

FCC AQUALIA, S.A. and Subsidiaries

Consolidated 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.*

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INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Opinion

We have audited the consolidated financial statements of FCC Aqualia, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2019, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

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 Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated 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 consolidated financial statements of the current period. These risks were addressed in the context of our audit of the consolidated 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 consolidated financial statements, one of the Group'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 Group 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 Group 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 Group.

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-d.16, 2-d.17 and 11.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2019, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the information contained in the consolidated 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 consolidated non-financial information statement, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated 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 consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated 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 consolidated 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 consolidated 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 higher FCC Group to which the Group belongs, and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2019 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Parent's Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

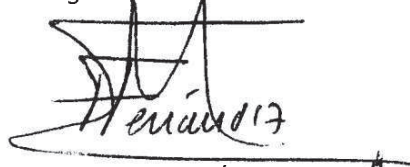
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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 consolidated financial statements.

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

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 consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent'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 Parent's directors, we determine those risks that were of most significance in the audit of the consolidated 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.
and subsidiaries.**



CONSOLIDATED FINANCIAL STATEMENTS

- Annual financial statements

Consolidated balance sheet

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated statement of changes in equity

Consolidated statement of cash flows

Notes to the consolidated financial statements

- Appendix I: Fully consolidated subsidiaries
- Appendix II: Proportionately consolidated jointly controlled operations
- Appendix III: Joint ventures accounted for using the equity method
- Appendix IV Temporary joint ventures
- Appendix V: Changes in the scope of consolidation

CONSOLIDATED DIRECTORS' REPORT

FCC AQUALIA, S.A. AND SUBSIDIARIES
(CONSOLIDATED GROUP)
CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2019 AND 2018 (in thousands of euros)

ASSETS	2019.12	2018.12
NON-CURRENT ASSETS	2,461,787	2,223,084
1. Intangible assets (Note 4)	808,476	813,757
1. Concessions	713,088	717,355
2. Goodwill	85,305	85,305
3. Other intangible assets	10,083	11,097
2. Property, plant and equipment (Note 5)	428,160	338,465
1. Land and buildings	87,449	32,761
2. Plant and other items of property, plant and equipment	340,711	305,704
4. Investments accounted for using the equity method (Note 7)	87,620	123,220
5. Non-current financial assets (Note 9)	1,108,482	916,633
6. Deferred tax assets (Note 18)	29,049	31,009
CURRENT ASSETS	815,865	730,540
2. Inventories (Note 10)	52,970	50,977
3. Trade and other receivables	266,741	206,853
1. Trade receivables for sales and services (Note 11)	170,203	134,445
2. Other receivables (Note 11)	91,921	66,810
3. Current tax assets	4,617	5,598
4. Other current financial assets (Note 9)	69,654	32,061
5. Other current assets	4,976	4,692
6. Cash and cash equivalents (Note 12)	421,524	435,957
TOTAL ASSETS	3,277,652	2,953,624

The accompanying Notes 1 to 27 and Appendices I to V are an integral part of the 2019 consolidated financial statements.

FCC AQUALIA, S.A. AND SUBSIDIARIES (CONSOLIDATED GROUP) CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2019 AND 2018 (in thousands of euros)		
LIABILITIES	2019.12	2018.12
EQUITY (Note 13)	640,964	503,244
1. Equity attributable to the Parent Company	499,155	498,