>				
	OPERATIONAL		FINANCIAL	
	EXPENSES	INCOME	EXPENSES	INCOME
Abrantaqua, S.A.	-	128	-	86
Acque di Caltanissetta, S.P.A.	125	5,417	-	86
Aqualia Intech, S.A.	48	1,853	2	32
Aquamaior - Aguas de Campo Maior, S.A.	-	147	-	13
Aqualia México, S.A. de C.V.	22	151	185	-
Aqualia Infraestructuras Inzenyring, s.r.o.	-	8	-	-
Aquaervas – Aguas de Elvas, S.A.	-	389	-	72
Aquafundalia – Aguas do Fundao, S.A.	-	489	-	45
Aguas de Alcázar Empresa Mixta, S.A.	-	684	-	141
Aguas de las Galeras, S.L.	4	99	11	1,559
AISA Pristina LLC	-	36	-	-
AISA Montenegro	-	31	-	-
AISA D.O.O. Beograd-Vracar	-	2	-	-
Aquajerez, S.L.	4	4,418	-	937
Aqualia Mace LLC	9	355	-	-
Aqualia New Europe BW	-	161	-	-
Aqualia Desalación Guaymas, S.A. de C.V.	-	82	-	-
Aqualia France	-	31	-	-
Aigües de Vallirana, S.A.U.	-	27	141	-
Aqua Campiña, S.A.	-	394	-	21
Aguas de Alcaidesa, S.L.UNIPERSONAL	3	-	-	-
Cartagua, Aguas do Cartaxo, S.A.	-	1,222	-	152
Conservación y Sistemas, S.A.	103	198	73	-
Depurplan 11, S.A.	-	972	-	275
Ecoactiva de Medioambiente, S.A.	19	-	-	-
Empresa Gestora de Aguas Linenses, S.L.	178	542	-	413
Entemanser, S.A.	150	537	-	-
Fedemes, S.L.	2,801	-	-	-
Fomento de Construcciones y Contratas, S.A.	12,441	95	-	29,027
FCC USA Aqualia Corp	143	45	-	-
FCC Ámbito, S.A.	36	-	-	-
FCC Construcción, S.A.	3,829	379	-	-
FCC Equal CEE, S.L.	12	1	-	-
FCC Industrial e Infraestructuras Energéticas, S.A.	53	92	-	-
FCC Medio Ambiente, S.A.	16	4	-	-
F.S. Colaboración y Asistencia, S.A.	-	-	-	-
FC y C, S.L.	8	-	-	-
Gamasur Campo Gibraltar, S.A.	56	-	-	-
Hidrotec Tecnología del Agua, S.L.	27,855	162	6	-
Hormigones y Morteros Prep.,S.A. Unipersonal	-	-	-	-
Infraestructuras y Distribución General de Agua, S.L.	381	205	-	-
Matinsa, S.A.	-	24	-	-
Manipulación y Recuperación MAREPA, S.A	2	-	-	-
Prefabricados Delta, S.A.	4	-	-	-
Servicios Especiales de Limpieza, S.A.	64	-	-	-
Sdad. Española de Aguas Filtradas, S.A.	4,824	542	7	-
Sistemas y Vehículos de Alta Tecnología, S.A.	2	-	-	-
Severomoravske Vodovody A Kanalizace Ostrava AS	-	308	-	-
Tratamiento Industrial de Aguas, S.A.	21,153	167	28	-
Vodotech, spol. s.r.o	-	14	-	-
Aridos de Melo, S.L.	64	-	-	-
TOTAL	74,409	20,411	453	32,859

TRANSACTIONS WITH GROUP COMPANIES IN 2018

(Amounts in thousands of euros)

	OPERATIONAL		FINANCIAL	
	EXPENSES	INCOME	EXPENSES	INCOME
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	26,739

TRANSACTIONS WITH ASSOCIATES IN 2019

(Amounts in thousands of euros)

	OPERATIONAL		FINANCIAL	
	EXPENSES	INCOME	EXPENSES	INCOME
Abastecimiento Alta Costa Brava emp. Mixta	-	12	-	-
Aguas de Denia, S.A.	256	-	-	-
Aguas de Archidona, S.L.	1	493	-	30
Aigües del Segarra Garrigues. S.A.	-	193	-	-
Aigües del Tomoví, S.A.	8	215	-	-
Aigües del Vendrell, S.A.	10	336	-	206
Aguas de Langreo, S.A.	46	15	-	196
Aguas de Narixa, S.A.	-	156	-	(709)
Aguas de Priego, S.L.	-	99	-	169
A.I.E. Costa Tropical de Granada	35	4,255	-	1,072
A.I.E. I.T.A.M. Delta de la Tordera	5	(24)	-	-
A.I.E. Sorea - Aqualia	-	52	-	-
A.I.E. Costa Brava	-	117	-	-
Cía. Servicios Medioambientales Atlántico, S.A.	-	130	-	-
Concesionaria Desalación Aguas de Ibiza, S.A.	-	457	-	-
Empresa Municipal de Aguas de Linares, S.A.	16	4,375	-	-
Emanagua Eª Mpal. De Aguas de Níjar, S.A.	1,172	3,869	-	31
Empresa Mixta de Aguas de Ubrique, S.A.	5	968	-	-
Empresa Mixta de Aguas y Servicios, S.A.	253	346	-	-
Empresa Mixta de Aguas de Jódar, S.A.	-	579	-	69
Empresa Mpal. De Aguas de Algeciras, S.A.	2,315	9,970	-	19
Empresa Mpal. Aguas de Benalmádena, S.A.	-	884	-	38
Empresa Mpal. Aguas de Toxiria, S.A.	12	993	-	-
Fast Consortium Limited LLC	-	24	-	-
Girona, S.A.	-	24	-	-
Hormigones Reinares, S.A.	2	-	-	-
Nueva Sociedad de Aguas de Ibiza, S.A.	62	2	-	-
Orasqualia Devel. Waste T.P. S.A.E.	12	96	-	-
Orasqualia O&M	-	69	-	-
Omán Sustainable Water Services SAOC	-	231	-	-
Proveiments d'Aigua, S.A.	58	-	-	-
Shariket Miyeh Ras Djinet	-	4,483	-	-
Shariket Tahlya Miyah Mostaganem	-	5,553	-	-
TOTAL	4,268	38,903	0	1,121

TRANSACTIONS WITH ASSOCIATES IN 2018

(Amounts in thousands of euros)

	OPERATIONAL		FINANCIAL	
	EXPENSES	INCOME	EXPENSES	INCOME
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. Sorea 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 Eº 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

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

There is a breakdown of the balances and transactions with the members of the Board of Directors in Note 22.

19.3. Consumables. The breakdown at 31 December 2019 and 2018 was as follows:

CONSUMABLES		
<i>(Amount in thousands of euros)</i>		
	31.12.2019	31.12.2018
Consumption of commodities	90,662	90,182
Consumption of raw materials and other consumable materials	88,112	86,051
Subcontracted work	81,673	76,118
TOTAL	260,447	252,351

19.4. Outsourced services. The breakdown at 31 December 2019 and 2018 was as follows:

OUTSOURCED SERVICES		
<i>(Amount in thousands of euros)</i>		
	31.12.2019	31.12.2018
Leases and royalties	63,592	65,636
Repairs and maintenance	4,818	3,813
Independent professional services	16,588	13,930
Transport	252	198
Insurance premiums	4,355	3,885
Banking and similar services	3,589	3,772
Advertising, publicity and public relations	1,743	1,185
Supplies	3,235	3,299
Miscellaneous services	32,194	31,642
TOTAL	130,366	127,360

19.5. The average number of employees in the 2019 and 2018 business years was as follows:

CATEGORY	No. employees		Men		Women	
	2019	2018	2019	2018	2019	2018
Directors and managers	93	87	87	82	6	5
Managers	765	742	617	603	148	139
Technicians	614	510	357	293	257	217
Administrative Clerks	711	695	188	192	523	503
Sundry trades	3,261	3,194	3,069	3,025	192	189
TOTAL	5,444	5,248	4,318	4,195	1,126	1,053

The number of people employed at the close of each business year was as follows:

CATEGORY	No. employees		Men		Women	
	2019	2018	2019	2018	2019	2018
Directors and managers	99	91	92	86	7	5
Managers	774	759	623	619	151	140
Technicians	645	577	369	337	276	240
Administrative Clerks	706	706	183	195	523	511
Sundry trades	3,338	3,228	3,124	3,048	214	180
TOTAL	5,562	5,361	4,392	4,285	1,170	1,076

At 31 December 2019, the Company had 87 employees with a degree of disability equal to or exceeding 33% (91 employees at 31 December 2018).

19.6. Wages, salaries and related items. The breakdown at 31 December 2019 and 2018 was as follows:

WAGES AND SALARIES		
<i>(Amount in thousands of euros)</i>		
	31.12.2019	31.12.2018
Wages, salaries and related items.	147,992	138,824
Compensation	1,529	1,180
TOTAL	149,521	140,004

19.7. Labour costs. The breakdown at 31 December 2019 and 2018 was as follows:

LABOUR COSTS		
<i>(Amount in thousands of euros)</i>		
	31.12.2019	31.12.2018
Social Security paid by the company	47,406	43,423
Contributions to pension plans	-	(333)
Miscellaneous welfare costs	1,932	1,693
TOTAL	49,338	44,783

19.8. Financial expenses. The breakdown at 31 December 2019 and 2018 was as follows:

FINANCIAL EXPENSES		
<i>(Amount in thousands of euros)</i>		
	31.12.2019	31.12.2018
Interest on payables to Group companies and associates (Note 19.2)	453	656
Interest on payables to third parties (Note 15.1)	32,079	32,038
Update of provisions (see Note 14)	446	593
TOTAL	32,978	33,287

19.9. Exchange differences. The breakdown at 31 December 2019 and 2018 was as follows:

EXCHANGE DIFFERENCES		
<i>(Amount in thousands of euros)</i>		
	31.12.2019	31.12.2018
Exchange gains	2,008	1,787
Exchange losses	(1,552)	(1,728)
TOTAL	456	59

19.10. Impairment and gains/losses on disposals of financial instruments The breakdown at 31 December 2019 and 2018 was as follows:

IMPAIRMENT AND LOSSES		
<i>(Amount in thousands of euros)</i>		
	31.12.2019	31.12.2018
Impairment on short-term participations in Group companies and associates (Note 7.1)	(3,041)	(9,212)
Others	(5,937)	65
TOTAL	(8,978)	(9,147)

19.11. Losses on, impairment of and changes in provisions for commercial transactions.

The epigraph entitled "Losses on, impairment of and change in provisions for commercial transactions" in the attached income statement for the 2019 and 2018 business years basically includes the following concepts:

LOSSES ON, IMPAIRMENT OF AND CHANGES IN PROVISIONS FOR COMMERCIAL TRANSACTIONS.		
<i>(amount in thousands of euros)</i>		
	31.12.2019	31.12.2018
Assignment of provision for insolvencies (see note 10.4)	815	2,743
Reversal of Provision for insolvencies (see note 10.4)	(3,879)	(5,118)
Losses on uncollectible loans (see note 10.4)	4,416	6,966
Other assignments of short-term provisions	431	183
TOTAL	1,783	4,774

19.12. Other current management expenses.

The epigraph entitled "Other current management expenses" in the attached income statement for the 2019 business year basically included 2,351 thousand euros at 31 December 2019, originating from the assignment of long-term Provisions (See note 14) (4,841 thousand euros for this same item at 31 December 2018).

NOTE 20. AUDITORS' FEES

The Company's auditor at the close of the 2019 business year was Deloitte, S.L.

The fees accrued in the business year for services provided by the accounts auditor were as follows:

(Amounts in thousands of euros)

	2019			2018		
	Main Auditor	Other auditors	Total	Main Auditor	Other auditors	Total
Audit services	128	-	128	128	-	128
Miscellaneous verification services	13	373	386	14	0	14
Total Audit and Related Services	141	373	514	142	-	142
Tax Advisory Services	-	57	57	-	-	-
Miscellaneous services	-	252	252	-	-	-
Total Professional Services	-	309	309	-	-	-
TOTAL	141	682	823	142	-	142

NOTE 21. INFORMATION ON THE ENVIRONMENT

One of FCC Aqualia's priority objectives is the continued support of compliance with the United Nation's Sustainable Development Goals (SDG), concentrating on those that affect the water sector and our stakeholders:

- No. 3. Good Health and Well-Being.
- No. 6. Sustainable Clean Water and Sanitation.
- No. 7. Affordable and Clean Energy.
- No. 8. Promoting Sustained Economic Growth.
- No. 9. Building Resilient Infrastructures.

- No. 11. Achieving Sustainable Cities and Communities.
- No. 12. Guaranteeing Sustainable Production and Consumption.
- No. 13. Adopting Urgent Measures to Tackle Climate Change.
- No. 14. Sustainably Conserving Marine Resources.
- No. 15. Tackling Desertification and Protecting Biodiversity.
- No. 17. Partnerships to Achieve the Goals.

The Company also has an ongoing strategy of creating shared value, responding to the expectations of its stakeholders and taking a deeper look at the tools that enable us to understand and measure social and environmental impacts, as a support for the creation of economic value and the Company's increased competitiveness (calculation of the social and environmental footprints). To achieve this, in 2019 we have taken the following steps:

1. **Adaptation to the new ISO 45001 Standard**, for Occupational Health and Safety Management Systems in organisations, which replaces OHSAS 18001. The Aqualia Management System has incorporated this new Standard into its Comprehensive Management System.
2. **Increased efficiency in the internal and external Audit process** by including audits of the Quality, Environmental, and Energy Management Systems and the calculation of the Carbon Footprint.
3. **Adaptation of international certificates** to the new requirements for the ISO 9001 (Quality Management) and ISO 14001 (Environmental Management) Standards.
4. Increased scope of the **Energy Management and Climate Change** strategy.
 - Follow-up on contracts with energy review.
 - Calculation and verification of the Carbon Footprint for all Aqualia's activities in Spain and Portugal.
 - The registration of the Carbon Footprint in the OECC (Spanish Office for Climate Change) of the MITECO (Ministry for Ecological Transition) for all Aqualia's activities in Spain.
 - Carbon Footprint Reduction Plan for Aqualia's Activities (2017 – 2019).
 - Verification of the emissions avoided in the MITECO OECC CLIMATE Project, approved in 2018, for the use of alternative fuels corresponding to the company's activity and in cars.
 - Follow-up on the project for the Implementation of the Energy Management System in all activities in Spain, in compliance with RD 56/2016.
5. Adaptation of the general procedures for the Management System to the FCC Group's **Compliance** model to respond to the designation of process owners and their corresponding controls.
6. Participation in **AENOR** meetings and forums and in **AEC** work groups.

7. Participation in the Spanish Chamber of Commerce **Circular Economy Commission** in which legislative initiatives are analysed and meetings are held with policy makers.

As a complement to the above, the strategy maintained with the Company's stakeholders consists of incorporating the processing of Aqualia's stakeholders and the contextual analysis of the Company into the Management System, as a requirement for the new Standards and as support to other Aqualia departments in their daily work (Clients, Compliance, Reporting, RSC, HR, etc.).

NOTE 22. TRANSACTIONS WITH COMPANY ADMINISTRATORS AND THE SENIOR MANAGEMENT TEAM

Board of Directors.

The members of the Board of Directors have not received any remuneration from the Company.

Also, no advance payments, loans or any other type of guarantee have been granted to the members of the Board of Directors, nor does the Company have any pension or life insurance commitments with respect to these members.

As for Board members that occupy posts in companies in which FCC Aqualia, S.A. has ownership interests, the former do not participate directly or indirectly in other FCC Aqualia Group companies, but they may hold positions, undertake duties and/or have shareholdings of less than 0.01% in other FCC Group and IFM Group companies.

During the 2019 business year, no significant transactions were made entailing a transfer of assets or liabilities between Group companies and their directors or administrators.

Management Team:

The remuneration accrued by members of the Management Team in the form of salaries in the 2019 business year amounted to 3,979 thousand euros (3,878 thousand euros in 2018). This Management Team consisted of 17 people in both 2019 and 2018.

NOTE 23. FINANCIAL RISK MANAGEMENT POLICY

The concept of financial risk refers to variations in the financial instruments contracted by the Company as a result of policy, market and other factors and their repercussion on the financial statements.

FCC Aqualia's risk management philosophy, in accordance with that of the FCC Group, is consistent with its business strategy and seeks to achieve maximum efficiency and solvency at all times. For this purpose, 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 appropriately integrated into Group organisation.

Exchange rate risk

This arises as a result of the different exchange rates used in investments and transactions with subsidiaries, associates and joint ventures, as well as with third parties, whose activities are conducted in a currency other than that of the company that prepares the financial statements.

The Company's Administrators consider that the impact of such risk will be insignificant.

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 guarantees as a means of mitigating the risk of financial losses from non-fulfilment.

Its main clients are Public Bodies or clients who are the end-consumers in activities relating to the comprehensive water cycle, so there is no significant exposure to credit risk. The concentration of credit risk is also insignificant.

Solvency risk

At 31 December 2019, FCC Aqualia's net financial debt amounted to 170,574 thousand euros (150,061 thousand euros in 2018), as shown in the following table:

	Amounts in thousands of euros	
	2019	2018
Debentures and other marketable values (Note 15.1)	1,360,533	1,359,431
Finance lease payables	-	5
Non-current borrowings with Group companies (note 15.2)	-	565
Current borrowings with Group companies (excluding tax effect) (note 15)	118,954	129,339
Borrowings with third parties (note 15)	5,754	6,328
Loans to companies (excluding loans to Group companies due to tax effect) (note 8)	(997,876)	(995,844)
Miscellaneous financial assets (note 8.3)	(16,962)	(10,677)
Loans to third parties (note 9.2)	(17,229)	(15,763)
Treasury and cash equivalents	(282,600)	(323,323)
Net financial debt	170,574	150,061

Liquidity risk

This risk is caused by temporary mismatches between the resources created by the activity and the need for funds to meet the payment of debts, working capital, etc.

At 31 December 2018, the Company had a working capital of 66,226 thousand euros (working capital of 91,084 thousand euros at 31 December 2018).

NOTE 24. OTHER INFORMATION

24.1. Events after closure

The appearance of the Coronavirus COVID-19 in China in January 2020 and its recent global expansion to a large number of countries, has led to the viral outbreak being classified as a pandemic by the World Health Organization since March 11.

Taking into account the complexity of the markets due to their globalization and the absence, for the moment, of an effective medical treatment against the virus, the consequences for the Company's operations are uncertain and will depend to a large extent on the evolution and spread of the pandemic in the coming months, as well as the reaction and adaptation capacity of all the economic agents impacted.

For all these reasons, at the date of formulation of these Financial Statements, it is premature to carry out a detailed assessment or quantification of the possible impacts that COVID-19 will have on the Company, due to the uncertainty about its consequences in the short, medium and long term.

In this regard, although during the first quarter of 2020 there was no significant drop in the activity of the Company, at the date of preparation of these accounts it is not possible to assess precisely whether this situation will continue in the following quarters or to what extent it could evolve in the future.

However, the Directors and Management of the Company have made a preliminary analysis of the current situation in accordance with the best information available. Due to the above-mentioned considerations, such information may be incomplete.

The results of this evaluation include the following:

- **Cash risk:** it is likely that the general situation of the markets may lead to a general increase in cash tensions in the economy, besides a contraction in the credit market. However, the Company's available cash position together with the factoring line of credit (Note 10.1) and the time horizon of its financing lines, gives the Company a sufficient level of cash to cope with these stresses.
- **Operational risk:** the changing and unpredictable situation of events could imply the appearance of a risk of temporary interruption of the execution of projects linked to water infrastructure execution contracts that, although it would be recoverable in subsequent months, could require negotiation with clients of some contractual clauses on the execution terms. Likewise, the Company's Management is taking the pertinent measures to guarantee the potential consequences of a punctual rupture of the supply chain in resources related to the management and treatment of the decreasing water cycle. To this end, the Company has established specific working groups and procedures aimed at monitoring and managing the evolution and preventive collection of its supplies and alternative resources for its daily operations at all times, in order to minimize its impact on its operations.
- **Risk of variation of certain financial figures:** the factors mentioned above, along with others specific to the sector of activity in which the Company operates, such as the potential decrease in consumption linked to industrial or tourist activity, may cause a decrease in the next financial statements in the amounts of relevant headings for the Company such as "Net amount of turnover", "Operating result" or "Profit before / after taxes", or key indicators of it (Leverage Ratio, Ebitda / Financial Expenses Ratio, etc.) although at the moment it is not possible to reliably quantify its impact, taking into account

the conditions and restrictions already indicated. In any case, it is not foreseeable that any of the aforementioned circumstances will have an impact on compliance with financial obligations or covenants.

- Valuation risk of assets and liabilities on the balance sheet: a change in future estimates of sales, production costs, financial costs, customer collectability, etc. of the Company could have a negative impact on the book value of certain assets (goodwill, non-current assets, tax credits, customers, etc.) as well as the need to record certain provisions or other types of liabilities. As soon as sufficient and reliable information is available, the appropriate analyses and calculations will be carried out to allow, where appropriate, the revaluation of the value of said assets and liabilities.

Finally, it should be noted that the Directors and Management of the Company have established a Contingency Plan with the aim of limiting and minimizing the impact generated by the coronavirus crisis on their activity, guaranteeing the maintenance of services with the maximum quality standards and protect employees, also conducting constant monitoring of the evolution of the situation, in order to successfully deal with any possible impacts, both financial and non-financial, that may occur.

24.2. Information on deferred payments to suppliers. Supplementary third provision "Information requirement", Law 15/2010 of 5 July.

With regard to the Spanish Accounting and Audit Institute (ICAC) Resolution dated 29 January 2016, enacted in compliance with the Second Final Provision for Law 31/2014, of 3 December, which amends the Third Supplementary Provision for Law 15/2010, of 5 July, stipulating measures to combat late payment in commercial transactions, it should be pointed out with respect to 2017, that the Company operates in Spanish territory with public clients such as the State, Autonomous Regions, 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, establishing measures to combat late payment in commercial transactions.

It should be pointed out that, in contracts with and supplies to third parties arising from the contracts entered into by the Company with different Public Administrations, the provisions in section 5 of article 228 of the current Consolidated Public Sector Contracts Law (TRLCSP) are applicable, whereby the contractor may agree with suppliers periods exceeding those established in this law under certain conditions.

Due to these 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 as stated in the two previous paragraphs, is supported by: a) Payments to suppliers under contracts entered into by the Company with the Public Administrations, pursuant to article 228.5 of the TRLCSP, and b) Payments to the remaining suppliers under the Second Transitional Provision of Law 15/2010, and, where applicable, the provisions in article 9 of Law 3/2004, which exclude the "deferral of payment for objective reasons" from consideration as abusive taking into consideration, in both cases a) and b) the usual payment period in the sectors in which the Company operates.

The Company also acknowledges and pays suppliers, always by mutual agreement, any delayed payment surcharges agreed in the contracts, providing negotiable payment methods accompanied by exchange

procedures. Such pacts, apart from being expressly envisaged in the TRLCSP as we have pointed out, are admissible under the European Parliament and Council Directive 2011/7/EU of 16 February.

The Company has also entered into contracts similar to "confirming" lines with financial entities to facilitate early payment to suppliers. In accordance with these contracts, a supplier may exercise its collection rights against the Company and obtain the invoiced amount, less the financial burdens for discount and fees applied by those entities. The total amount of the contracted lines amounted to 1,000 thousand euros at 31 December 2019 (800 thousand euros at 31 December 2018), the balance available being 121 thousand euros at 31 December 2019 (477 thousand euros at 31 December 2018). The above-mentioned contracts do not modify the main payment conditions (interest rate, deadline or amount), so they are classified as commercial liabilities.

In compliance with the above-mentioned Resolution, the following is a table with information on the average payment period to suppliers.

Average payment period to suppliers (thousands of euros)		
	2019	2018
	Days	Days
Average payment period to suppliers	85	97
Ratio of transactions paid	67	70
Ratio of transactions pending of payment	159	213
	Amount	Amount
Total payments made	392,049	330,378
Total payments outstanding	97,838	78,706

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.

2019 MANAGEMENT REPORT

1. BUSINESS MODEL AND STRATEGY.

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

The rapid urbanisation process in emerging countries, as well as the need to improve the living conditions of the population and optimise a scarce resource, in a process of climate change such as that in which we find ourselves, lead governments, communities and industrial corporations to search for specialised operators that help them provide effective solutions to the problems of water supply, sanitation and purification.

Aqualia is one of the main international operators that focuses its management on business models and specific geographical areas and acts guided by a growth objective that maintains the profitability criteria and integrates all the capabilities of the value chain into the water cycle, from the design of installations to the management of large investment projects in water systems.

The most important activity is the management of comprehensive water services in the municipalities, through long-term concessional models or the ownership of assets, in countries with proven regulatory systems.

Aqualia operates municipal water concessions in Spain, where this activity represents more than 70% of the total, in the Czech Republic, Portugal, Italy and France, where it recently acquired the "Services Publics et Industries Environnement" company, with 120 years experience in the management of public water services in France and serving about 140,000 citizens through 8 supply management and 2 sanitation contracts in the central region of the country. The aim is to grow in these markets, considered traditional, whilst hoping to extend activity to other European countries with similar models and to those Latin American countries with regulatory systems similar to those in Europe, as is the case of Colombia, Mexico and Peru.

Aqualia also develops alternative and / or complementary business models, such as Infrastructure Concessions.

In these cases Aqualia designs, builds, finances and operates long-term infrastructures, often including treatment plants (drinking water, purification, desalination) through BOT-type contracts and "take or pay" mechanisms.

These formulas that make it possible to combine technical know-how with the ability to structure complex financing are increasingly used by Public Operators and Agencies and Industrial Corporations in emerging countries.

Aqualia concentrates its activity on this business model in LATAM (Mexico, Peru, Chile) and MENA (Saudi Arabia, Algeria, Egypt),

These two business models, with high added value and long duration, constitute Aqualia's essential line of development on which it bases its growth.

Other business models such as O&M and EPC contracts are valued more opportunistically and with a strategic vision.

As a general rule, in these activities, Aqualia competes in projects where the basic competitive aspect lies either in technical capacity or in the quality of the services and not exclusively in the price. They may be projects with an important dimension, they may have a strategic interest or there may be potential synergies for the territory, technology or the client where the contract is developed.

In EPC contracts Aqualia takes advantage of the synergies provided by its experience in partnerships with FCC Construcción, or other first-line construction companies, to create alliances in the construction of large infrastructures, which allows a reduction and/or transfer of construction risk.

Aqualia consolidates and develops its activities in certain territories, avoiding excessive dispersion, and taking advantage of commercial and scale synergies.

In Europe, especially in the activity of municipal concessions, by maintaining high rates of renewal of their contracts and by taking advantage of opportunities that may appear both in organic growth and in acquisitions that contribute value.

In LATAM trying to recover the position the FCC Group had before the sale of Proactiva by consolidating long-term contracts both for municipal concessions, infrastructure concessions and iconic Design and Construction projects.

IN MENA developing a consolidated position in infrastructure concession and O&M contracts with high added value.

2. MARKET SITUATION

2.1. Domestic Market

2019 saw a recovery in the volumes of water billed that were reached in 2018. It was a dry year in terms of rainfall compared to 2018 and this circumstance led to this recovery.

At the close of the business year, at a constant perimeter (not including new and terminated contracts), the volume billed to clients increased by 2.3% and the amount billed by 3.0%. The volumes billed for new additions grew by 14.2%, due to the growth in the demand for water supplied to the agricultural sector especially. The overall volume invoiced (including local fees) grew by 4.3% and the amount by 3.2%, reaching €704.5M with an increase over the previous year of €21.6M.

Growth was highest in Castile la Mancha, Andalusia and the Balearic Islands and lowest in the Cantabrian, Canary Island and Levante Regions, but there was still growth.

Developments in political initiatives that advocate the re-municipalisation of water management services was very conditioned throughout the year by the provisional Government in office and the holding of two general elections, as well as European and local elections and elections in fifteen autonomous regions. There were few legislative initiatives in Parliament relating to the Urban Water Cycle for that very reason. The Ministry of Ecological Transition (MITECO) focused its efforts on the preparation of the Green Water

Book, an initiative with little practical content. In 2019 there were no significant processes for reversing water concessions to direct management in the Spanish market, nor in contracts operated by Aqualia. Special mention should go to the Supreme Court that revoked the previous ruling by the Supreme Court of Catalonia and validated the creation of the Joint Venture that operates water in the Metropolitan Area of Barcelona, with majority capital of Suez. On a global level, it implies a consolidation of the legal security of concessional water contracts in Spain and is therefore favourable to Aqualia's interests. At the start of 2020, the new PSOE-UP coalition government was established, with a government programme with a high environmental and social content.

During the business year, work was undertaken to strengthen the Association of Water Management Companies in Spain (AGA) and the management of the AEAS, which group together public and private companies operating in the sector. The aim includes informing society about the high social commitment of the business agencies, the existence of very significant technological transfer worldwide, and the affordability of tariffs in Spain for family economies, still low compared with those of other OECD countries. Informative breakfasts were held with mayors, representatives of municipalities and important cities and all political parties, the MITECO worked on the preparation of the above-mentioned Green Water Book, and studies on the sector were issued and disseminated. Special mention should go to one about the water infrastructure deficit in Spain and the tariff models required to overcome this, and another study about the value of urban water infrastructures and their replacement costs, so as to avoid increasing obsolescence. Both were presented in the Spanish Congress of Deputies.

With regard to commercial activity, in the **Concessions for the Comprehensive Water Cycle** segment, Aqualia was awarded tenders, in general for small municipalities, and extended and renewed contracts on maturity, in this case with a very high loyalty rate close to 90%. It was a very active year in the detection of asset purchase opportunities. We acquired the Water and Comprehensive Cycle Management company that operates in Andalusia and Extremadura, incorporating 17 contracts to our perimeter. We also acquired a stake in the CODEUR Joint Venture that operates in the city of Vera (Almería) and this clearly reinforces our leadership in that province.

Regarding the activities of **O&M**, Aqualia maintains its policy of focusing its activity on significant public clients that acknowledge the technological added value and management improvements provided by the company and enable it to maintain suitable profitability. The award of the WWTP for Santander Bay and Ávila, that complete the comprehensive cycle for both cities and which we already operate, are significant. Special mention should go to the high growth achieved in the **maintenance of urban sanitation networks** sector with the assignments of Córdoba, Canal de Isabel II and, more recently, Zaragoza. In the Community of Madrid Aqualia serves more than 1.5 million citizens.

In the field of **Infrastructure Concessions**, the Spanish state is paying a six-monthly fine to the EU of 15 million euros for insufficient purification in cities with more than 15,000 inhabitants, and an inspection process is underway in centres more than 2,000 inhabitants, where non-fulfilment is 25% in the more than 2,000 existing municipalities. The new Government must find solutions to this deficit, via tariff systems through the creation of final, budgetary or concessionary fees. In some Autonomous Regions (Andalusia and Castilla la Mancha), BOT type concessional systems are being studied, but development is very slow.

In the legal field, there should be special mention for the growth of litigation in public contracting, where the number of special appeals in contracting matters has increased by 25% compared with 2018. The application of the new Law governing Public Sector Contracts is causing the bidding processes to be significantly lengthened.

In 2019 a new **Sector Agreement** was signed and will be valid for a period of 5 years (2018-2022). It provides stability for the sector, and consolidates our commitment to quality fixed employment, to the detriment of the precariousness caused by the outsourcing of services.

In the ongoing **search for efficiency** policy, the company's operational management highlights the effort made in 2019 to reduce costs, especially in third-party supplies and works, which has resulted in an improvement in EBITDA compared to the previous business year, reaching 24.9% with regard to turnover. Synergies have been reinforced that translate into cost control. Progress has been made in the establishment of regional teams for sewage cleaning work, minimising subcontracting in this field.

During the year, a closer look was taken at cost reductions linked to customer management, with policies to prosecute fraud in the measurement of consumption, electronic versus paper invoices, direct debit and control of bank commissions, reduction of face-to-face attention and transfer to other channels (telephone, social networks, internet).

At the communication level, we have strengthened our communication as a socially committed company (agreements with UNHCR, Caritas) and with the environment (all gas project, reduction of CO2 emission, option for green energy, commitment to the SDGs).

2.2. International Market

In the international arena, Aqualia concentrated its activity during the 2019 business year on Europe, North Africa and the Middle East (MENA), the United States and Latin America (LATAM).

2.2.1. Europe

In 2019, in addition to continuing activity improvement management in the Czech Republic, Italy and Portugal, Aqualia acquired "Services Publics et Industries Environnement", with 120 years of experience in the management of public water services in **France** and that serves about 140,000 citizens through 8 supply management and 2 sanitation contracts in the central region of the country. The prospects for the development of the French water market are good due to the high turnover expected - resulting from the new measures introduced by the French government - without losing sight of the fact that the environment is highly competitive, which may affect historical margins.

Even though there were no regulatory changes in the **Czech Republic** in 2019, the political and social debate focused on the long periods of drought that have affected the country in recent times and on the measures required to combat it at a legislative and technical level. In a rather ideological debate, main budgetary support was assigned to public capital water operators, excluding concessionaires and private owners. Furthermore, the reduction of VAT applied to water distribution and sanitation from 15% to 10% was approved, and will come into force in May 2020. Aqualia, - whose shareholding in SmVaK, its main subsidiary in the country, reached 100% in 2019 - won the water distribution concession for the industrial zone of Park Ostrava and Mosnov for the period 2020-2023.

In **Italy**, after years of immobility, the concession market in 2019 showed the first signs of opening symptom with the bid for the Water Service of the province of Rimini. However, political instability continues with a new change of national government that leans even more towards absolute public management of the comprehensive cycle, which is causing more concern to all agents.

In **Portugal** the situation in the concession market remains stagnant. Regulatory changes are expected that may confirm the consolidation of the indirect management activity through concessions to private companies. This is the field in which our contracts are developed and in which growth is expected in the future.

In **Romania**, there has been progress in the construction of the civil engineering works for the Glina project for the expansion of the Bucharest treatment plant. In the **Balkans** this year saw the completion of the Berane and Pljevlja projects and significant progress was made in the final construction stages of the Prizren project.

2.2.2. MENA

In **North Africa** seawater desalination and wastewater treatment activities continue to present business opportunities in countries where Aqualia already has implementation.

In **Algeria**, the engineering works for the new Mostaganem EDAM sea water abstraction plant continued without incident throughout the year and were completed by mid-December, a substantial improvement on the planned deadline. In January 2020, the complete installation will start up with the new collection facility. The plant will then increase its capacity and be less subject to the influence of sea conditions.

Regarding the operational tasks for the desalination plant, in May a successful cleaning operation of the inlets in Mostaganem was completed using PIG technology (Pipeline Inspection Gauge). In the Cap Djinet EDAM, the complex adaptation works necessary for the cleaning of the inlet were completed using PIG technology that is giving such good results in Mostaganem. Cleaning is expected to be undertaken in the first months of 2020.

With regard to the Mostaganem and Cap Djinet projects, in 2019 an agreement was reached for the reassignment of management and operational control functions with our partner for these projects, GS Inima, through which we were able to optimise the management and resources dedicated to supervising their progress and to distribute them more efficiently.

In **Egypt**, Aqualia successfully completed the initial operation phase in March for the design and construction contract for the El Alamein desalination plant, with a capacity of 150,000 m³/day, and the exploitation phase began.

Regarding the execution of the project for the Abu Rawash wastewater treatment plant, throughout the year progress in the work on the plant was good, with the completion of construction engineering and most of the civil engineering works for the project. In 2020, civil engineering works are expected to be completed and the electromechanical installations assembled.

In **Tunisia**, the initial exploitation phase of the Djerba EDAM project was completed in May, with a capacity of 50,000 m³/day, ensuring supply to the population and tourist development on the island. The plant was delivered to without incident to the client, who has since been responsible for the operation of the installation.

In **Saudi Arabia** Progress has been made in the execution of diversion and adjustment works in the affected services on the Riyadh Metro, where Aqualia is continuing work on the diversion of services and provisional and definitive connections on Lines 5 and 6. These activities will continue in 2020.

With regard to new projects, in 2019 the company tendered on behalf of SWPC (Saudi Water Partnership Company) for three BOT projects for major desalination and wastewater treatment plants. These are Yanbu 4 (desalination plant with a capacity of 450,000 m³/day), Jubail 3A (desalination plant of 600,000 m³/day), and Taif (treatment plant with capacity of 100,000 m³/day). On the date of preparation of the report, we were waiting for the licensees to be announced. A bid on behalf of National Water Company for water management in the provinces of Medina and Tabuk with 3.6 Million inhabitants has also been prepared. This contract will be awarded in 2020.

Oman. In 2019 Aqualia completed the first full year of operation of the comprehensive cycle management contract for the Sohar port area to the full satisfaction of the client. This contract is for 20 years and in association with the Omani public concessionary company Majis through a joint venture constituted by both partners.

In the **United Arab Emirates**, after the renewal of the existing Al Ain contract and the signing of the new Abu Dhabi capital contract, both for 7 years, our subsidiary Aqualia MACE has been serving in both geographical areas since March for the operation and maintenance of collector networks, pumping stations and wastewater treatment plants. This means that Aqualia MACE manages two of the three geographical areas into which the emirate of Abu Dhabi is divided, and is consolidated as a major water utility company in the country.

In **Qatar**, even though the political and commercial blockade by Saudi Arabia and the Emirates has caused a slowdown in investment projects, by the summer of 2020 the operations are expected to start on the wastewater treatment plant in Al Dhakhira, built by Hyundai with a capacity of 55,000 m³/day and that will be exploited by Aqualia MACE once it enters service.

2.2.3. USA

In 2019 Aqualia continued to strengthen its commercial analysis activities in the **USA**. Water scarcity, the obsolescence of the hydraulic infrastructures and the low penetration of private operators in the sector are the source of the main growth opportunities for the company in certain states.

2.2.4. LATAM

The shortfall in water infrastructures and the search for efficiency in the existing ones are factors that foster Aqualia's growth possibilities. In **Mexico** the experience gained in the Aqueduct II and Realito BOT (Build, Operate, Transfer) contracts is being used to propose similar projects, where more demanding technical and financial capabilities give Aqualia a benchmark position. As a result of this strategy, Aqualia was awarded the BOT contract for the Guaymas desalination plant, which is currently under construction.

In **Colombia**, construction of the El Salitre PTAR (Wastewater Treatment Plant) in Bogotá continues. The company pursues business opportunities for the management of comprehensive services in important municipalities in the country under municipal concession models after the award in December of the comprehensive management of the Municipality of Villa del Rosario for a period of 14 years. Opportunities are also being pursued for the design, construction and financing of hydraulic infrastructures for the purification of wastewater, as well as the search for new sources of drinking water supply in areas where this is required.

In **Peru**, the State is in the process of evaluating the efficiency of its public supply services in order to give way to private initiatives in those areas with the worst management indicators. In 2017, five private initiatives were presented for wastewater treatment which were declared significant in 2018 and are currently in the formulation phase.

In **Panama**, work began on the Arraiján WWTP engineering, construction and 10-year operation project that will treat waters for 130,000 inhabitants. The Company was also awarded an assistance and advisory contract for the operational and commercial management of the IDAAN (Institute of National Aqueducts and Sewers), a body that deals with the management of the country's water service. The contract was approved by the Comptroller General in December.

3. CONTRACTING

3.1. Domestic Market

The 2019 business year saw a reduction in the level of activity in bidding processes for new municipal concessions that has been offset by an increase in contracting processes for operation and maintenance services for installations.

The lower level of activity bids for new concession projects was also offset by the inclusion in the perimeter of certain companies acquired during the business year.

From the point of view of contracting, the following deserve special mention:

- Canal de Isabel II (Madrid); four contracts for the operation and maintenance of the sanitation networks in Guadarrama, Torrelaguna, Jarama, and Santillana, for a period of 4 years and joint contracting amounting to 43.5 million euros.
- Collado Villalba (Madrid); Design and construction of the El Endrinal wastewater treatment plant to be completed in 3.7 years valued at 11.3 million euros.
- San Pedro Pinatar (Murcia); renovation project for drinking water and sewerage networks valued at 5 million euros.
- Argamasilla de Calatrava (Ciudad Real); design, construction and initial operation of the municipal wastewater treatment plant valued at 3.5 million euros.
- Vigo (Pontevedra); Management of the Municipality's indoor swimming pools for a period of 2 years and a contracting amounting to 5.6 million euros.
- Porriño (Pontevedra); design, construction and initial operation of the industrial wastewater treatment plant for Compañía Española de Algas Marinas, S.A. valued at 2.2 million euros.
- Mutxamel (Alicante); management for ACUAMED of the Mutxamel water desalination plant and distribution network for 2 years, valued at 2.6 million euros.
- Huéscar (Granada); comprehensive water management in the municipality for a period of 12 years and contracting valued at 7.7 million euros.
- Cordoba; cleaning and inspection services for the sewerage networks, scuppers and installations of EMACSA for a period of 2 years and contracting valued at 1.5 million euros.
- Gadiana del Caudillo and Pueblonuevo de Gadiana (Badajoz); concession of the purification service for both municipalities, for a period of 15 years and contracting valued at 1.7 million euros.

- District Council Municipality of Santa Teresa (Salamanca); transfer of the supply contract assigned to the District Council Municipality for a period of 8 years with contracting valued at 1.1 million euros.
- Santander (Cantabria); Operation and maintenance services for the San Román de la Llanilla WWTP and associated sanitation installations assigned to Medio Ambiente, Agua, Residuos y Energía de Cantabria S.A. (MARE) for 5 years and a contracting valued at 12.9 million euros.

With regard to renewals and extensions of contracts already managed by Aqualia at national level, the following are worth mentioning:

- Madrid; Operation and maintenance services for the peripheral sanitation networks corresponding to Culebro managed by Canal de Isabel II, for a period of 4 years and contracting valued at 21.6 million euros.
- Madrid; Operation and maintenance services for the Butarque and Valdebebas wastewater treatment plants for the Canal de Isabel II, for a period of 5 years and contracting valued at 13.8 million euros.
- Madrid; Services regarding urgent renewal and repair actions in the supply network and in the regenerated water network for the Canal de Isabel II (Lot 9 Culebro Network), for a period of 1 year and contracting valued at 3.1 million euros.
- Eivissa (Balearic Islands); Management of the city's water supply and sewerage service for a period of 1 year and contracting valued at 8.5 million euros.
- Castell-Platja Dáro (Girona); Management of the water supply service for a period of 1 year and contracting valued at 3.1 million euros.
- Baix Ebre (Tarragona); Public service sanitation systems management for the Baix Ebre region for 1 year and contracting valued at 2 million euros.
- Villena (Alicante); Management of the water supply and sewerage service for a period of 1 year and contracting valued at 1.2 million euros.
- Ávila; Operation and maintenance service of the city's wastewater treatment plant for a period of 20 years and contracting valued at 34.6 million euros.
- Béjar (Salamanca); Management of the water supply and water purification service for a period of 4 years and contracting valued at 4.2 million euros.
- Valdés, Luarca (Asturias); Water supply service for a period of 5 years and contracting valued at 3.2 million euros.
- Aldeatejada (Salamanca); Management of the municipal water supply and sanitation service for a period of 5 years and contracting valued at 1.3 million euros.
- La Puebla de Almoradiel (Toledo); Reduced management of the water supply service for a period of 18 years and contracting valued at 6.7 million euros.
- Olías del Rey (Toledo); Management of the water supply and sewerage service for a period of 5 years and contracting valued at 3.3 million euros.
- Villatobas (Toledo); Concession of the management of the municipal water supply service for a period of 20 years and contracting valued at 3.7 million euros.
- Illescas (Toledo); Management of the water supply and sewerage service for 1 year and contracting valued at 2 million euros.
- Toledo; Management of the comprehensive water supply service in high, low and sewage for the municipalities of Argés, Burguillos, Layos, Cobisa and Nambroca, all belonging to the District Council Municipality of Guajaraz for a period of 1 year and contracting valued at 1.4 million euros.
- Manzaneque (Toledo); Management of the water supply service for a period of 1 year and contracting valued at 1,1 million euros.

- Iniesta (Cuenca); Management of the water supply service for a period of 5 years and contracting valued at 1,1 million euros.
- Vizcaya; Operation, maintenance and breakdown management for secondary networks on a number of municipalities for Udal Sareak, SA for a period of 2 years and contracting valued at 2.2 million euros.
- Redondela (Pontevedra); Comprehensive management of the water supply, sanitation and purification service for 1 year and contracting valued at 2 million euros.
- Oleiros (La Coruña); Management of the municipal indoor swimming pools for the Municipality for a period of 1 year and contracting valued at 1.7 million euros.
- Martos (Jaén); Management of the municipal water supply and sanitation service for a period of 4 years and contracting valued at 9.8 million euros.
- Puerto de Santa María (Cádiz); Maintenance, conservation and operation service for the WWTP and sewerage for the city with contracting valued at 3.5 million euros for a period of 1 year.
- Güímar (Santa Cruz de Tenerife); Management of the water supply and sanitation service for 1 year and contracting valued at 2.6 million euros.
- Zaragoza; Operational supply activity services for ACUAES in the province of Zaragoza: Zaragoza and the Ebro and Bajo Ebro Aragonés corridor, for a period of 1 year and contracting valued at 1.3 million euros.

The following companies have been incorporated into the perimeter:

- Agua y Gestión del Ciclo Integral del Agua, SA; which contributes water services concessions for San Vicente de Alcántara, Villar del Rey, Palomas, Hinojosa del Valle and Puebla de la Reina in Badajoz, Ceclavín, Garrovillas de Alconetar, Zarza la Mayor, Acehúche, Mata de Alcántara and Portezuelo in Cáceres, San Jose del Valle in Cádiz, Bolaños de Calatrava and Viso del Marqués in Ciudad Real, and Guadix and Ugjar in Granada. It has an average duration of 14 years and an estimated backlog of 44.8 million euros.
- Codeur, SA; acquisition of a minority holding in a company that manages the concession of the water service for Vera (Almería) with contracting valued at 99.1 million euros and for a period of 34 years.

3.2. International Market

In the international market, Aqualia has maintained significant activity, both in tenders in different areas and in the acquisition of companies, with the following contracts deserving special mention:

- Villa del Rosario (Colombia); comprehensive management of the city's water service, for a period of 14 years and contracting valued at 87.2 million euros.
- Mosnov (Czech Republic); Comprehensive management of the water service in the industrial area of Mosnov (northern Moravia) for a period of 5 years and contracting valued at 2.3 million euros.
- Acquisition of SPIE (Services Publics and Industries Environnement - France); It manages several contracts in the Ile de France area in the Paris surroundings. Contracts for an average period of 8 years and contracting valued at 67 million euros.

4. PROSPECTS

Expectations for 2020 are for an increase in sales figures, if we take into account the new contracts awarded and companies acquired in 2019, as well as the maintenance of the high rates of renewal for the contracts that Aqualia historically records on maturity, and the expectations for the maintenance of water consumption after the recovery that experienced in 2019 compared to 2018. This increase in income will lead to an improvement in results, reinforced by the continuation of cost optimisation actions, after the significant increases absorbed in 2019 for personnel (regularisation of the new sector agreement) and energy (significant tariff increases) that are expected to be standardised in 2020.

In **Spain** in the area of **Service concessions** for the Comprehensive Water Cycle, for 2020 it is worth mentioning the expectation of maintaining similar renewal rates in concessions to those of 2019, exceeding 90%, although many new contracting opportunities are not expected due market apathy.

With regard to Europe, in **Portugal** a reactivation of the concession business is expected after the legislative elections held in 2019 and based on the high budget deficit of the Municipalities and the need for infrastructure investment. In the same way, shareholder changes are expected in the main companies in the sector, as well as a proliferation of operation and maintenance contracts promoted by public companies belonging to Aguas de Portugal. The proper Administration will begin the search for solutions to the management of mud from the wastewater treatment plants in the country.

In **France** new tenders are expected for the assignment of public services due to the termination of the contractual deadline for some of the existing contracts in the country. During this period the partial sale process for the fifth-largest French operator in population served will also be completed.

In **Saudi Arabia** the process of modernisation and provision of the country's hydraulic infrastructures will continue, promoted by the Government in the Vision 2030 programme, by means of public-private collaboration. The Infrastructure Concession contracts tendered in 2019 will be definitively awarded and the bid for new BOT projects in the field of desalination and purification will take place. Bids for operation and maintenance contracts for water and sanitation services in the six regions into which the Saudi kingdom has been divided will also begin.

In 2020 Aqualia will consolidate the operation of the new sanitation contract for **Abu Dhabi** and that for the WWTP in Al Dhakira, in **Qatar**.

In LATAM, the construction phase of the Guaymas SWDP (**Sonora, Mexico**), will be completed, giving way to a 20-year period of operation, and of the PTAR Salitre (**Colombia**). In both countries, new concessions for desalination hydraulic infrastructure will be tendered in the states of Baja California and Sonora and for purification within the Bogotá river decontamination programme.

Finally, in **Peru** the preparation of the significant private initiatives declared in favour of Aqualia will continue (5 treatment plants and 1 desalination plant) and in the **USA**, there will be a presentation of the projects currently under study to their corresponding clients under the formula of "unsolicited proposals", for their evaluation and, if accepted, for subsequent execution.

5. CLIENT MANAGEMENT

A key factor for Aqualia is to broaden the Company's commitment to society, with the aim of providing excellence in customer service. The Company seeks to differentiate itself in the market by developing services adapted to the needs of its users. In 2019 progress continued in strategic orientation towards the end-user, paying particular attention to the quality of the channels in place for interacting with users.

5.1. Customer Service Channels

The main management indicators for 2019 in our **aqualiacontact** Customer Service channels are the following:

- **Customer service by telephone.** In 2019 the Customer Service Centre received 804,519 calls. To measure the level of satisfaction, surveys were conducted on 107,076 clients, Aqualia Contact users, of which 82,774 rated the service as excellent; 14,430 as very good, and 6,332 as good, reaching a positive satisfaction rate of 96.69%
- **Virtual office, aqualiacontact.** In 2019, 120,787 interactions were managed, with 33.02% for the modification of data, 24.32% for electronic invoicing and 22.17% for payment via bank card.
- **Application for mobile devices.** In 2019 a total of 31,151 interactions were managed via the APP made available to our clients, with 24.91% for the modification of data and 59.96% for payment via bank card.
- **Twitter @aqualiacontact.** This channel also remains active within the omnichannel project, in which Aqualia incorporated Customer Service through the Twitter platform to its channel list. Messages sent by users are handled and managed through the @aqualiacontact account. SMS messages are also managed for notifications of invoices with incidents and warnings of network breakdowns.

The efficiency of all client relationship channels gave us a **very low complaints rate of 0.30%** to December 2019, with an **average time for response to claims of less than 12 days**. It is also worth mentioning the average installation time for a meter (from the time the request is recorded), established as five days.

In order to respond to the high expectations of our clients with regard to the service offered by Aqualia, we are continuing to progress towards providing all our clients with a high-quality omnichannel experience in their interactions with the Company.

The following objectives have been set in this area:

1. **Integration of all channels.** Channels working in unison, interrelated in real time. The new implementation project for **Microsoft Dynamics CRM**, started in 2018 and it will go into production in 2020. It will enable all channels to be interrelated in real time with greater accessibility, availability and integrity in the information corresponding to the interactions. The objective of the project is to have a new customer service module that must be integrated with other systems, such as the Diversa commercial system and that provides sufficient flexibility, guarantees availability and access to information in an agile and flexible way through guided processes.
2. **More pleasant and higher quality client experience**

- Any operation from any channel
- Unique processes for all channels

3. More responsive and capable attention

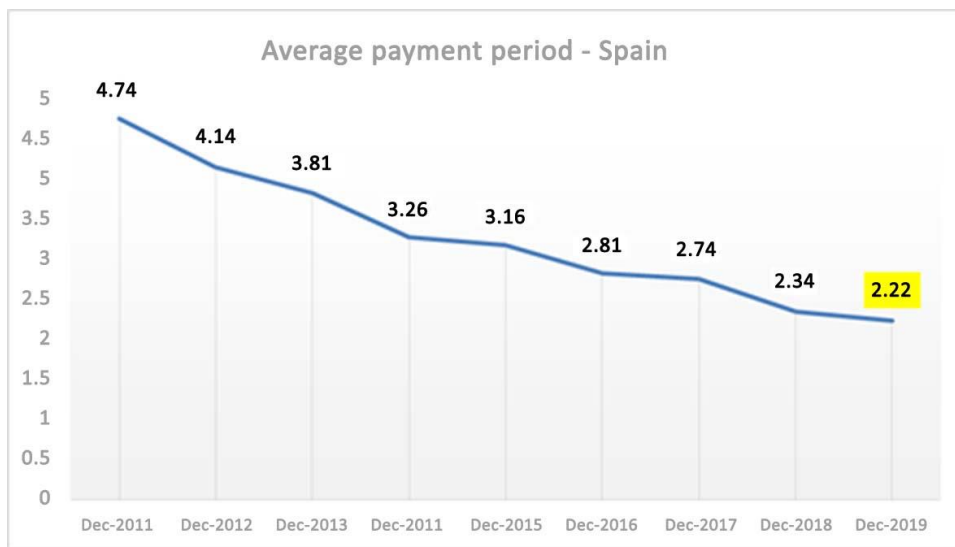
- Cross platform clients
- Efficient use of resources, development of communication skills by channel.

5.2. Invoicing and payment management

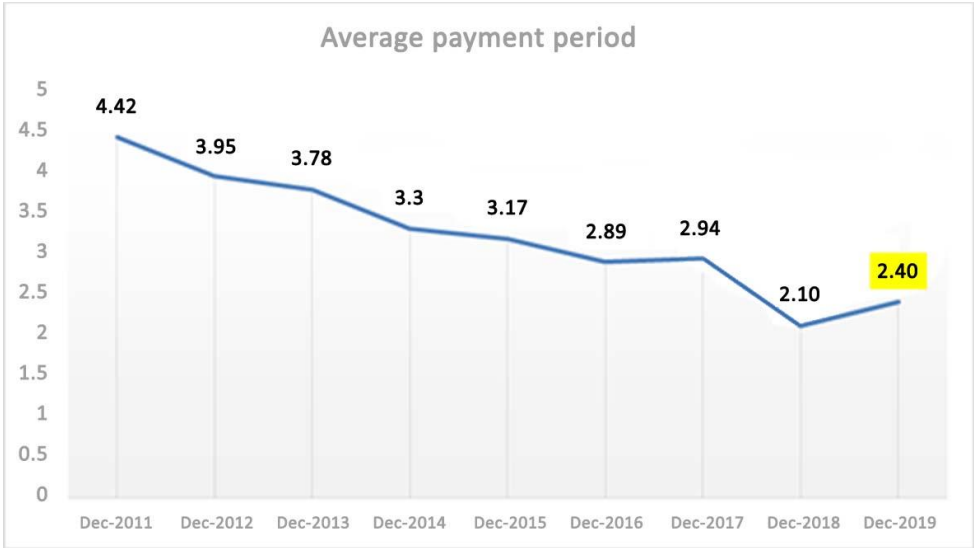
The Client Management Department maintains the same strategic vision in the development of management tools, mainly with the implementation of the unique tool for invoicing and debt management for non-tariff concepts, and the advancement of new functions for the Business Intelligence tool regarding, for example, the renewal of meters, fraud, adaptation to the procedures for debt statements and client type.

5.2.1. Average period for payment and default

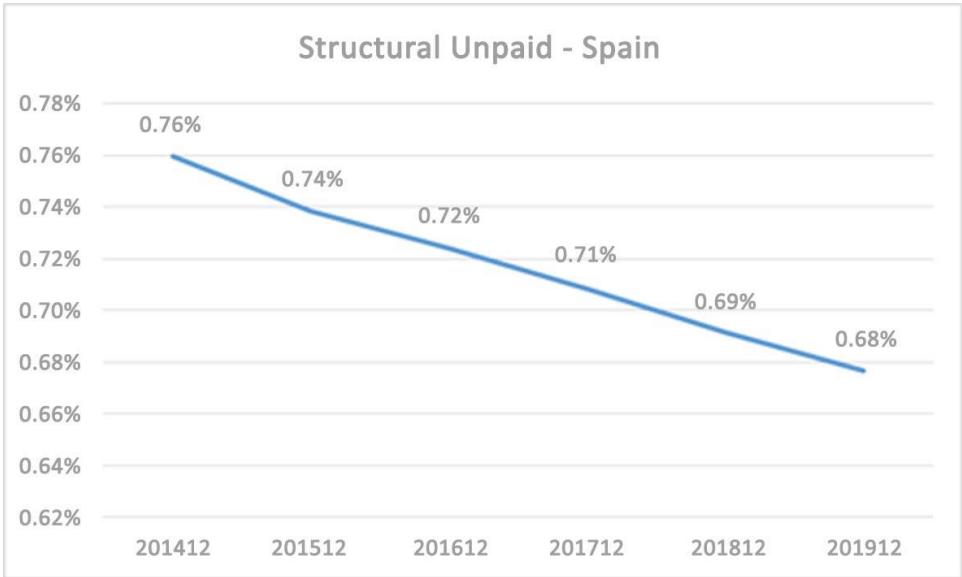
The above has led to continuous improvement of the processes until reaching an average payment period in Spain of 2.22 months, developing as follows:



There has been a global rise in the average payment period caused by an increase in the International area as a result of the incorporation in 2019 of companies acquired in France (SPIE Group) and also progress in construction works and the application of the advance payments previously collected for Obra Abu Rawash (Egypt), EPC PTAR Arraijan (Panama), EPC PTAR Ambato (Ecuador), EPC Metro Riad (Saudi Arabia), EPC PTAR Salitre (Colombia) and EPCWWTP Berane (Balkans).



In the tariff processes structural default has been improving annually, with greater weight for that of Spain, developing as follows:



Aqualia has continued its campaign to promote the use of e-billing and in this way progressively replace as many invoices issued on paper as possible. This action has enabled an increase over the previous year of 17% in the number of electronic invoices issued, reaching a global ratio of 14%, thus contributing to the fight to preserve the environment, reaching 461,365 clients who opt for receiving this type of invoice.

The task of minimising the difference between the water supplied to the network and the actual amount consumed is a basic objective for any company like Aqualia. To achieve this, apart from continually renewing the networks to avoid a maximum number of escapes, plans have been designed to detect fraudulent actions or uses of drinking water. In 2019, more than 7,500 cases of fraud were detected for a

volume of consumption equivalent to 4.5 million euros. As a complement to these actions, more than 295,000 meters were renewed for different contracts.

5.2.2. Meter Reading Mobility Project

In 2019 an ambitious project in the field of meter reading was developed. The project aims to update the mobility solution implemented for taking meter readings (TPL), providing it with online and offline features with the current DIVERSA commercial system implemented in Aqualia. The solution will be implemented in smartphones, for the purpose of providing functionalities relating to the taking and management of meter readings.

With this project, Aqualia intends to improve the current processes for taking and managing readings, and to achieve efficiency in the shortest possible time and with the least economic impact. The project was developed in 2019, with end user tests in the field finishing with great success December. The pilot scheme was scheduled for launch in January 2020 with the corresponding deployment for other operations taking place gradually.

5.3. Data protection

With the entry into force on 25 May 2018 of EU Regulation 2016/679, GDPR, as well as the entry into force on 5 December 2018 of Organic Law 3/2018, on the Protection of Personal Data and guarantee of digital rights (LOPDGDD), Aqualia began the process of regulatory adaptation in data protection matters reaching an optimal degree of maturing for the system in the first half of 2019 according to the results of the Regulatory Compliance Review visits made by the Data Protection Coordinator.

BLOCK	ASPECTS REVIEWED AND ADAPTED TO DP REGULATIONS
DATA PRIVACY OFFICER	<ul style="list-style-type: none"> -Definition of the governance structure for privacy. -Appointment of Data Protection Coordinators by Country -Appointment of Data Protection Delegates by Country
PRIVACY BY DESIGN	-Implementation of the privacy principle from the design and by default in the new processing processes and in the technologies relating to data protection.
ACCOUNTABILITY	-Creation of mechanisms for reviewing accreditation of evidence of adaptation.
REGISTRATION OF PROCESSING ACTIVITY	<ul style="list-style-type: none"> -Creation of the registry of processing activities and implementation of mechanisms that ensure its continuous updating. - Risk Map result management -Risk treatment plan
ORDERS FOR PROCESSING	<ul style="list-style-type: none"> -Creation of two adapted processing models and review of the validity periods for those currently in force. -Formalisation of the Models for Ordering processing with Public Administrations.
INTERNATIONAL TRANSFERS	<ul style="list-style-type: none"> -Review of the legal guarantees under which International Data Transfers are protected. - Formalisation and contractual regularisation of the TIDs identified
MANAGEMENT OF THE RIGHTS OF THE PARTIES CONCERNED	<ul style="list-style-type: none"> -Implementation of legal and technical procedures for the management of the rights of the parties concerned. -Management of the rights of employees -Management of the rights of client parties concerned -Management of the rights of suppliers
SECURITY MEASURES	<ul style="list-style-type: none"> -Definition of security measures to adopt. -Adaptation of security measures, group websites, APP.
NOTIFICATION AND REPORT OF DATA VIOLATIONS	<ul style="list-style-type: none"> -Creation of a notification and report procedure security breaches and their internal management. - Investigation of reported security breaches, management in the eprivacy6 tool for the preparation of reports and notifying the AEPD where necessary.
IMPACT ASSESSMENTS FOR PRIVACY	<ul style="list-style-type: none"> -Creation of procedure for the conducting PIAS and training for their use. - Performance of the Impact Assessment
PRIOR CONSULTATION AND RELATIONS WITH THE CONTROL AUTHORITY	<ul style="list-style-type: none"> -Review of the action protocols for information requirements from control bodies and/or authorities. - Registration of the Ecix entity as DPD for Spain and Portugal
DUTY TO INFORM AND CONSENT	<ul style="list-style-type: none"> -Modification of the information clauses and mechanisms for obtaining consent currently used: - Domestic and International supplier clauses - Client documentation clauses, - Sports Centre Clauses - Employee clauses - Clauses for websites, apps, telephone conversations.

5.4. Social action

Although the capacity to set tariffs and regulate the provision of services in the comprehensive water cycle in Spain is the exclusive competence of the Administration, Aqualia actively promotes social action mechanisms in the tariffs and solidarity funds for the most disadvantaged users. The Company has also worked to improve coordination with municipal social services to protect citizens at risk of vulnerability or social exclusion. As an example, Aqualia's CSR policy has included the renewal of its collaboration agreement with Caritas Española since 2015, and with UNHCR since 2019 to support the initiatives of this humanitarian organisation in Spain.

6. SUSTAINABLE MANAGEMENT

One of Aqualia's priority objectives is the continued support of compliance with the United Nation's Sustainable Development Goals (SDG), concentrating on those that affect the water sector and our stakeholders:

- No. 3. Good Health and Well-Being.
- No. 6 Sustainable Clean Water and Sanitation.
- No. 7. Affordable and Clean Energy.
- No. 8. Promoting Sustained Economic Growth.
- No. 9 Building Resilient Infrastructures.
- No. 11. Achieving Sustainable Cities and Communities.
- No. 12. Guaranteeing Sustainable Production and Consumption.
- No. 13. Adopting Urgent Measures to Tackle Climate Change.
- No. 14. Sustainably Conserving Marine Resources.
- No. 15. Tackling Desertification and Protecting Biodiversity.
- No. 17. Partnerships to Achieve the Goals.

The Company also has an ongoing strategy of creating shared value, responding to the expectations of its stakeholders and taking a deeper look at the tools that enable us to understand and measure social and environmental impacts, as a support for the creation of economic value and the Company's increased competitiveness (calculation of the social and environmental footprints). To achieve this, in 2019 we have taken the following steps:

1. **Adaptation to the new ISO 45001 Standard**, for Occupational Health and Safety Management Systems in organisations, which replaces OHSAS 18001. The Aqualia Management System has incorporated this new Standard into its Comprehensive Management System.
2. **Increased efficiency in the internal and external Audit process** by including audits of the Quality, Environmental, and Energy Management Systems and the calculation of the Carbon Footprint.
3. **Adaptation of international certificates** to the new requirements for the ISO 9001 (Quality Management) and ISO 14001 (Environmental Management) Standards.
4. Increased scope of the **Energy Management and Climate Change** strategy.
 - Follow-up on contracts with energy review.
 - Calculation and verification of the Carbon Footprint for all Aqualia's activities in Spain and Portugal.
 - The registration of the Carbon Footprint in the OECC (Spanish Office for Climate Change) of the MITECO (Ministry for Ecological Transition) for all Aqualia's activities in Spain.
 - Carbon Footprint Reduction Plan for Aqualia's Activities (2017 – 2019).

- Verification of the emissions avoided in the MITECO OECC CLIMATE Project, approved in 2018, for the use of alternative fuels corresponding to the company's activity and in cars.
 - Follow-up on the project for the Implementation of the Energy Management System in all activities in Spain, in compliance with RD 56/2016.
5. Adaptation of the general procedures for the Management System to the FCC Group's **Compliance** model to respond to the designation of process owners and their corresponding controls.
 6. Participation in **AENOR** meetings and forums and in **AEC** work groups.
 7. Participation in the Spanish Chamber of Commerce **Circular Economy Commission** in which legislative initiatives are analysed and meetings are held with policy makers.

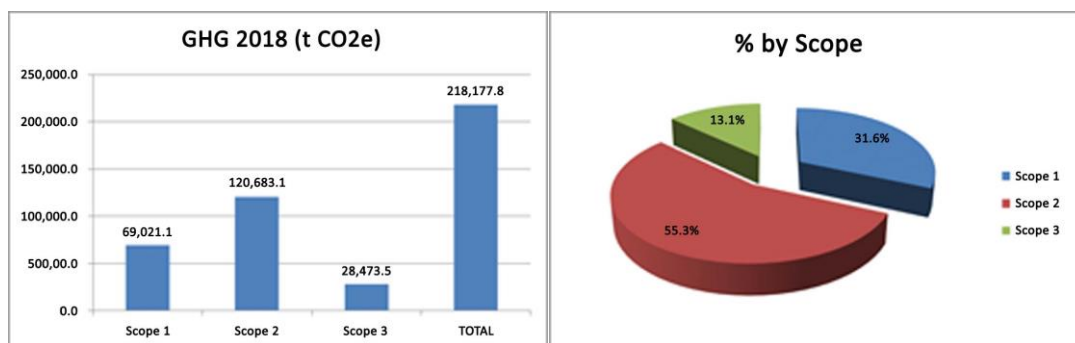
As a complement to the above, the strategy maintained with the Company's stakeholders consists of incorporating the processing of Aqualia's stakeholders and the contextual analysis of the Company into the Management System, as a requirement for the new Standards and as support to other Aqualia departments in their daily work (Clients, Compliance, Reporting, RSC, HR, etc.).

7. ENERGY MANAGEMENT

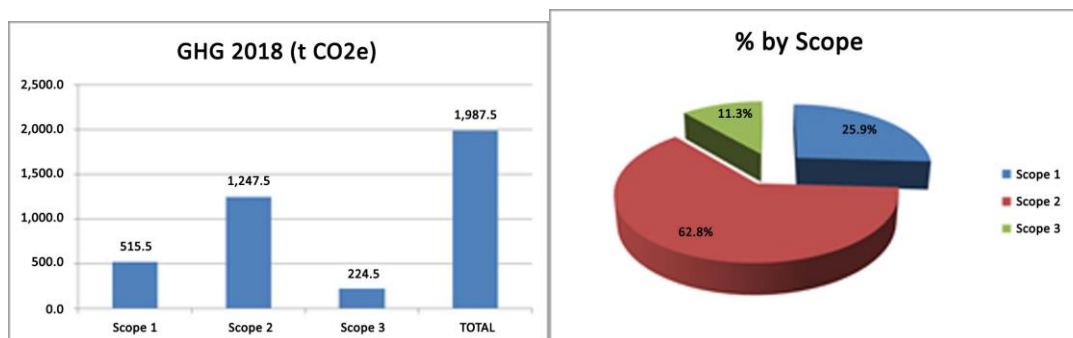
Energy management of production installations has been a strategic line of action for the company since its inception, with the optimisation of energy consumption being an objective for continuous improvement.

Not surprisingly, the calculation of the company's Carbon Footprint for its holdings in Spain and Portugal, verified according to UNE-ISO 14064 Standard guidelines by AENOR, shows that the component with the greatest impact on Aqualia's Carbon Footprint is the consumption of electrical energy (Scope 2).

Greenhouse Gas Emissions in Spain (2018):



Greenhouse Gas Emissions in Portugal (2018):



7.1. Improvements to reduce energy consumption

Since 2016, and every four years, the company undergoes energy audits (in accordance with ISO 50001- Energy Management Systems) to a collection of production installations that consume more than 85% of the company's total energy consumption. As a follow-up to the improvement opportunities detected in the audits, the functional design of a computer tool was developed, which is promoted under this standard. This tool will be integrated into Aqualia's reporting/technical analysis tool (AqualiaRT / AqualiaBI) enabling follow-up of the actions and the results obtained in them.

In 2019, the first steps were taken to extend energy management to office buildings, defining the implementation of monitoring and action systems on the variables of energy consumption within them. So it is expected to optimise consumption in these buildings, which have a much lower impact on the company's carbon footprint than the production installations, but which are Aqualia's showcase for its end-clients, so here is where we can demonstrate our environmental commitment.

7.2. Transition towards renewable energy

Aqualia's commitment to the Sustainable Development Goals (SDGs) approved by the General Assembly of the United Nations in 2015, directly affects energy consumption through SDG7. For this purpose, important steps were taken **to modify the "energy mix" of energy consumed** by Aqualia, progressing towards a renewable energy consumer/producer profile.

So in 2019 an agreement was signed for the purchase of renewable energy (of photovoltaic origin) ["Power Purchase Agreement" (PPA)] in Spain for 76GWh/year, over the next 10 years, which represents approximately 17% of the total energy consumed in Spain. With this agreement Aqualia supports the financial viability necessary for the construction of the photovoltaic plants specified in the agreement.

Along the same lines, Aqualia obtained from the National Commission for Markets and Competition, Guarantees of Origin (GDO) for the energy consumed (effective for 2021 and later) for an amount of 76 GWh/year. These GDOs certify Aqualia as a consumer of renewable energy, for consumption in the installations of clients who so require it.

At the same time, a study was conducted (on 1300 power supply points) for the installation of photovoltaic solar panels in the installations managed by Aqualia. Finally, 52 Installations have been set up for this type of installation from a technical, financial and contractual standpoint, which is expected to generate approximately 8.3 GWh/year with an installed capacity of more than 5,276 kW peak.

8- PROJECTS FOR IMPROVED TECHNICAL MANAGEMENT

8.1. Application of the BIM methodology to the operation of installations

In 2019 the implementation of BIM methodology was completed in Aqualia, with a holistic approach that begins in the engineering phase, continuing in the construction stage and ending in the operation and maintenance of the installations. The participation of the Department in this project has contributed to:

- Preparing the organisation to address projects that require the preparation/maintenance of a BIM model for the project
- The Aqualia BIM models also being useful in the operation and maintenance phase of the installations
- The BIM project for the installation making it possible to feed the computer tools for Aqualia's Asset Management and Maintenance Management of Aqualia.

8.2. New Asset Management and Maintenance Management tool

The first version of this tool is available, built by the IT Department in accordance with the requirements of the company's expert personnel, originating in the Production Areas and the Technical Departments of the Zones, coordinated by the company's Operations Department.

The first pilot schemes will be deployed during the first quarter of 2020, where the tool's performance level will be tested, addressing any improvements to performance that may have been detected.

8.3 Automation of the uploading of electrical data to the technical reporting tool (AqualiaRT)

Electrical magnitudes are essential in the technical analysis/follow-up that the company conducts on its operations. The computer process that loads this data directly from the supplier's invoice to the Aqualia RT tool was launched in collaboration with the IT Department.

This fact has improved the following aspects with regard to the original situation (manual loading):

- Improved reliability of the information reported (human errors are eliminated)
- Reduction of hours dedicated to the preparation of technical reporting
- Improvement of the time taken for the information to be available.

8.4. Maintenance of small WWTPs

In the second quarter of the year, a new development of Aqualia WO (Mobility Work Orders) was designed and launched. The objective was to provide a tool for programming, maintenance monitoring and control and the operational review of the networks of small WWTPs that are isolated and far away from each other.

With this tool, already operating very satisfactorily in the WWTPs in Asturias, efficiency and operational control ratios for the maintenance of these installations are very clearly being improved. Enabling Aqualia's backlog to include a corporate management tool, of the highest level compared to those available on the market and perfectly adapted to the specific field for which it is intended.

8.5. Water Analytics

Continuing with the development and deployment of **Aqualia's Centralised Corporate Scada**, the IT Department, in collaboration with the Client and Operations Department, is developing a Business Intelligence tool (Aqualia WA) with the capacity to analyse the combined data from the remote technical control of installations and networks and the remote reading of household meters, as well as other external variables (environmental, breakdown management, GIS, etc).

The objective is for Aqualia WA to be a decision support tool, with the most advanced A.I. standards for the improvement of technical efficiency and service to citizens while collaborating with environmental sustainability.

Denia's service was chosen as a pilot scheme because of its special technical-geographical features and the planned mass deployment of remote reading currently taking place.

8.6. Network of drinking water laboratories accredited by ENAC

In 2016, the project to reorganise Aqualia's drinking water laboratories was launched. This was necessary so as to meet, with its own resources, the new requirements demanded by (EU) COMMISSION DIRECTIVE 2015/1787 of 6 October 2015, transposed finally to the Spanish system via Royal Decree 902/2018, of 20 July, which modifies Royal Decree 140/2003, of 7 February, which establishes the sanitary criteria for the quality of water for human consumption.

With the reorganisation completed since then, 22 laboratories that did not work under that standard were eliminated from conducting regulatory analysis, whilst accreditation according to ISO 17025/2017 was extended to the laboratories of Badajoz and Vigo and the laboratories previously accredited under that ISO standard, namely Oviedo, Lleida, Ávila, Jerez (Cádiz) and Adeje were improved with regard to human and material resources. All these laboratories are operated through Hidrotec S.L.U., a subsidiary company of Aqualia.

This new structure responds to both the need for the laboratory to take independent decisions, as required by the standard, as well as to all the analysis requirements corresponding to the contracts managed by the Aqualia group in compliance with the new rules.

In 2019, as singular milestones, special mention should go to the inauguration by the Hon. Mayor of Oviedo in January of the new laboratory installations in Oviedo, attended by both the authorities of the Principality as well as by municipal and civil society representatives.

With these new installations and the associated human resources, the Oviedo laboratory, which is a benchmark for the Aqualia network, has the capacity to conduct practically all types of drinking and wastewater analytics (it is already a Collaborating Entity for Cuenca) and is recognised as the most technically equipped in the Principality within its sector, and one of the most important in the sector at national level.

In 2019 the Hon. Mayor of Badajoz also inaugurated a new laboratory for control analysis of drinking water in Badajoz, which in December very successfully passed an audit for accreditation by ENAC (National Accreditation Entity). In this way another accredited laboratory became available, which meant that there were now 6 laboratories in the Aqualia-LAB network with this level of qualification in Spain, together with the two that are also accredited in the Czech Republic.

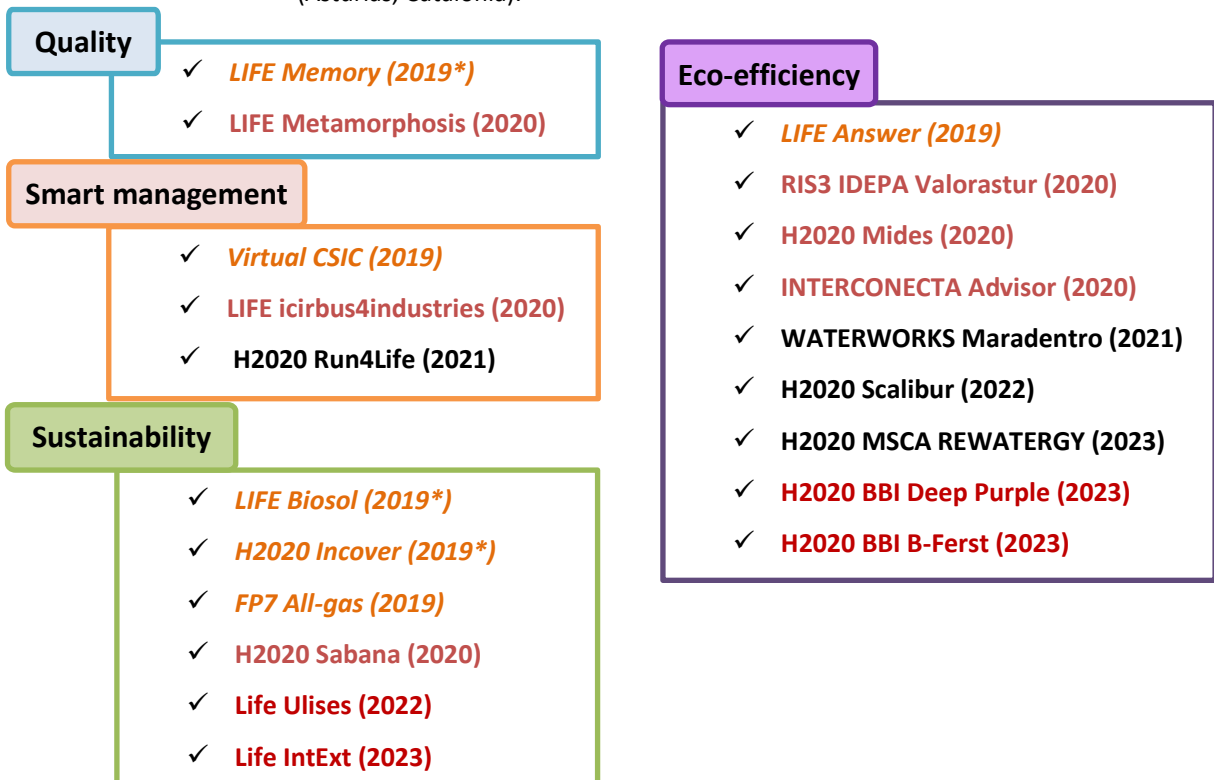
9. INNOVATION AND TECHNOLOGY

Innovation activity in Aqualia focuses on achieving the United Nations Sustainable Development Goals (SDGs), with regard to a water and sanitation service with sufficient and affordable quality (SDG 6), improving its energy balance (SDG 7) and reducing the carbon footprint (SDG 13) through sustainable production and consumption (SDG 12). The activity of the Department of Innovation and Technology (DIT) is in line with European policies for the transition to a circular economy with a zero carbon footprint, for which it seeks the development of new smart management tools and new proposals for sustainable services.

The attached table summarises the projects developed by the DIT during the 2019 business year to strengthen Aqualia's technological proposal, organised along four lines of work: Eco-efficiency, Quality, Smart Management and Sustainability.

During the 2019 business year, twenty projects were developed:

- seventeen as part of European Union programmes:
 - one within the FP7 framework programme,
 - one within the Joint Project Initiative (JPI),
 - six within the H2020 programme,
 - seven within the LIFE call,
 - two within the Bio-Based Initiative (BBI).
- three as part of national programmes (Interconecta for the Centre for Industrial Technological Development, CDTI) or regional programmes (Asturias, Catalonia).



In 2019, five projects were completed with the following results:

1. **LIFE Memory:** In a 50 m³ industrial reactor in Alcázar de San Juan (Ciudad Real), the project demonstrated the technical and economic feasibility of an innovative Anaerobic Membrane Bioreactor (AnMBR), that enables the direct conversion of the organic matter contained in wastewater into biogas and the production of disinfected recycled water rich in nutrients. The elimination of conventional primary and secondary stages allows a reduction in energy consumption and CO₂ emissions by up to 80%, the required space by 25% and mud production by around 50%. This technology has been implemented in other projects, such as the WWTP for a small population in Terrasa, and the Metamorphosis and Run4Life projects.
2. **LIFE Biosol:** The aim of the leader, the French SME Heliopur, was to demonstrate the solar disinfection of recycled water through algae crops in the first stage at the installations of the CENTA Foundation (Seville). A larger-scale installation (3000 m² of cultivation) was built at the El Toyo treatment plant, in Almería, where work was also undertaken on the revaluation of biomass.
3. **H2020 Incover:** a project led by the Aimen technology centre, that brought together eighteen entities from seven countries to assess the use of algae biomass in higher-value products such as biofertilisers and bioplastics. The production of recycled water was also improved with several treatment options involving vegetable filters, solar disinfection and smart irrigation, implemented in the WWTP for Chiclana and Almería, also including biogas washing with algae for CO₂ adsorption.
4. **FP7 All-gas:** the world's first algal biofuel plant has been built and operated, with a capacity of up to 2,000 m³/day of tertiary processing of municipal effluent, in an area of two hectares of seaweed cultivation. In addition to recycled water, it produces biomethane to power up to 20 vehicles/ha with a positive energy balance. The biofuel powered three test vehicles that each travelled 70,000 km, with detailed regular analysis of wear and emissions. Together with other municipal service vehicles, a distance of 400,000 km was achieved without mechanical incidents, making this a sustainable option for manufacturing autochthonous methane with a neutral carbon footprint.
5. **Life Answer:** in their brewery in Guadalajara, the consortium leader Mahou optimised a new configuration for the microbial fuel cell technology developed by Aqualia in collaboration with the University of Alcalá de Henares. It has been shown that there have been energy savings in the process and in the recycling of residual aluminium from cans, by combining the process with a pre-treatment based on electrocoagulation. Recycling options with membranes were also implemented at the factory.

In addition to technological development projects, there has been investment in the training of doctoral students:

- In 2019, work was completed on the project's **Virtual CSIC** doctoral thesis, in collaboration with the Artificial Intelligence Research Institute of the Higher Council for Scientific Research (IIIA-CSIC) and the Autonomous University of Barcelona (UAB), supported by a partial grant from the Autonomous Government of Catalonia. Agent-based simulation is explored as support for decisions on public and management policies, to abstract a specific social phenomenon in for it to be codified as a software programme. In this way, different inputs and configurations for the social system can be simulated, and different policies, events, and management decisions can be tested to anticipate the results. In 2019, the work has been published in a magazine <http://jasss.soc.surrey.ac.uk/22/4/1.html> and in the minutes to four conferences.
- 2020 saw the initiation of the **Rewatergy** project as part of the H2020 Marie Skłodowska Curie PhD programme in European networks, led by the Rey Juan Carlos University. Two researchers were selected, who will begin their doctorates at the universities of Cambridge and Ulster, and then undertake practical work with Aqualia in the second phase of the training.

Five other European projects, two within the LIFE programme and three within the H2020 program, were in their final phase of development in 2019 and they are expected to be concluded in 2020:

1. **Life Metamorphosis:** five other entities (Barcelona Metropolitan Area, FCC SA, Naturgy, Icaen and SEAT) are participating in this project led by Aqualia and two demonstration plants have been built. The first, in the Ecoparque del Besós (Barcelona), managed by the FCC Group, integrates three technologies recently developed by Aqualia (AnMBR, ELAN and biogas cleaning), to convert landfill leachates from municipal waste into biomethane. In the second, Naturgy is working on the conversion of slurry into biofuel, which in both cases is tested for use in cars and lorries.
2. **Life Icirbus:** led by the Intromac technology centre, the project has eight partners to demonstrate the synergy between waste from wastewater treatment plants and biomass ashes produced by ENCE to generate building materials and biofertilisers. The prototype is under operation in a wastewater treatment plant managed by Aqualia in Lobón (Extremadura).
3. **H2020 Mides:** this project is mobilising eleven partners from seven countries to demonstrate in three different implementations a new desalination technology developed by Aqualia and IMDEA Water. A Microbial Desalination Cell (MDC) reduces the energy cost of desalination tenfold compared to traditional reverse osmosis as it uses residual organic matter from effluents to activate bacteria that transport salts through membranes with no external energy input.

The first prototype is already underway at the Denia plant, managed by Aqualia, and there is another prototype being launched in the Canary Islands. The project includes the start-up in Denia of a Desalination Technological Centre, in which several innovative technologies for pre- and post-desalination treatment are being tested, together with new filtration materials.

4. **H2020 Sabana:** The University of Almería is leading a consortium of eleven entities from five countries (including Czech Republic and Hungary), and with three industrial partners: Aqualia together with Westfalia (Germany) and the Italian food group Veronesi. The project optimises the production of new biofertilisers and biostimulants, and the selection of an Aqualia WWTP for the construction of a five-hectare biorefinery is in the final phase.
5. **H2020 Run4Life:** led by Aqualia, it involves a consortium of fourteen partners from seven different countries to implement new concepts of nutrient retrieval from the separation of grey and black waters in four locations (Sneek/Netherlands, Ghent/Belgium, Helsingborg/Sweden and Vigo/Spain). The Sneek and Vigo installations are already in service, the first with new vacuum sanitary services with minimal water consumption, and the second with an AnMBR to produce bioenergy and water for irrigation. The project has encouraged dialogue with the users of new services and by-products to optimise of water and energy consumption through decentralised management of these systems and to assess the effect of new fertilisers.

The conclusion of two regional projects is also envisaged in 2020:

- **RIS3 Valorastur:** Aqualia is collaborating in the RIS-3 programme of the Ministry of Employment, Industry and Tourism of the Principality of Asturias with two large public companies, Cogersa and Hunosa, and with the SME Ramso, with the aim of achieving eco-efficient purification with a reduction in energy consumption and the generation of waste, that is transformed into new resources.
- **Interconecta Advisor:** Co-financed by the CDTI and supported by the municipality of Guijuelo, the project started at the beginning of 2019. It aims to co-digest the residues of the meat industry (Maguisa) at the WWTP installations managed by Aqualia to avoid the cost of transporting waste and increase the production of biofuel, powering vehicles in the WWTP. With Ainia pre-

treatment of the waste is being evaluated and with Energy-Lab and CH4+tech the use of biomethane is optimised.

Focused on the objective of waste reduction and retrieval of at a European level, at the beginning of 2019 the **H2020 Scalibur** project started and consisted of twenty-one partners from ten countries under the leadership of the Itene technology centre.

With the participation of FCC Environment, the project covers waste processing plants in the regions of Madrid, Lund (Sweden) and Rome (Italy). Aqualia implemented new mud treatments at the Estiviel WWTP (Toledo), and is preparing complementary actions in the Czech Republic, to convert organic matter into by-products and bioenergy.

In 2019, four new projects with European funding were launched, two in the BBI (Bio-Based Industries) initiative and two in the LIFE programme:

1. **BBI Deep Purple:** Led by Aqualia and supported by 13 partners, the project aims to implement a new biological platform on an industrial scale that integrates pure and phototrophic bacteria (PPB). Using organic matter from wastewater and municipal waste, bio-refinery works are being developed to produce biofuels and to recover cellulose and plastics as new raw materials in the chemical and cosmetic industry. Aqualia's first trials were installed in Toledo, and a second phase is planned in the Czech Republic.
2. **BBI B-Ferst:** with Fertibería as leader, Aqualia has joined together with ten other partners from six different countries to develop and evaluate new biofertilisers from municipal waste and by-products from purification. mud from the Jerez WWTP is expected to be used to supply a fertiliser factory in Huelva.
3. **Life IntExt:** the project evaluates and adapts low cost purification technologies to minimise energy costs, carbon footprint and waste. The aim is to provide sustainable solutions for small populations from an ecological and economic point of view. The construction of a platform for the demonstration of these technologies is envisaged at the Talavera WWTP operated by Aqualia.
4. **Life Ulises:** the project is developing options to transform a conventional WWTP into an "energy production factory", eliminating the carbon footprint. It is being implemented at the El Bobar WWTP in Almería, operated by Aqualia

In 2019, two new patents were granted:

- On 12.09, the US Patent Office reported the granting of the patent corresponding to application 16/090,341 on the Anaerobic Membrane Reactor (AnMBR - Together with UV/UPV).
- On 29.11, the EPO confirmed its intention to issue the patent corresponding to application No. 14 382 131.2 -1101 on the Bioelectrochemical Fluidised Bed (together with the UAL).

As far as publications and participation in conferences is concerned, the R&D team participated in forty-three scientific and professional events, and their work is reflected in more than two hundred and fifty press articles, as summarised in the attached table:

	2017	2018	2019
Scientific articles	11	12	11
Sector press	117	131	108
Generalist press	113	94	139
International events	33	24	24
Domestic events	18	30	19
Others		2	
TOTAL	292	293	301

10. PEOPLE AND CULTURE

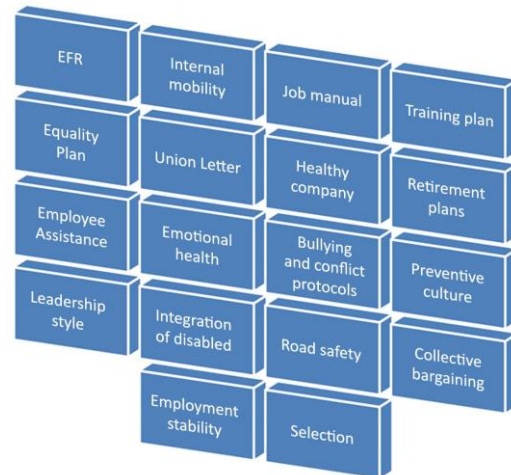
10.1. People and Culture action guidelines

After the re-definition of the activities of the Department of People and Culture, all the different functions developed around the Be Aqualia project come together under a common motto: **People who work for people.**

Be Aqualia is the company's cultural transformation project consisting of coherent and consistent involvement from the human resources function. This involvement is in line with the company's strategic plan and business vision and is supported by the management of people who lead the company's managers.



Taking into account that the key objective is to become a **Healthy Organisation**, work was undertaken in 2019 on the seven blocks of action, identified with different descriptors and defined as "health assets", which lie within the orbit of a Healthy Organisation. Each action block includes different lines of work that are detailed in the different sections listed below.



10.2. Work-life balance

Aqualia maintains its certification as an EFR (family-responsible company) obtained in 2017. In 2019, Aenor conducted the first follow-up audit of the EFR certificate with satisfactory results.

During the 2019 business year Aqualia set itself the objective of promoting the knowledge and use of the EFR catalogue measures among employees through different awareness and communication actions.

The training of managers in matters of work-life balance was completed with the training of 78 managers in the online course on work-life balance management. This was followed by a course on the specific risks of the position, equality and work-life balance, with 59 courses attended by 833 people in 2019. There were also 4 focus groups on work-life balance.

The dissemination of the EFR commitment to our value chain continued via the website, contracts, orders, invoices and publication of job offers.

10.3. Diversity and Equality

10.3.1 Diversity and Social Inclusion

Aqualia maintains its collaboration agreements with different associations and foundations and its adherence to the Diversity Charter.

Together with the Adecco Foundation, it continues to develop the Family Plan aimed at the children of employees with a certified disability equal to or greater than 33%. It also maintains the Collaboration Agreement with the Down Syndrome Foundation and with FSC Inserta de la Once.

10.3.2. Equality

1. Mentoring / Training

- a) Participation in the training programme for women in STEM disciplines "Now you"

A programme promoted by the Women's Institute and the Sepi Foundation that encourages the incorporation into the business field of young graduates in STEM disciplines through a professional development training programme and a period of practical training in the main companies in the country.

Aqualia has been collaborating in this programme since March 2019 with the participation of internal speakers in training and mentoring sessions for this program.

On 21 November the theoretical part of the programme ended and continues with the development of internships and mentoring.

Aqualia has a student from the STEM profile programme who is completing her internship in the innovation department.

- b) Providing Unconscious Gender Bias Workshops for Area HR personnel, Central Services and local offices.

Given by an external consulting company collaborating with the Women's Institute. The aim of these workshops is to: Transmit a series of principles and guidelines to follow in the pre-selection, selection and recruitment of personnel in an orderly and formalised manner, guaranteeing the recruitment of the most suitable personnel, without stereotypes or unconscious gender biases preventing this. There have been 3 workshops, one in each Zone.

2. Equality Badge

Aqualia maintains its "Equality in the Company" Badge, with the award of the Second Extension in 2017 for a period of 3 years. The Ministry of Health, Social Services and Equality awarded this badge in recognition of the company's commitment to diversity and equal opportunities for men and women.

3. Equality Plan

In 2019, a one-year extension of the Second Equality Plan was signed in order to execute the plan that had already been agreed in the 2015-2018 period in which both the company and the majority unions at state level confirmed their commitment to equality of opportunities between men and women.

4. Salary Gap

In April 2019, an **analysis of gender pay gap** was made together with the KPMG consultancy regarding the data for the 2018 business year for FCC Aqualia S.A. In this analysis, that included the study of all the salary situations corresponding to personnel working for FCC Aqualia S.A., the result was a gap of 10% with respect to Total Normalised salary.

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

The Company continues to show its commitment against gender violence through implementation and participation in the different awareness and sensitivity campaigns organised in different municipalities and with the collaboration of Aqualia staff.

6. Management Development Programme for Women

In 2019, a new edition of the School of Industrial Organisation's (EOI) Management Development Programme for Women with High Potential was held with the participation of 5 members of the Aqualia staff. Participation in this programme falls within the framework of the Equal Opportunities Policy for men and women promoted by the Company.

10.4. Leadership

2019 also saw the sixth edition of the Otto Walter Cycle, a programme aimed at middle managers, with the aim of continuing with the transformation of Aqualia's leadership style and with the transition towards a more participative, talent catalyst management model that strengthens team cohesion and is supported by a common language shared by all.

A 180^º manager style meter has also been developed for 47 managers within the organisation.

The First Cycle of the Otto Walter Executive of Leadership and People Management was given to managers, this cycle aims to provoke the development and transformation of behaviours, attitudes and management style in the directors of Aqualia, to help them develop and consolidate the strategic skills defined by the Company.

10.5. Personal and Professional Development

10.5.1. Professional Development

A key feature of professional and personal development is the work environment, so in April Aqualia launched a **Labour Climate Survey** conducted on 700 employees (service managers and workers in the central offices of Zone I, II, III and Service Centres) to get to know their views on the company and its organisational culture. There was 74.56% participation.

The aim of this study was to obtain information on the aspects that show room for improvement, and to identify and foster those aspects that the organisation is already good at

Featured Results:

96% of Aqualia employees like their work and 91% are proud to work in the company.

As for culture, 97% of those surveyed value the company's brand and the values that define it positively; 95% believe that health and safety play an essential role in Aqualia's culture; and 68% state that the company supports and defends work-life balance.

Those surveyed indicated that the most significant aspects in which there was room for improvement were the downward trend in communication (43%); the daily workload (41%); access to discovering the possibilities for promotion within the company (58%) and the methodology of action in social networks (46%). In 2019 Aqualia began to establish the culture of **Performance Assessment** within the company and this involved training sessions on the performance assessment programme. The aim of these courses was to provide the managers with tools for the professional development of the team of people they are responsible for, through assessment techniques, the application and monitoring of an action plan as part of a process of continuous development.

There were four courses in which 61 people participated.

So to get this process of performance evaluation underway, managers have begun to have development conversations with their collaborators.

It is worth mentioning that in December 2019 Aqualia, with the aim of contributing to employee welfare, launched the **Be Aqualia Psycopack** for each of the workers that make up the organisation, highlighting the fact that its greatest value lies in its employees. This psychopack offers workers:

Psychomet: Aqualia makes available to all employees this tool that enables them to check their level of mental and emotional well-being, helping employees to make early identification of any problem of a psychological order that they may be experiencing. Instructions for accessing this tool may be found on the individual card delivered with the Psycopack. All information will be treated anonymously and confidentially.

Employee Aid Programme(PAE): Psychological care service offered by expert psychologists who will help employees resolve any possible psychological and emotional distress that they are experiencing, both personally and professionally. The psychological care service is available 24 hours a day, 7 days a week, no appointment is necessary and its use is unlimited. Instructions for accessing this tool may be found on the individual card delivered with the Psycopack. All information will be treated anonymously and confidentially.

Interpersonal Conflict Management Procedure: this aims to be an effective tool for the management and resolution of conflicts arising in the workplace via mediation (voluntary process in which the parties to a conflict try to reach an agreement by themselves with the assistance of an impartial and neutral third party called a mediator). The present procedure complements the action protocol for bullying situations already adopted by Aqualia.

As it does every year, Aqualia has developed a Training Plan linked to the Company's strategic objectives and aimed at improving the performance of workers' functions while ensuring occupational health and safety. With this in mind, training is developed that is adapted to the requirements for each of the jobs within the Company.

The company remains committed to training and the professional development of its employees. In 2019 this resulted in the organisation of 697 courses in Spain and 4,626 employees receiving 76,799 hours of training.

A total 63% of male employees and 78% of female employees participated in the different training courses. There was 86% attendance at training courses (9,872 participants in 2019), highlighting the commitment and involvement of employees.

It is worth mentioning that the 2019 training plan to promote the personal development and well-being of employees included 20 **Healthy Lifestyle Habits** courses on mindfulness and time management attended by 245 participants.

In 2019 great importance was given to training in the **Code of Ethics and Conduct**, 99% of Aqualia's employees with computer access completed the course online.

Aqualia also continues to promote and develop accreditation processes for professional skills.

There was a total of 5 calls in Lleida, Tarragona and Barcelona to accredit the skills corresponding to energy, water, safety and environmental certificates. 107 Aqualia workers were presented for accreditation processes, 55% of whom were awarded Total Certification and 20% lacked just a single skill unit to be awarded total certification.

The following certificates were awarded:

- Assembly and Maintenance of Water Networks.
- Organisation and Control of assemblies and maintenance of water and sanitation networks and installations.
- Operation of Water Treatment Plants.

In December, the first call for the Accreditation Process in Girona began with 21 applicants submitted for Energy and Water Certificates.

10.5.2. Selecting and Attracting Talent

To be able to attract talent and guarantee objectivity in the selection and recruitment processes for different people and giving them equal opportunities, in Aqualia, we use the different methods and sources of recruitment available for all types of professional profiles, and we conduct interviews following the skills selection model, assigning to each position those that are most relevant for the good performance of duties. This method makes it possible to make objective comparisons, ensure equality and avoid discrimination. In 2019, Aqualia invested in different job websites and companies specialising in the recruitment of personnel, such as Infojobs and LinkedIn, in the FACTHUM platform for skills tests through the PAPI tool, and in training the personnel involved in the selection processes to improve their methods of interviewing and assessing candidates so as to recruit the best professionals in equal conditions. Contact has been maintained with more than 10 Consultancies specialising in searching for and attracting talent and selecting personnel, with the aim of putting those selection processes that we decide to outsource in the best hands.

In line with the FCC Group's recruitment policy, Aqualia is also committed to internal mobility as a source of recruitment, publishing all the positions required in the company on the Internal Mobility channel to which all workers have access.

As part of the commitment to recruit young and specialised talent in the water sector, in 2019 Aqualia also included 5 trainees who had completed an EOI (School of Industrial Organisation) Master Course in Engineering and Water, with whom Aqualia signed a collaboration agreement at the end of 2016. Also in 2019 we wanted to be involved in the first year in which the Dual FP was included as a Higher Degree in Water Management and the Medium Degree in Water Networks and Treatment Stations promoted by the Canal de Isabel II, taking on 6 students from the Institute of La Paloma in Madrid for the 2019-2020 academic year. A number of agreements with the universities with which Aqualia has been collaborating

for years have been renewed and others have been signed with new schools, universities and training centres in different communities, and a pilot agreement with a Vocational Training Centre in Gijón (Asturias) for which we will have an Erasmus student from Slovakia for a month at the Oviedo Laboratory.

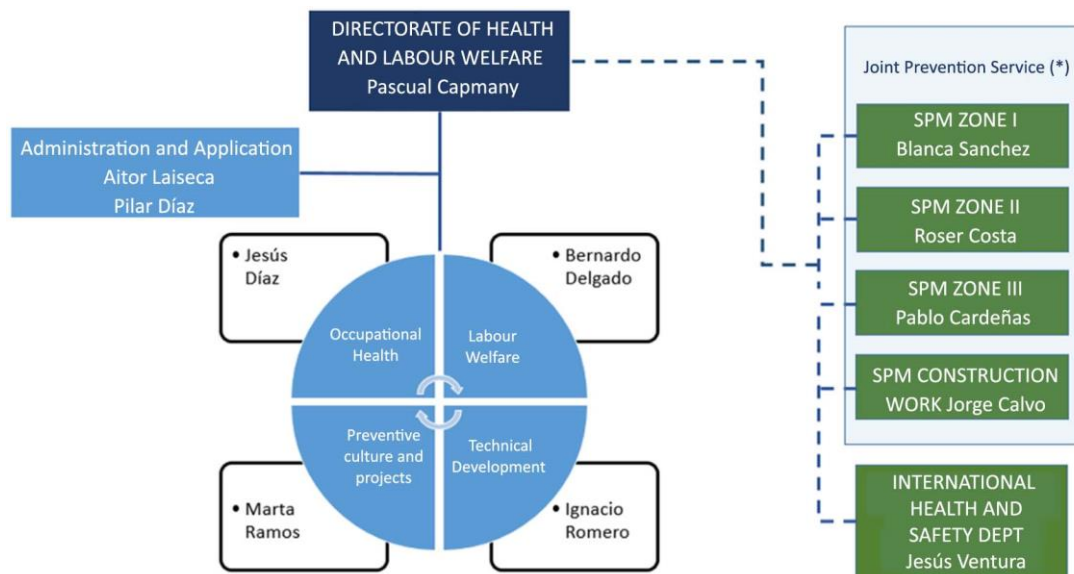
In 2019, Aqualia also implemented a Selection and Professional Internship Procedure that guarantees the transparency of the selection processes. This procedure has improved the good development of the selection processes in a timely manner, involving and training all areas of the company for compliance. Typical documents such as the selection report made from the personnel department have been incorporated and the suitability report, prepared by the area or department into which the selected person or persons will be incorporated.

A General Protocol for the Design, Implementation and Assessment of an *Anonymous Curriculum Vitae* Project for the selection of personnel, signed with the FCC Group, has been in place since 2017. The aim of this protocol is to establish a general framework for working with the State Secretariat for Social Services and Equality to promote the implementation of depersonalised recruitment processes with regard to the managerial group so as to avoid possible gender biases in staff selection processes and, where applicable, employee promotion.

10.6. Safety Health and Well-Being

In 2019, the Department of Health and Well-Being was reorganized at Central Services level. Once a Doctor specialising in Occupational Medicine had been incorporated, a series of activities were decentralised and others reinforced, so it was possible to promote aspects including actions and policies relating to the general health of the workforce and promotion.

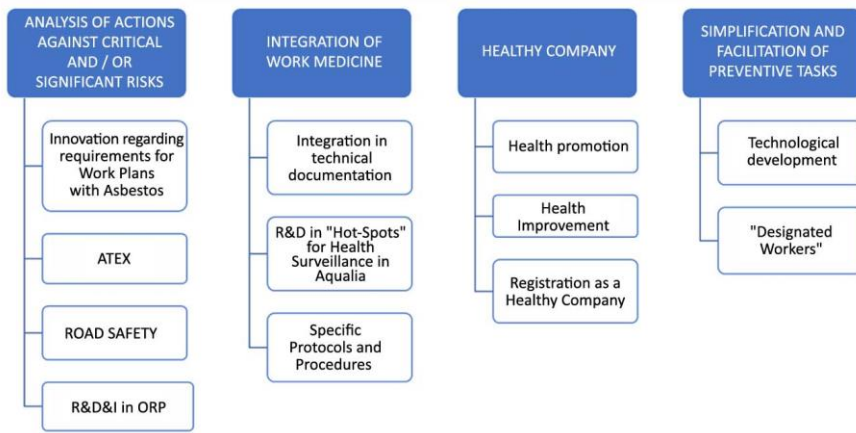
The current organisation chart for the department and its composition is as follows:



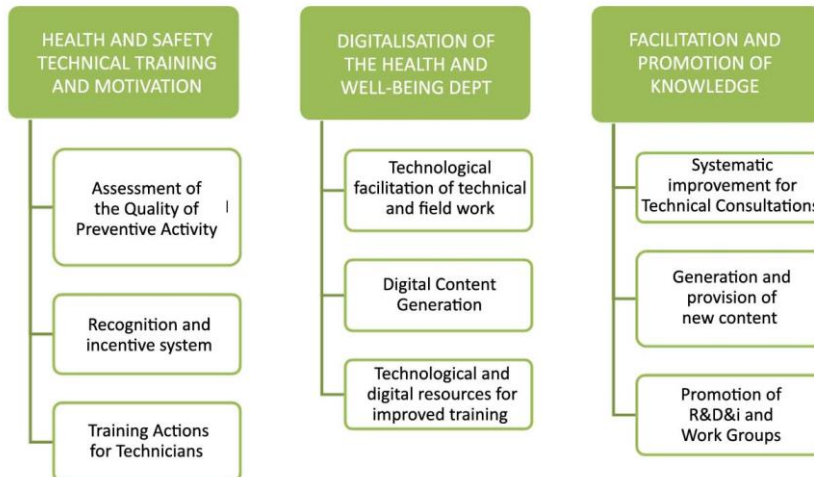
(*) Joint Prevention Service SPM: domestic legal preventive organisation

A new Strategic Plan for the department was also designed for the 2019-21 period hanging on **three axes of action, 9 programmes**, that will contain a battery of **26 projects** and **64 actions**. Each axis is focused on a main player such as: Management, Production and the Health and Well-being Department.

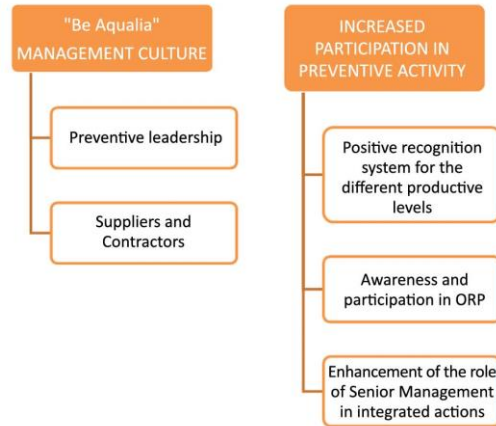
**AXIS 1.- INNOVATION AND DEVELOPMENT OF ACTIONS AND LINES OF WORK:
IMPROVEMENT AND INTEGRATION OF PREVENTIVE ACTIVITY
(Programmes and Projects)**



**AXIS 2.- IMPROVEMENT AND MODERNISATION OF THE DEPT. SyB
(Programmes and Projects)**

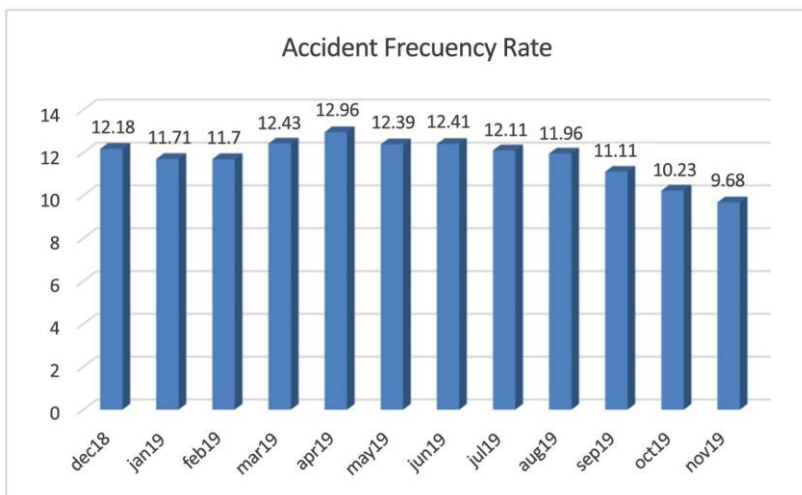


AXIS 3.- IMPLEMENTATION OF THE PREVENTIVE CULTURE IN THE PRODUCTION AREA
(Programmes and Projects)

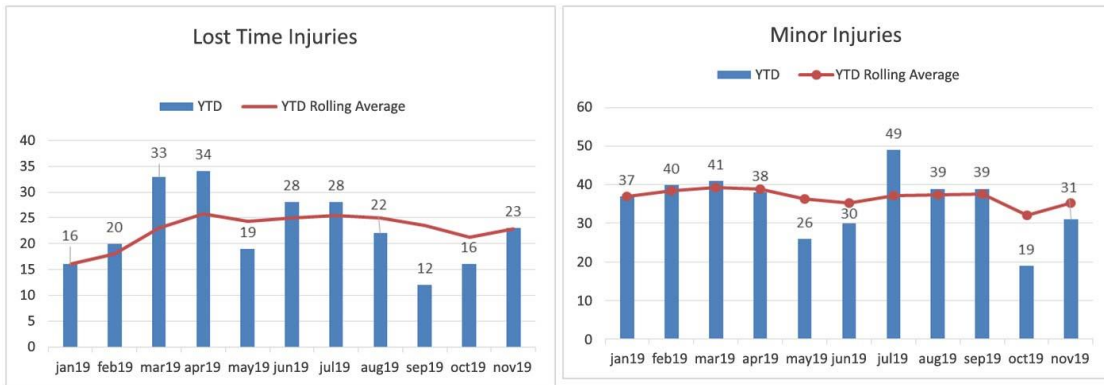


10.6.1 Absenteeism

Regarding the developments in the accident rate, in 2019 (as of November), this decreased compared to the previous year by a little over 2 points in the frequency index (relating to the number of accidents with leave depending on the number of hours worked) and it has an approximate value of 10 (this will be higher in domestic activity and lower in international activity).



The number of accidents causing personal injury, differentiated between those that caused leave from work (Lost Time Injuries) and accidents without leave from work (Minor Injuries) are shown below:



During the 2019 business year there was only one serious accident and it involved subcontracted personnel. While checking the waterproofing of a roof, a worker fell and suffered multiple injuries.

10.6.2. Preventive Management

The results for preventive management (up to November) according to the balanced scorecard (Follow-Up and Assessment of Preventive Efforts) were as follows:

FOLLOW-UP AND ASSESSMENT OF PREVENTIVE EFFORT

Management Unit: _____ Local Office: _____ Zone: _____
 From Date: 01/01/2019 To Date: 30/11/2019

1. Absenteeism

Incidents Investigated		
ACB	ASB	Others
161	281	551
Derived Measures		
Envis.	Real	% Cto
571	572	100

Days lost:	3791
In Itinere	41
Traffic Accids.	62
Overstraining	102
Falls	200
Blows	283
Others	241

2. Health Monitoring

Actions		
Envis.	Real	% Cto
233	213	91

No. Workers:	7351
Suitable	2372
Restrictions	47
Unsuitable	2

3. Training

Actions		
Envis.	Real	% Cto
1294	1077	83

4. Corrective Actions

Actions		
Envis.	Real	% Cto
7612	6519	85

5. ORP Meetings

Meetings		
Envis.	Real	% Cto
1660	1431	86
Agreements		
Envis.	Real	% Cto
0	0	100

Type of Measures:

Health Surveillance: _____

Training: _____

Corrective: _____

Meetings: _____

Inspection: _____

6. Inspection Plan

Actions		
Envis.	Real	% Cto
2912	2382	81
Derived Measures		
Envis.	Real	% Cto
995	1036	104

Type of Measures:

Health Surveillance: 29

Training: 44

Corrective: 634

Meetings: 50

Inspection: 154

7. General Status Assessment

Section	% Obt
Documentation	3.88
Follow-Up Planning	3.98
Gen. Stat. Installations.	4.22
Percentage Obtained	

Media	9
-------	---

8. Safety and Assessment Steps

No.	Med	%Med/No.	1	2	3	4
90	60	66%	0	8	44	19

Quality:		
1	2	3
52	71	46

Type of Measures:

Health Surveillance	0	Corrective	48
Training	2	Meetings	1
Inspections	7		

9. Safety and Assessment Conversations

No.	Med	%Med/No.	1	2	3	4
3533	387	10%	40	929	1094	0

Types of Chat

1	2	3	4
0	0	0	0

Quality:

1	2	3
2435	629	612

Type of Measures:

Health Surveillance	29	Corrective	156
Training	32	Meetings	34
Inspections	21		

10. Learning about Unsafe Behaviour (Remarks)

No.	Me	%Med/No.	1	2
85	88	103%	32	39

Methodology:

1	2	3
50	20	28

Type of Measures:

Health Surveillance	0	Corrective	62
Training	3	Meetings	10
Inspections	3		

11. Training Sessions

Action	No.	Hours
Specific Risks with Refreshment Module	85	244

Key:

Safety Steps - Quality:

1. Improvement actions have been proposed
2. Time has been spent chatting with workers
3. The manager used the PPE to set an example

Safety Conversations - Types of Chat:

1. Learning from Accidents
2. Strengthening Safety Standards
3. New work procedures (processes and equipment)
4. Communicating our accidents

Assessment:

- 1 - Little cash
- 2 - Normal Effectiveness
- 3 - Quite effective
- 4 - Very effective

Learning about Unsafe Behaviour - Methodology:

1. Unsafe behaviour was observed
2. Changes were proposed
3. Commitments have been made

Quality:

- 1 - Workers were involved
- 2 - Proposals for improvement were made
- 3 - Commitments have been accepted

The effort made by the organisation to improve the reporting and follow-up of the indicators deserves special mention. Analysis and control has been reinforced at all hierarchical levels, increasing meetings and regular reports. In this regard work has been done on a monthly Management report of the Directorate that has cascaded down throughout the organisation.

10.6.3. Significant Actions

The following are the most significant activities undertaken during the business year, ordered by chapter:

1. Safety

- OHSAS 18001 certification

Aqualia once again renewed OHSAS 18001 certification on the Occupational Health and Safety Management System.

The result was satisfactory, with only one minor "Non-Conformity" and nine general remarks on the system.

- Joint Prevention Service actions (SPM in Spanish)

As each year for national activity, the Joint Prevention Service undertook the specialised technical actions within its remit. The following is a national statistical summary of the activities undertaken in 2019.

Action	Completed
Preventive Planning Activity	443
Initial Risk Assessment	22
Complementary Risk Assessment and Reviews	104
Regular measurement of Asbestos	11

Action or Course	Completed
Regular Noise Measurement	239
Specific Reports	155
Emergency Plans and Drills	211
Health & Safety Plan	171
Information Session on Specific Risks	314
Complementary training (excl. RE)	130
Investigation of Incidents	869
Specialised Verification	682
Works Coordination Meeting	57
Specialised Inspection for Follow-Up on Works	108

2. Preventive Culture Project

In 2019 the projected Action Plan was finalised with the implementation of the three actions that were still outstanding. Here is a summary:

- On Manager Safety Rounds: One again managers attended the planning of rounds based on the objectives set.
- On refresher training: this continued according to the projected plan.
- On safety conversations: the action was reinforced by convening meetings for middle managers in all the local offices with the aim of explaining and emphasising the features of this action and why it needs to be taken.
- On safety remarks: the training of prevention technicians was reviewed and strengthened with a view to implementing this action.
- Prevention effort recognition system: The first recognitions corresponding to the first six months of the year were made based on the new balanced scorecard designed at the end of 2018 and came into force in 2019. At the beginning of 2020, recognition will be performed annually. The selected contracts were awarded a diploma.



- The new methodology for accident investigation and group learning was finalised. Based on the methodology already established in Aqualia for investigation accidents, the new guidelines aim to be a tool that facilitates the organisational learning process for the purpose of generating changes in equipment, installations, people's behaviour, procedures and/or management systems in order to improve safety performance. To facilitate the actions included in these guidelines and relating to the reporting of incidents, an App was designed that will allow all workers to have easy access and for these incidents to be easily reported.

3. Psychosocial Risk Assessment

In 2019, based on the psychosocial risk assessment undertaken in 2018, progress was made in the implementation of the plan to improve the emotional health of the workforce.

Also, at the end of that year, the overall results of this assessment were broken down in order to specify the measures at lower hierarchical levels such as areas and local offices.

4. Participation and communication

In addition to the Labour Charter forum, in which the issues discussed include health and well-being, and that has been called regularly, in 2019 there was a spectacular breakthrough with the preparation of an APP, called Be Aqualia, which enables all workers to participate and communicate with the company about their health.

The App specifically enables:

- Reporting of incidents and dangerous situations
- Contribution of suggestions of a general nature
- Contribution of specific suggestions for the improvement of installations and processes that may be accompanied by images

5. Contractors and suppliers

In addition to continuing with the process of implementing the Nalanda platform and with regard to the coordination of business activities, a protocol was designed that is directed towards future official approval of contractors, especially with regard to health and safety. It is a question of sending our requirements on safety concerns to our contractors so they will become part of our activities, beyond the legal requirements, aimed at increasing the preventive culture.

6. Health and Well-Being

With regard to health, the reorganisation of the above-mentioned department has enabled the definition of the areas of action and the lines of work undertaken during the year.

1

Health Monitoring

- Management and communication with SPA QUIRÓN PREVENCIÓN
- VS Medical Protocols / Specific protocols for preventive action
- VS Epidemiological Analysis
- Global advice on VS
- VS expats and frequent travellers
- Aqualia International

2

Professional Contingencies

- Management and Communication with Asepeyo (AT and EEPP, Special cases, Administrative and documentary management)
- Accident and Dynamic Data Analysis (ADD)
- Global advice on CP/IPT/INSS issues
- Inspections

3

Absenteeism

- Management and communication with MCSS on Common Contingency issues
- Support and advice on Absenteeism Control programmes in the Zones
- ITCC special ITCC process follow-up
- Global advice on CC/IPT/INSS issues

4

Healthy Company

- Be Aqualia Project - Healthy Company / Global advice on Healthy Company issues
- Advice for health promotion initiatives
- Healthy APP - Healthy Challenges
- Programmes for prevention and promotion of well-being transversals and/or directed according to health indicators
- Healthy Companies Network (INSST)

With respect to field 4, Guidelines for the implementation of health initiatives have been developed that aim to become an active tool, on which our organisational structure is supported, for the purpose of channelling all health promotion initiatives, thus achieving the unification of a series of fields of action; and that all these initiatives support a company policy that defines it as a Healthy Organisation that prioritises first and foremost the Health and Well-being of its work teams at all levels, under the motto **Be Aqualia®, Be Safe and Healthy®**

The following is a list of initiatives and projects launched in 2019 with regard to the healthy company chapter:

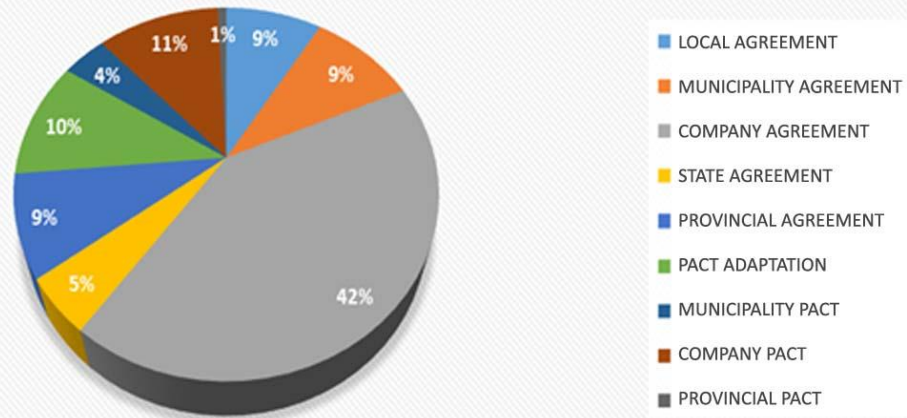
Initiative	Health action field	Notes
Women's Race 2019 - Madrid	Sedentary lifestyle and physical inactivity	25 dorsals
Vig Bay half marathon 2019	Sedentary lifestyle and physical inactivity	15 dorsals
Wellness Ball pilot project - Las Tablas	Health problems and prevalent illnesses	1 wellness ball
Cross-Baiona swim 2019	Sedentary lifestyle and physical inactivity	11 dorsals
Wellness Ball pilot project - Las Tablas	Health problems and prevalent illnesses	0 wellness ball
Healthy Food posters - delivery of fruit	Healthy diet	200 posters
Ergotrón Madrid tables Pilot Project	Sedentary lifestyle and physical inactivity	4 tables
Flyers I cross Aqualia Las Tablas	Sedentary lifestyle and physical inactivity	4 banners, they can be used for future events
Women's Race 2019 - Seville	Sedentary lifestyle and physical inactivity	25 dorsals
Be Aqualia T-Shirts	Sedentary lifestyle and physical inactivity	650 T-shirts
Las Tablas - Quit Smoking pilot workshop	Smoking	8 people (training cost, reimbursable)
Nutrition Workshop - Conscious nourishment	Healthy diet	12 people (Health and Well-Being)
Women's Race 2019 - Barcelona	Sedentary lifestyle and physical inactivity	25 dorsals
Nutrition Workshop - Conscious nourishment	Healthy diet	Outstanding... (People and Culture Dept.)
Wellness Ball pilot project - Las Tablas	Health problems and prevalent illnesses	Extension to "Be aqualia" meeting rooms 5 wellness balls
Mycological Gredos route	Sedentary lifestyle and physical inactivity	For several Local Office contracts
Glass bottles to workers	Healthy diet	For all the workers in the Local Office.
Hypertension training	Health problems and prevalent illnesses	Given by FCC Medical Services
Walk amongst plants	Sedentary lifestyle and physical inactivity	Route between DWTP and WWTP with visit to installations
Healthy menus	Healthy diet	Nutritionist and sending info, will be extended to the whole
Segria Walk	Sedentary lifestyle and physical inactivity	Lleida
Pedalada T ransplantbike	Sedentary lifestyle and physical inactivity	Lleida
Stone Properties Workshop	Emotional well-being	Lleida
Yoga class	Sedentary lifestyle and physical inactivity	Lleida
Delivery of fruit in work centres	Healthy diet	All work centres in the Canary Islands Local Office
Delivery of fruit in work centres	Healthy diet	Seville offices, on Fridays.

10.7. Employment Quality: Collective bargaining, Labour Relations and Personnel Administration.

With regard to collective bargaining special mention should go to the signature and publication of the VI State Water Agreement for the whole sector at a national level. In March 2018, the Negotiating Commission for the VI State Water Agreement was constituted with the participation of the most significant companies in the sector and in which this year the most representative trade union organisations (UGT and CC.OO.) were included with parity among its members. This led to the normalisation and further stability of labour relations between workers and the companies in the sector, thus facilitating relations with union and workers' representation as a result of a broad, regulatory agreement that substantially reduced conflict in the work centres where it is applicable.

As in 2018, this consolidation and extension of the State Water Agreement was one of the most important successes concerning Labour Relations and as a result of which different work centres reached agreements, collective or otherwise, obtaining as a result acceptance of the VI State Water Agreement through 13 collective agreements in 2019

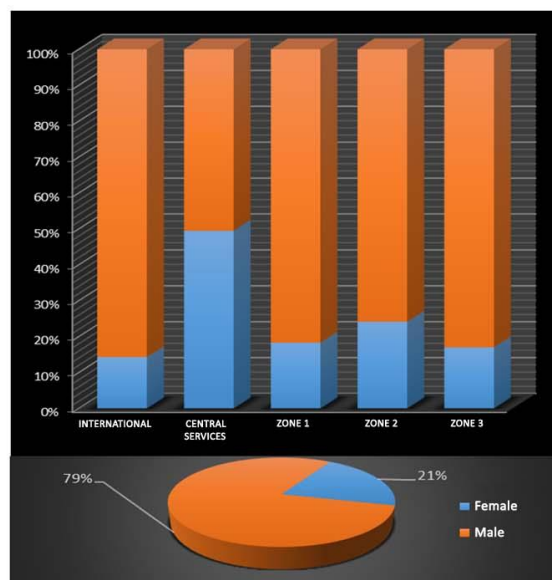
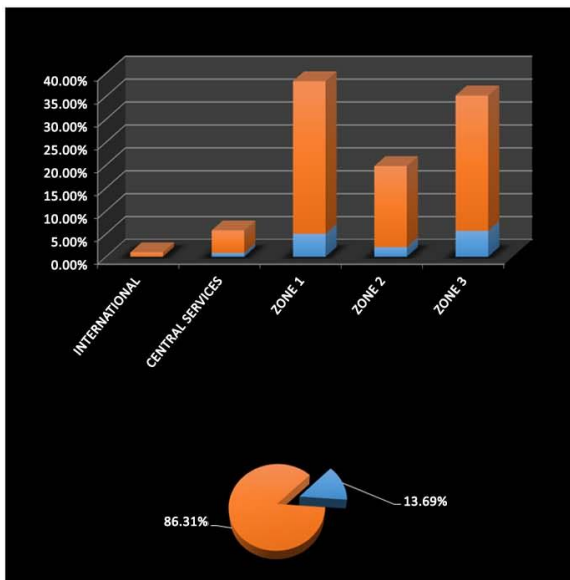
Agreements and Pacts in force 2019



	N ° Agreements/Pacts	% Total
AGREEMENT	92	73.60%
LOCAL	11	8.80%
MUNICIPALITY	12	9.60%
COMPANY	52	41.60%
STATE	6	4.80%
PROVINCIAL	11	8.80%
PACT	33	26.40%
ADAPTATION	13	10.40%
MUNICIPALITY	5	4.00%
COMPANY	14	11.20%
PROVINCIAL	1	0.80%
General total	125	100.00%

With regard to conflicts resulting in strike action, in 2019 3 strikes were declared as a result of non-company causes, since they were due to mobilisations that took place on 8 March coinciding with International Women's Day and 21 February and 18 October 2019 coinciding with general strikes declared in Catalonia. No strikes were declared in 2019 as a result of labour conflicts with the company.

Regarding quantitative data, in 2019 the policy of reducing short-term contracts was maintained, obtaining a result of 86.31% for indefinite contracts compared to 82.9% for indefinite contracts in 2018. Regarding gender, the % of female employees was maintained compared to 2018, with a distribution by gender of 79% male employees and 21% female employees.



Broadening and consolidation of the positions/duties map continued, which enabled us to continue improving the identification and correct allocation of employees, increasing the quality of existing information and facilitating the analysis and study of current Aqualia personnel, as well as providing stability and uniform criteria for Social Security that served to reduce the Number of Labour Inspections resulting from erroneous contribution due to having confirmed these criteria with the Special Directorate for Social Security at a national level.

Regarding compliance with regulations in matters of personnel with different skills, the Aqualia group fully complies with these regulations, maintaining the required 2% of personnel with different skills in most of the companies and in the cases of FCC Aqualia S.A. and Aguas de Alcalá JV corresponding alternative measures were taken since they did not reach the required 2%. This was in spite of the incorporation of 5 more people with disabilities in 2019, which reduced the required differential number and consequently the costs of the required alternative measures.

In 2019, improvement of the processes and reduction of costs for Personnel Administration continued. The following projects deserve special mention:

1. **Consolidation and Universalisation of the app** by which employees with access to the information systems and employee/manager portal can perform the following:
 - View and download their salary slip.
 - Approve payments of monthly employee variables and other requests.
 - Request holidays.
 - View team schedules.
 - Approve purchase orders.
 - Search for other employees (professional information).

2. **Replacement of requests in paper format** by telematics procedures and approval via Work Flow that has led to the elimination of paper applications, leading to improved security with regard to GDPR, greater speed in the approval of requests, cost savings for messaging and saving time in processing requests.

3. Standardisation of Processes for cash advance payments and expense settlement **via Work-Flow**. In 2019, the tool for processing requests, payment of cash advance payments and payment of travel expenses was consolidated. Since January 2019 this has led to the elimination of processing on paper and payment in cash, making monetary requests and credits more reliable and more secure as the amounts corresponding to these expenses are paid by bank transfer, thus increasing the guarantee of traceability for requests and approvals.

11. COMMUNICATION, MARKETING AND CSR

11.1. Communication

The world in general, and the business environment in particular, are changing at a dizzying pace, driven in part by citizens who increasingly demand more transparency, authenticity, sustainability and coherence from brands. In our case, the service we offer, management of the comprehensive water cycle, a public asset and necessary for life and development in countries, must become a way of expressing this new scale of values.

Based on what is included in the annual Communication Plan (PCOM), in 2019 five strategic lines of action for Communication were proposed, aimed at the company's different client sectors:

- **End-client.** For them to perceive Aqualia as a company that contributes value to their region/country. Communicate from their point of view through tales, stories (Storytelling).
- **Institutional client/Administrations.** Become a benchmark for the sector in the development of the "SOCIAL LICENCE" concept for water management as effective collaborators and leaders in public-private collaboration projects. Always communicate from the principles of triple sustainability associated with the 2030 agenda and Sustainable Development Goals (SDGs).
- **Communications media/Social Media.** To influence. Broaden and transform our presence in the domestic and international media and new communication channels.
- **Internal Client/Employees.** Use the brand to strengthen the feeling of belonging to the company and internal cohesion.

Within this framework, the most important initiative developed in 2019 was the annual corporate campaign www.conexionesaqualia.com. The #conexionesaqualia Campaign was created with the intention, firstly, of enhancing Aqualia's commitment to the 2030 Agenda and the United Nations Sustainable Development Goals (SDGs), and on the other, the company's connection, how it relates with its most interesting clients. In 2019 Aqualia used its website to develop an (in)formative campaign. Month by month it used milestones, data and experiences of the different agents involved in the management of the comprehensive water cycle, to share #conexionesaqualia with its most interesting clients and with the Sustainable Development Goals (SDGs).

The campaign focused directly on the media in their dual role as reporters/prescribers and also as citizens who use the public services provided by Aqualia. Efforts in this regard led to a number of achievements featuring the nearly 100,000 viewings of the videos in which clients, professional suppliers from the education and water sectors month-by-month transferred the connection that Aqualia maintains with them, as well as a permanent relationship with the 2020 Agenda and the SDGs. In 2019 there were more than 16 thousand sessions on the Aqualia Connections website by 12,514 users. In 2019, 40 tweets were launched promoting and explaining our connections with more than 440 likes, 200 retweets and 45 mentions, both in specialised and general-interest media.



Aqualia's YouTube channel has had over a million views since its launch, consolidating its position as one of the company's main information channels and placing itself well above its competitors on this social network with over 1,260 subscribers.

The popularity of some of the Company's videos, including those released bi-monthly within the #Conexionesaqualia campaign in which suppliers and professionals working in the international field in the water sector were interviewed, is a determining factor in this increase in views, which now number 990,410. The increase in traffic on the YouTube channel was also possible thanks to the increase in audiovisual material broadcast by Aqualia during the year. In the last 3 months of 2019, 20 videos were published. This situation can be manifested with a few examples. Special mention should go to the promotion of CSR review, communication using high-impact videos including those on the #Ciudades, #ContraelCáncerdeMama and #Saneamiento world days. There was also audiovisual dissemination of actions relating to CSR, with a special mention for refugee week, Gender Violence day through the #AqualiaContigo campaign and the solidarity action for Christmas #SedSolidarios.

Aqualia is committed to constant, useful and responsible communication focused mainly on citizens. An upward trend in communication on networks: 4,793 followers on Twitter. On this channel, Aqualia has increased the number of followers, published content and multimedia elements. The inclusion of LinkedIn in August 2018 was very well received on the network, adding an average of 25 new users per day and reaching 9,078 followers.

Furthermore, and with the aim of putting local representatives of the company in contact with the media in each territory, a number of different types of local events were organised *ad hoc*: meetings with journalists in installations, forums on teamwork, and open days.

Aqualia's commitment to becoming a benchmark in technical matters, innovation, sustainability and communication has materialised with the Company's participation in different sessions and work groups organised by representatives of the sector to establish clear, continuous and approachable policies that enable the main messages of the water management sector to be transferred to the three main target audiences: Prescribers, Administration and citizens. So different representatives of Aqualia have highlighted the importance of the multiple possibilities for public-private collaboration, both on a domestic and international level. Special mention should go to speeches made in forums organised by iAgua Magazine and participation in the "Client experience and service to citizens in supply companies" event, organised by the School of Public Services (ESP) and AEAS. In February, we attended in Salamanca the "eWoman" event with more than 200 people, inaugurated by the city's mayor and in April the company participated in the National Environment Congress (CONAMA) held in Toledo. Together with MITECO and AEAS, we contributed our experience on "Drought situations in urban supply. Emergency plans as a planning tool."

Internationally, our presence in events and participation in debate and presentation forums increased considerably compared with the previous year as a result of the company's growing international expansion. In some cases, such as in Expoagua in Peru, Aqualia's participation in the event was repeated and increased. It was inaugurated by the Minister of Housing, Construction and Sanitation and by the Vice Minister and was the most important event in the water and sanitation sector in the country. Aqualia took part in a round table on new management and infrastructure models in the region, with representatives of Peru's National Water Authority (ANA), the Inter-American Development Bank (IDB), the Lima Drinking Water and Sewerage Service (SEDAPAL) and Proinversion.



In November, Aqualia's CEO participated in the WEEK Water Forum "Water treatment and basic sanitation: a need for a country" in Bogotá (Colombia) organised by the Colombian publishing group Semana in collaboration with the Regional Autonomous Corporation of Cundinamarca (CAR) and the Salitre PTAR consortium that leads the company. Aqualia leads the Salitre WWTP expansion and optimisation project in Bogotá, which is expected to become operational in 2021. Aqualia's chief executive also referred to the citizen awareness work needed in order to preserve the system's resources and sustainability.

Together with more usual activities (press conferences, notes, articles, interviews, reports) and with a view to strengthening Aqualia's relationship with information professionals, whose contribution entails publicly conveying the importance of comprehensive water cycle management for the development and well-being of municipalities, the company launched the fourth Aqualia Journalism Prize for "Municipal water management". This year the Aqualia Journalism Prize went to a journalist from La Verdad de Murcia, for his work entitled "The municipal water service loses 300,000 euros a year due to network fraud".

In 2019 Aqualia also participated in a number of informative breakfasts and newsrooms in which social, political and cultural issues were discussed and that represented an ideal opportunity to strengthen relations with the different *stakeholders* and Aqualia's brand image as a company involved with the social, economic and environmental development of the territories where it operates, beyond its technical performance. With regard to bringing Aqualia's management closer to the territories where it operates, special mention should go to the many visits to the DWTP and WWTP in Ávila in the light of an imminent drought situation. The whole municipal corporation and the Media were invited by the Mayor to learn first-hand about the work that Aqualia does and the infrastructure available to the municipality to manage this extreme situation. The visit had a great impact in the media, and served to explain and understand, the different alternatives for supply, including the re-use of purified water (after mixing in the reservoir with clear sources), and subsequent dilution with the other available sources of supply.

Aqualia's performance regarding the strengthening of relations with the media, following the strategic lines of the PCOM, was reflected in different acts of collaboration with local, regional and national media. During the year, there should be special mention for the requests for information by the media to Aqualia to address both specialised and general dissemination issues related to the water sector as well as those affecting sustainability, care of resources and the environment. For example, in February the SER chain invited Aqualia to a dissemination forum to talk about water management from an environmental sustainability standpoint and a round table on innovation and the circular economy was also organised in the Canary Islands together with the "La Provincia" newspaper. The treatment plant in Medina del Campo in Valladolid was also the subject of a number of reports in different national and regional media. The inauguration of the new installations and equipment for the Central Water Quality Laboratory in Oviedo, which have made it a national benchmark, was also the subject of extensive reporting in the newspaper "El Comercio".

Sectoral media have also echoed the company's main milestones. For example in December, iAgua, the leading online publication in the water sector, published that we are the company with the greatest influence in the sector according to ranking. As usual, Aqualia collaborated with the publication in different reports with the main milestones achieved by the company and topics of interest during 2019. It is worth mentioning the interview published with the Director of Communications and CSR detailing the trajectory of the company in environmental, social and governance affairs since the publication of the first CSR report 13 years ago.

At a regional level, we collaborate with Castile-León Television which commemorated its 10th anniversary of broadcasts.



Aqualia featured in the news of the national chain La Sexta for the purpose of informing about the challenge against gender violence proposed by the company in all the territories in which it works to collaborate in the elimination of this social scourge.

After the different updates to the corporate website (www.aqualia.com), in 2019 the page recorded a total of almost 2 million visits, mainly on issues relating to Customer Service management. The average duration of the connections exceeded 2 minutes.

The website has new features such as an Aqualia Contact search engine (location of offices, telephones and other means for our clients to contact the company), available in all languages. And new spaces were created such as access to the Code of Ethics in all languages and a space for R&D events.

And with the aim of achieving more agile interaction with our clients, an internal procedure was developed for the mass sending of communications via e-mail, in the case of clients with e-invoice or SMS in those municipalities where they have activated this service. Linked to this, a space was also created on the website called "Do not let them confuse you" to clarify any doubts you may have relating to possible fraud in the sale of water filtration equipment that may sometimes occur in some municipalities, with audiovisual content in clear and simple language.

In 2019, there was significant progress in **internal communications**. This involved both the more extensive use of tools such as e-mailing and information Flashes as well as different actions and campaigns generated by the Communication and Marketing team together with those undertaken in the field of CSR. The Communications Department used the Company's e-mail mailbox to reinforce *Information Flashes* as the main route for internal information. Throughout the year, 213 information bulletins were released regarding daily activity in production, the business and the different areas that make up the company (R&D, ORP, HR, etc.).

One of the most significant projects with regard to internal communication was the launch of the Be Aqualia Pack. On 18 December all Aqualia workers received the Be Aqualia pack simultaneously. It is a box with tokens (direct marketing) to present two new services that the company makes available to all employees to take care of their health and well-being. This pack is a result of a psychosocial risk survey that the company conducted at the beginning of 2019 and where stress risk and high workload were identified in the workforce. The project for disseminating the Be Aqualia pack was launched with the aim of taking high-impact action that reached everyone in the company. Distribution and delivery was completed in each and every one of the company's more than 600 work centres in Spain.

At the national level, another milestone in internal communications was a development in Zone III of Aqualia (Andalusia and the Canary Islands). An internal meeting was organised with the objective of motivating, exchanging experiences, highlighting the best practices in the Area and bringing the team together. A hundred service chiefs, delegates and local managers gathered for a day of teambuilding.

Also, in the international arena, and under the motto "People who work for people", the First Aqualia International Meeting was held in Madrid with the aim of addressing the great challenges presented by the company's internalisation. The day, which was followed by a visit to the Ávila Service, was an important reinforcement for internal cohesion and group spirit in the company.



11.2. Marketing

The main objectives in the 2019 Communication Plan (PCOM) 2019 included getting citizens to perceive Aqualia as a company that provides value in the territories where it operates. The Company also aimed to become a benchmark in the sector in the development of the social concept of water management. To achieve this, the Company opted to position itself in the minds of citizens in an area involving: concern for people.

Beyond the management of the comprehensive cycle, in 2019 Aqualia launched actions aimed at connecting with the population with the focus on the citizen. That was the reason for the promotion of www.aqualiaeduca.com, a new website dedicated to knowledge of the water cycle and to promoting awareness among the general population and young people in particular. This is a portal aimed at children and adults where information on the water cycle can be obtained, as well as access to multimedia documentation that is enjoyable and adapted to learning how to make responsible use of the resource.

Once again, and with the aim of highlighting the daily work involved in bringing water from nature to the tap, Aqualia launched a new edition of its children's drawing contest around the www.investigadoresdelagua.com microsite. The contest reached its 17th edition in 2019 and now has an international dimension. In addition to Spain, it is convened in Portugal, Italy and the Czech Republic. Aqualia invites 3rd and 4th grade children from primary schools in the municipalities in which Aqualia operates to participate in the contest.

This children's digital drawing contest is one of a collection of initiatives regularly taken by Aqualia at primary and secondary schools and universities to teach them about the phases of the water cycle and educate them on the responsible use and consumption of water. The 2019 edition was very successful. It involved more than 160,000 people among our different interest groups: 150,000 schoolchildren, 6,800 teachers, 2,000 employees, 1,000 municipalities and 850 media outlets.

The contest website obtained significant data such as 16,193 users, 31,612 sessions and 244,079 page views. More than 7,500 participants, mostly young people and children, dedicated 4,213 hours to training on the comprehensive water cycle.

Aqualia also managed to involve the family members of employees in this training and informative action. So 138 children, grandchildren and nephews of Company workers took part in the X edition of the "Little Artists" internal drawing contest, an activity that took place entirely online.

In 2019 different campaigns were also conducted in different territories linked to commercial and awareness objectives that supported communications with the aim of citizens understanding and appraising the Company's activity.

In Vigo, Aqualia conducted a global communication campaign with the aim of highlighting the importance of a company capable of guaranteeing the water service in the city, the quality of the supply, purification and treatment, the distribution network, etc. and resource to water. This why we are here, to provide an essential service without which the city could not live. With this in mind, the conceptual approach is based on the renewal of the water formula "H2Ohh!" to remind us of the great value of this natural resource and the effort involved for the company to distribute it, take care of it and preserve it 24 hours a day 365 days a year. An urban and multimedia campaign that highlights the importance of the service and the relationship between Aqualia and the city of Vigo. This has involved using media like the press, radio, television, internet, social media and supports such as street marketing and city buses. The campaign is an invitation for the responsible consumption of water.



Another example is the campaign for information and awareness on the proper use of the WC "*Don't throw it away*" in Soller (Balearic Islands), in Granadilla de Abona (Canary Islands) and in Velez-Málaga (Andalusia). In SmVak, the Czech subsidiary of Aqualia continues to promote the consumption of *#tapwater* in restaurants in the territory in which it operates. With the same objective in mind for water in Alcalá, a Contest was launched to find a logo and motto to be the representative image of tap water in Alcalá de Henares and to be applied on glass bottles, glass jars and other supports and in which secondary school students participated. The objectives were to highlight the importance of high-quality of water that can be enjoyed in the city and to raise awareness in society of the importance of the water cycle for the quality of life of its citizens. On the same lines, through Apemsa, a joint venture owned by Aqualia in El Puerto de Santa María (Cádiz), an awareness video was made about the damage caused by throwing wipes and other waste into the WC because they accumulate and form blockages inside domestic pipes and sewage pipes on the public roadway. The digital versions of this 1-minute video are being disseminated through the social media networks of local media, and manifested as an article in the paper versions of local newspapers.

In Panama, the Ministry of Health and the Sanitation Program participated in the adaptation of the Aqualia Glu-Glu comic that explains how a treatment plant works, in this case the one in Arraiján, raising awareness of the importance of the proper use of sanitation. And at the El Salitre plant, in Bogotá (Colombia), work is being done to prepare the Communication and Marketing Plan that will highlight the importance of the design, construction and operation of this installation, which will provide service for almost 3 million citizens in the Colombian capital and contribute to the decontamination of the Bogotá River.

In November "Desalination Week" was held in Denia (Alicante) to highlight the importance of Aqualia's leadership in desalination. This brought together international experts from 15 countries from different universities, research centres and companies. They gathered in the city of Alicante to share their experiences with the current desalination systems used in different parts of the world and the most innovative approaches to generating fresh water using as little energy as possible and with the lowest impact on the environment.

Another noteworthy marketing action was the campaign to promote the use of desalinated water entitled "100% healthy desalinated water" with the aim of highlighting the importance of the work done by the company in the Canary Islands, encouraging the use of tap water and banishing false myths about desalinated water. Not only because it is healthy but to avoid the waste generated by bottled water.

In 2019, Aqualia's commitment to providing a public service to its users and thanks to a new internal procedure, led to the development of 360° campaigns in Écija (Seville), Cártama (Málaga), Lora del Río (Seville) and Valverde del Camino (Huelva) that have managed to alert citizens in some municipalities of possible fraud through the sale of filters/purifiers, and in others to inform them of the need for responsible consumption under the imminent threat of a lack of water. About 100,000 citizens have benefited from this type of action.

Continuous attacks from platforms for the public management of water, clearly aimed at excluding companies like Aqualia, and the strategic lines of PCOM 2019 led to the development throughout the year of an information campaign aimed at explaining on a bi-monthly basis that Aqualia actually undertakes a great number of actions that have a direct impact on each of its client groups, relating its performance to Aqualia's commitment to the 2030 Agenda - SDG.

The facts, commitments, achievements, advance payments and objectives that the company projected in order to achieve excellence in service provision and in the satisfaction of its different client groups were presented from a supporting axis and by communicating the values of the company in CSR. All this was achieved via an approach involving interconnections and links. Aqualia's links with the different interest groups were transferred by means of a video and a Blog. The *#Conexionesaqualia* campaign developed around the www.conexionesaqualia.com website



includes a selection of the company's impacts and connections and its contribution to the 17 United Nations Sustainable Development Goals (SDGs). Aqualia has opted for the integration of the SDGs into the business strategy based on the 2030 Agenda promoted by the United Nations. It is a great opportunity and a challenge. In this campaign we wanted to let people know that our aim is to be the engines of global change. Aqualia understands the importance of strengthening our role as just another player, a source of solutions and trusted by all citizens. The specific measures and facts that the campaign presents have an impact on the achievement of the SDGs, and consequently on achieving a better world for everyone.

In 2019, work was also done to strengthen Aqualia's perception as a global company (global management with strong local commitment), an approachable Company that contributes local and international value, open to new cultures. The company increased its international presence at numerous strategic events and forums of international importance with a view to solidifying its position as a sector benchmark for innovative solutions that meet the challenges of the future and respond to new public-private collaboration models. These are the cases of Aqualia's participation in the Saudi Water Forum event; Oman Energy & Water Exhibition and Conference; IDA World Congress Dubai, the ANEAS convention-exhibition held in Mexico and the American Water Summit in Houston.

We can also highlight our presence in SIGA 2019 - the Innovative Solutions for Water Management Fair - Hall 2 of IFEMA, in Madrid, which at the end of February brought together the main players in the water management sector. Together with Acciona and Canal de Isabel II, Aqualia was one of the three promoters of the second edition of this event. The company presented its model for the efficient and sustainable management of public water services through its participation in different initiatives and activities.

The Aqualia stand recreated one of the natural gas service stations that the company has installed in several of the treatment plants it manages.

The latest edition of the AEAS Congress brought together the main players in the water industry for three days at the Palacio de Congresos in Valencia. Aqualia was present at the event with the participation of a number of representatives in the scheduled presentations and workshops.

Finally, special mention should be given to the acquisition of SPIE in France. An analysis was made of the status of SPIE's relations with the media, collaboration and sponsorships (social, image, etc.), internal communications, events, corporate visual identity and other issues of this kind with the aim of preparing a proposal for an action plan including the integration of the existing brand under the Aqualia umbrella and which will be undertaken in 2020.

11.3. Corporate Social Responsibility (CSR)

Aqualia understands CSR as a transversal element in its business model. So economic profitability and competitiveness are integrated with our environment's social and environmental aspects that are so important for the future of our business and for contributing to sustainable development.

This why in 2019 a further step was taken in Aqualia in reporting on sustainability and in the challenge involve in following up, measuring and controlling all the Corporate Social Responsibility actions performed by the company. All these actions were implemented taking into account the 2018-2020 CSR Plan (PRSC) and the three strategic lines defined:

- . - Connecting with citizens
- . - Smart services
- . - Exemplary performance



Aqualia intends to be accountable and develop actions globally regarding its commitments in matters of sustainability under an economic, social and environmental approach. The ten principles of the United Nations Global Compact were taken into account, as well as the Sustainable Development Goals that represent a feasible opportunity to exercise sustainable leadership. "53% of the major companies that report on CSR in Spain connect the SDGs to their corporate responsibility initiatives, according to a KPMG Study on Corporate Responsibility Reporting 2018".

In February 2019, a Materiality study was launched that sought to identify those aspects that reflected the significant social, environmental and economic impacts of the organisation or those that could have a substantial influence on the assessments and decisions of interest groups.

This Materiality study set out with a double objective, firstly, to focus the content of Aqualia's Sustainability Report regarding the most significant issues, taking into account the features and specific nature of the company and the sector in which it operates, as well as the economic and social environment. And secondly, to prioritise the significant issues in the company's strategic plan and the position of the stakeholders.

Social contribution as the creator of sustainable value enables Aqualia to show the capacity for innovation, differentiation and the contribution of its companies to a better society for everyone.

Talking about SDG is synonymous with reliability and the long term. With regard to the SDGs, in 2019 we worked with all the Aqualia team's interested parties on the company's Value Chain to identify the areas of impact and in accordance with each of them, to identify the inputs, the results and Current and potential impacts achieved during the year, with the establishment of positive and negative, current and potential impacts.

As a result of this work, a matrix was developed that allowed the SDGs to be prioritised. So that in subsequent business years a series of items can be provided on direct and indirect impacts, with a description of each of these impacts, their justification and the indicators to be provided on each of them. The analysis identified Aqualia's Priority Objectives, those on which it impacts directly from its axes of activity. These were established as SDG 6 (Clean water and sanitation), SDG 17 (Partnerships to achieve objectives) and SDG 12 (Responsible production and consumption).

Finally, and with regard to the CSR framework in Aqualia, a Committee denominated "ASG" was convened. It will deal with issues relating to the Environment, Social Affairs and Governance, be composed of the company's senior managers and chaired by the CEO.

The inclusion of this strategy and prior analysis meant that the preparation of the XIII Corporate Responsibility Report marked a significant milestone in 2019 in CSR issues. For the first time it included an in-depth interview with Félix Parra, CEO of the company, in which he reviewed the challenges and opportunities faced by the company. Under the title #Impactoreal, a new feature of the report was that it was disseminated via Social Media with a video, which was viewed 22,000 times, in which the main achievements and challenges contained in the #ImpactoReal Report were presented in two minutes. The document has infographics to give the reader a glimpse of Aqualia's activity and its main performance figures for 2018. Interactive content was also provided with the inclusion of QR codes throughout the report. These enable access from a mobile phone to the information provided in multimedia format. As it does for each year, Aqualia published a Corporate Social Responsibility report that was prepared in accordance with the comprehensive approval option for the preparation of Global Reporting Initiative (GRI) sustainability reports, 2016 GRI Standards version verified by an independent external entity (AENOR). The report was published in Portuguese, as well as in Spanish and English. There is also a digital version that can be browsed on iPads and other mobile devices, and it can also be read and downloaded directly from the website.



Connecting with citizens.

Sustainability and awareness are two key factors for the company. Aqualia believes that the efficient management of natural resources, and especially of water, is essential. In 2019 the company developed campaigns both for the responsible consumption of drinking water and correct use of the sanitation network.

It should be mentioned that in 2019 the definition, coordination and implementation of a CSR project began in Peru in collaboration with World Vision International, a benchmark NGO and with a presence in and knowledge of the country. Entitled "A Peru with Water", it aims to contribute to the improvement of the quality of life for the inhabitants of 12 community centres in the district of Andahuayllillas, province of Quispicanchi, Department of Cusco, through access to high-quality water and sanitation services on two levels. Firstly, at the engineering level, with the refurbishment, operation and maintenance of the water system infrastructure, which will enable the communities to have suitable drinking water coverage. Secondly, at the educational level, the project will focus on social involvement in communications and education on hygiene and sanitation, and in the management of water services, through the development of local capabilities.

Under the label #contraaescasezhídrica, Aqualia launched an awareness and sensitivity campaign for the rational and sustainable use of water. La Guardia (Jaén), Ibiza and Formentera (Balearic Islands), Ávila, Candeleda (Ávila), Lleida, Torderà (Barcelona) and La Bisbal del Penedès (Tarragona) are some of the municipalities that joined the campaign that sought to promote responsible consumption of tap water by citizens.

Throughout the summer and in collaboration with the municipalities, the company disseminated information and awareness messages via all the company's own channels: flyers, posters, banners, e-mailing, SMS messages, press releases, Twitter campaign. The campaign had a special impact on Twitter and YouTube, with special mention for the video "13 ways to take care of water that nobody told you about", with more than 32,800 views. The information campaign was launched in the Pitiusas (Ibiza and Formentera), Mallorca, Lleida, Vallirana (Barcelona), Tordera (Barcelona), La Bisbal del Penedès (Tarragona) and La Pobla de Montornès (Tarragona).

As a result of the alarming decline in available water reserves, Aqualia also took the initiative of launching an awareness campaign for the residents of Cártama. An e-mail was sent to all clients with an e-invoice that included a link to a video on "13 ways to care for water." This video was also made available to the Municipality who uploaded it to their YouTube channel and inserted a banner on their website to redirect viewers. An awareness text and the link to the video were also sent to app users in Cártama as a notification message.

In the same way, in Novelda (Alicante) and Tordera (Barcelona) awareness campaigns on the disposal of disposable wipes into the sewer system clearly showed Aqualia's commitment to making its clients aware of the proper use of the resource and its impact on the environment.

In 2019, Aqualia's positioning as an omnichannel company led to numerous actions being undertaken. For example, Aqualia highlighted and published the signing of an agreement between Aqualia and the property administrators in Salamanca in the media that will allow more than thirty thousand users to have access to the community's water bill, communication channels such as the aqualia contact app and SMS messages. This group represents 38% of Aqualia's total users. Aqualia also implemented new ATMs to offer a better service to the client/user. Citizens can consult and pay their water bill quickly and easily, avoiding unnecessary waiting and queues. The customer service offices in Almería, La Línea, Jerez (Cádiz), Vélez (Málaga), Motril (Granada), Lepe (Huelva), Adeje (Tenerife) and Caltanissetta (Sicily, Italy) already have ATMs and they have been very well received by users. Aqualia has conducted an information campaign (posters in the offices, radio inserts and graphics in written media) with the aim of disseminating the advantages of using these ATMs to complete procedures related to their water bill. In the coming weeks they will appear in the offices in Badajoz, Jaén, Linares,



Algeciras and Sanlúcar de Barrameda (Cádiz). In 2019, in the international sphere, Caltaqua presented and disseminated a series of short animated videos, with which it intends to publicise some of the most important services it provides to Caltanissetta users (Sicily, Italy).

Finally, the Municipality of Talavera de la Reina and Aqualia turned the XII Edition of the Tarari mountain bike race into an example of sustainability, by installing water tanks for refreshment and hydration for the more than 2,500 participating runners. The measure led to the saving of 25,000 plastic bottles and also prevented the containers from ending up in the ditches with the consequent deterioration of the environment in which the sporting event takes place. This initiative not only encourages the consumption of high-quality tap water, it facilitates the natural hydration of athletes sustainably and reduces the consumption of plastic.

Smart services

Closely linked to its daily activities, Aqualia implemented a number of awareness-raising initiatives on the responsible use of water and caring for the environment. The Company celebrated World Water Day (22 March) with numerous activities for all interested groups, with a wide range of participants from schoolchildren and the elderly to institutional representatives.

The motto chosen by the United Nations for 2019 was "Leaving no one behind". Within the framework of this celebration, Aqualia launched numerous initiatives in which nearly 10,000 people, mainly schoolchildren, took part.

These actions included: In Zone I, municipalities likes Vigo, Moaña, Nigrán, Oviedo, Santander, Ávila, Hellín and Toledo, played a leading role with a number of activities including workshops on the responsible use of water, a forum for specialists, and JPA in several of the Service's installations for schoolchildren and journalists. In Zone II, in addition to the visit to the El Molinar well in Alcoy (Alicante), special mention should be made of the collaboration with the Municipality of Arnedo (La Rioja) in the IV Environmental Forum and participation in the II Catalonia Water Congress, with participation in a number of round tables by delegates from Lleida-Tarragona and Barcelona-Girona and the head of the Lleida WWTP. In Zone III, mass events for children were held involving workshops on water experiments and a theatre show in Ronda (Málaga) and Jaén; an educational forum for children at the Juan XXIII school in Barbate; recreational activities in the Apemsa Water Classroom, in El Puerto de Santa María (Cádiz); and a schoolchildren's visit to the Fonsalía desalination plant in Guía de Isora (Tenerife). Outside Spain, Caltaqua in Sicily presented the prizes for the poetry contest "Lácqua è vita. Sprecarla è un crimine" (Water is life. It is a crime to waste it.)

Aquajerez commemorated World Water Day by inviting more than 350 3rd- and 4th-grade primary school pupils in the city to attend a show that took place within the confines of the Fuente del Mamelón fountain. As if it were a pirate adventure, the story was a symbolic representation of the struggle between good and evil in the use of water and its importance for life on the planet. The idea was for the end of the performance to coincide with the return of water to the planet by starting up the fountain after the repairs made by the Municipality with the collaboration of Aquajerez.

At a national level, the main national and regional/local newspapers published special supplements, in which the company presented its efficient management as a guarantee of the sustainability of the public water services.

All images taken during the celebration are available in a photo gallery on the ONE Aqualia Intranet.

On the occasion of World Environment Day, which is celebrated every 5 June, Aqualia launched a campaign to highlight the importance of its contribution to the development of an innovative and environmental culture in Ibiza to support the defence of the planet. In a press release published in local and sectoral media, the head of Aqualia in the Balearic Islands explained the good results obtained since the launch of the "Enjoy the island, save



water" awareness campaign. The consumption of water in Ibiza and Formentera in 2018 reduced by more than 92 million litres compared to 2017 and extraction from underground sources was reduced by 512 million litres, replaced by a higher production of desalinated water that will enable the island's aquifers to recover. The good results achieved through this initiative have made it a real success story for the company.

For World Sanitation Day, Aqualia, together with more than one hundred entities in the sector, joined the "Do not feed the sewer monster" campaign launched by the Spanish Association for Water Supply and Sanitation (AEAS) on occasion of World Sanitation Day, established by the United Nations to call attention to the priority of sanitation for global development. For several years now, in collaboration with a number of municipalities for which it provides services, Aqualia has also been promoting awareness campaigns warning of the damage caused by dumping certain products and waste into the WC. To coincide with the celebration of World Sanitation Day, a series of activities took place in Granadilla to give visibility to this aspect of the water cycle. Together with the Municipality of this town in Tenerife, Aqualia organised a sewer cover painting contest and installed a photocall of die-cut faces for the students of an educational centre to take pictures pretending to be Aqualia plumbers. They were also able to see everything up close, find out how it all works and even get on a company sewer lorry.

Taking into account other types of actions and linked to the work that Aqualia undertakes in the municipalities, Aqualia reported on the approval for initiating the use of regenerated water from the El Ejido wastewater treatment plant for irrigation in the city's green areas and parks. This milestone means being the first municipality in the province of Almeria to make this new water resource for public use available to citizens, making El Ejido's contribution to the reduction of the water deficit in the Poniente Almeriense a reality. To make this viable, Aqualia, which manages the treatment plant via its participation in the concessionary JV, made numerous improvements to achieve correct purification of wastewater and the commissioning of tertiary treatment installations that perform the necessary disinfection enabling these waters to be used for irrigation. All this was published in a press release to all the media in the province, which gave good coverage to the news.

Linked to the dissemination of the company's innovative actions and with the ultimate aim of improving citizens' quality of life, the international promotion of the All-gas project was a key factor in 2019. In order to transfer the great success of the media exposure for the All-gas project to the international arena, a press conference on the project was given to top-line British press at its installations in Chiclana. The intention was to raise awareness of the uniqueness and novelty of this project that represents a true revolution in purification for small and medium-sized populations and a real alternative for sustainable mobility. Journalists from important media such as the BBC and The Guardian were invited to learn about the project's excellence for the mass exposure of the project internationally. In 2019, the All-gas project was also recognised as one of 101 Corporate Examples of Actions #PorElClima within the framework of the celebration of COP25 (Madrid).

In this line of commitment it is also worth mentioning the offer to citizens of a smart service, with the participation of the director of Aqualia in Vigo, as a speaker at the 2019 Urban Water Summit event, organised by iAgua, where leaders of the management and technologies for the Urban water cycle such as Acciona Agua, Almar Water Solutions, Gestagua, Schneider Electric, Forum of the Water Economy, Grupo INCLAM, Saint Gobain PAM, AEAS, and Aqualia, met in Madrid to present the latest innovations and discuss the challenges for facing in the future.

At a local level, in 2019 Aqualia participated in the main events and conferences dealing with society's main challenges. For example, the "My city at full throttle" forum held in Seville. There was also wider collaboration with universities and research centres in 2019. Proof of this was the signing of a collaboration agreement between Aqualia and the University of Almeria to establish channels to jointly undertake dissemination, research and transfer activities with regard to the comprehensive water cycle via the Solar Energy Research Centre, CIESOL.



Finally, and included in this strategic CSR line, it should be pointed out that good water management in the municipalities contributes to the award of a Blue Flag.

This year a total of 590 beaches, 101 marinas and 252 Spanish municipalities were awarded a Blue Flag. As the company that manages the comprehensive water cycle in many of these municipalities, Aqualia made a number of improvements throughout the year that contributed to the award of this international recognition: Platja d'Aro, in the heart of the Costa Brava in Girona, Vigo and Barbate are examples of this. The company highlighted the importance of the work undertaken in these territories via press releases sent to sector and local media and, internally, through Information Flashes and Your Flash.

Exemplary performance

The principles for action that appear in the Code of Ethics are organised around three axes: honesty and respect; rigour and professionalism; loyalty and commitment, with regard to the CSR and strategic line of exemplary performance, Aqualia undertook numerous actions in 2019.

One of these and with the aim of cultivating the reading habit was Aqualia's adherence to the "Putting books in the factories" campaign organised by the Anastasio de Gracia-FITEL Foundation, UGT-FICA and the Ministry of Culture and Sports. This initiative, which originated in Aqualia's People Directorate, was presented at an event-colloquium held at the company's headquarters in Madrid and was attended by the writer, journalist and coach María Paz Ruiz, author of a dozen works. This edition of the campaign will bring reading closer to 1,400 workers in 14 production centres in the construction, chemical, metallurgical and agri-food industries in a number of autonomous regions.

On the occasion of World Refugee Day, UNHCR information tables were installed at the Aqualia's headquarters in Madrid, Seville and Barcelona with the aim of raising awareness among employees of the solidarity initiatives promoted by the association and the numerous ways there are to collaborate in the eradication of this severe humanitarian problem. Aqualia also hosted an awareness talk at its headquarters in Madrid that related the experience of the head of Strategic Alliances for UNHCR. Nearly one hundred employees attended the event to learn about a global problem that affects 70 million people including internally displaced persons, asylum seekers and refugees. At the end everyone visited a photographic exhibition entitled "The most important thing", with images taken by the American photojournalist Brian Sokol, which were installed throughout the week of 17 to 21 June in the offices of Aqualia in Madrid.

Aqualia also launched an awareness and information campaign that involved both the company's employees, as well as citizens and institutional clients. The company used messages included in the invoices to invite its clients to send an SMS, at a cost of 1.20 euros, to support refugees having clean water. For each SMS with the UNHCR WATER message sent to 28014, Aqualia undertakes to donate the same amount.

With the aim of raising awareness and involving all employees to help improve the lives of people with disabilities, Aqualia organised a Meeting for Diversity at its corporate offices in Las Tablas (Madrid) on International Day of Persons with Disabilities. The paralympic athlete Desirée Vila opened the forum with a talk "The only incurable thing is the desire to live", in which she explained how she overcame the accident that changed her life when she was just 16 years old. Everyone then took part in a biscuit-decorating workshop with disabled people aimed at fostering basic abilities and skills to improve their independence and autonomy. This activity also allowed to bring another "reality" closer to Aqualia employees.

In this context, special mention should be made of the awareness campaigns organised to celebrate International Women's Day (8 March). Different initiatives were undertaken by Aqualia on International Women's day in the



territories in which it operates, focusing on innovation as the lever to achieve gender equality. On this occasion Aqualia positioned itself as a supporter of this cause, through a number of initiatives, integrated in the #AqualiaEquality campaign. The company joined Fundación Adecco's "6th #EmploymentForAllWomen campaign: Women at risk of exclusion in the workplace". From the web www.aqualiaigualdad.com you can access the Campaign video and Report, as well as the interactive game "Excluded", which Fundación Adecco proposes to raise awareness.

Aqualia also participated in a number of meetings to promote spaces for dialogue on gender equality. In Santander, Lleida, Jerez and Madrid there were forums to share experiences, discuss and examine how innovation can eliminate barriers and make quicker progress towards gender equality.

As in previous years, Aqualia employees in the Services joined in the celebration of this day with gatherings in Caravaca de la Cruz, Puerto Lumbreras, San Pedro del Pinatar (Murcia), Santa Eulària des Riu (Ibiza), Platja d'Aro (Girona), Dénia, and Alcoy (Alicante), where actions included dyeing the water in the fountains purple.

It is also worth mentioning Aqualia's support in organising the "Los Palomos" race for diversity in Badajoz. And then Aqualia also supported the Castelló d'Empúries Women's Race in Girona. This is collaboration for solidarity since the proceeds are destined to the fight against cancer.

Under the slogan "You take the first step and Aqualia takes it with you", the company invited all citizens to join the www.aqualiacontigo.com challenge and record the kilometres walking, running, cycling or swimming to show support for the victims of gender violence. More than 3,300 people took up the challenge, with a total of 21,840 kilometres between all, a distance equivalent to a round trip between Spain and Chile. This success was possible thanks to the involvement of Aqualia employees and the commitment of the municipalities that not only joined the #aqualiacontigo campaign, but made it theirs. The www.aqualiacontigo.com website received more than 16,000 visits in less than a month; The campaign registered more than 50 publications and totalled more than 350 likes on Twitter; and it played a leading role in more than 100 articles published in local and national press, radio and television.

The campaign's results confirm its success: 17 municipalities joined #aqualiacontigo (Redondela, Moaña, Oleiros, Llanera, Villaviciosa, Guijuelo, La Roda, Calahorra, Lleida, Ibiza, Dénia, Cabezo de Torres, Los Alcázares, Villena, San Pedro del Pinatar, El Vendrell and Torrox). A total of 12 municipalities organised events around the campaign.

Aqualia launched the #SedSolidarios Christmas solidarity campaign, developed in collaboration with the UNHCR. The aim of the campaign, organised around the www.sedsolidarios.com website, was to encourage solidarity amongst Aqualia workers by recording kilometres that symbolically contribute to reducing the time spent by the 1,200 Sudanese refugees in Uganda to collect drinking water. This action, the project's first, can be monitored on social networks under the hashtag #SedSolidarios on Twitter and on LinkedIn, and will continue throughout 2020. The company will report the main milestones for this CSR project both internally and externally.

In 2019 Aqualia and Caritas reinforced their alliance against poverty and social exclusion for the third time, Beyond their commitment to responding to the social needs of the most vulnerable groups, the agreement with Caritas is another example of the importance of public-private sector collaboration and the company's efforts to be more in line with institutions for the benefit of people.

In 2019 we also launched a number of initiatives to guarantee access to the drinking water and sanitation service for those citizens who are unable to pay their water bills for economic or social exclusion reasons. Services in places like Barbate (Cádiz), Dénia (Alicante), Jaén, Molins de Rei (Barcelona), Sant Andreu de la Barca (Barcelona)



and Vigo (Pontevedra) are just a few examples of this initiative which Aqualia intends to introduce in every location where it works. The aim is to ensure that no citizen is without a domestic water service for financial reasons, always in partnership with the service owner (municipality) and the corresponding social services.

A prominent feature of the company's commitment to society is the over one hundred cultural, sporting and environmental collaboration events that mirror the company's efforts to be recognised as an agent for change and involvement in the territory by establishing a relationship with citizens to create a more equitable society.

12. REGULATORY COMPLIANCE

The Regulatory Compliance Department was created in October 2018, with the result that in 2019 it focused on the implementation of the Criminal Prevention Model for which it was commissioned by the Board of Directors.

12.1 CODE OF ETHICS AND CONDUCT POLICIES

The Code of Ethics and Conduct that brings together the organisation's principles and values was amended in 2019 to include a section related to the company's behaviour before establishing relations with states, non-state entities and individuals on which international sanctions or embargoes may have been imposed. It also included the possibility of making donations to political parties in those jurisdictions that allow it, always in compliance with the corresponding local laws. These modifications were approved by the Board of Directors.

Policies were also approved governing Agents, that regulate the process for selecting and contracting commercial agents, Gifts and Hospitalities, and that determine the boundaries, prohibitions and exceptions applicable when making gifts and awarding hospitalities to third parties, and Human Rights, that reflect the organisation's commitment to respect Human Rights.

12.2 AWARENESS AND TRAINING

An essential part of the Criminal Prevention Model is the awareness and training of employees in the most significant features of Regulatory Compliance. Special mention should go to the training undertaken in Spain in 2019 with regard to the Code of Ethics and Conduct and that was completed by 99% of employees with a digital connection.

Also regarding the Code of Ethics and Conduct, a communication campaign was organised consisting of posters, brochures, documents, etc., that made it possible to reach work centres throughout Spanish territory. As part of this campaign, all employees without a digital connection received paper information on the Code of Ethics and Conduct.

Anti-corruption training, explaining the Criminal Prevention Model adopted by the company, was given to all the company's key employees in all geographical areas together with international regulations governing anti-corruption and anti-bribery. This anti-corruption training was also given to the various lawyers in the Legal Advice Department, who were also informed about prohibited activities relating to competition.

12.3 RISK ASSESSMENT AND CONTROLS

With regard to the analysis of risk analysis involving anti-corruption and high-risk crimes in the company (crimes against public health, environmental crimes, etc.) a series of controls were established to mitigate the identified risks. Each of these controls is an essential part of a process within the organisation. Both the controls and the



processes have designated owners (internally designated as process owners and control owners) who are responsible for conducting these controls in their field of activity.

These processes are self-assessed by their owners every six months, which facilitates their monitoring in order to analyse their correct execution and allows the Regulatory Compliance function to determine any improvements that need to be made for them to be suitably effective.

In 2019 the controls to be conducted on both national and international activity were established and their owners were designated. The assessment undertaken during the month of July 2019 yielded a result of 100% for controls verified by their owners.

12.4 ETHICAL CHANNEL (WHISTLEBLOWING LINE)

In 2019 a total of 25 alerts were received on the Ethical Channel regarding labour disputes between employees (48%), issues relating to client management (12%), breaches of internal regulations (12%), issues that may affect public or environmental health (4%), issues relating to supplier management (8%), IT incidents (4%) and a number of general enquiries about the company's activity (8%).

The Company is included in the consolidated Statement of Non-Financial Information that is part of the Consolidated Management Report for Fomento de Construcciones y Contratas S.A. and its Subsidiary Companies. This Statement of Non-Financial Information was prepared pursuant to the established requirements in Law 11/2018, of 28 December, amending the Code of Commerce, the consolidated text of the Corporate Enterprises Act approved by Royal Legislative Decree 1/2010 of 2 July and Law 22/2015 of 20 July, on Audits, in matters of non-financial information and diversity. The consolidated Management Report of Fomento de Construcciones y Contratas, S.A. and Subsidiaries was filed in the Barcelona Mercantile Registry.

OTHER INFORMATION

Regarding the Company's exposure to financial risks, this is detailed in the attached review in Note 23.

As detailed in Note 24.2) of the Review, the Company exceeded the maximum average period for payment to suppliers. The Company has established the following measures aimed at adjusting this maximum period:

- Review of internal procedures relating to the payment process (receipt of invoices and internal approval processes).
- Optimisation of working capital management, reducing average collection and payment times.
- To study and, where appropriate, implement electronic billing processes.

With regard to own equity operations, the Company has not purchased any of its own shares, nor does it intend to do so in the future.

Any events that may have occurred since 31 December 2019 are detailed in Note 24.1 of the attached review.



The Annual Accounts and the Management Report for the Company denominated FCC Aqualia, S.A., corresponding to the business year ending 31 December 2019, were prepared by the directors of the Company, on March, 25 2020, and are identified as consisting of 77 double-sided sheets of stamp-impressed State paper corresponding to series OM numbers 0147966 to 0148042 both inclusive, and one sheet one-side of stamp impressed State paper of the serie OM number 0148045 being signed as proof of conformity, on stamp-impressed State paper corresponding to series OM number 0148046.

President

D. Alejandro Aboumrad González

Vice-president

Mr Nicolás Villén Jiménez

Voting member

Mr Pablo Colio Abril

Voting member

Mr Gerardo Kuri Kaufmann

Voting member

Mr Lars Bespolka

Voting member

Mr Scott Longhurst

Voting member

Mr Juan Rodriguez Torres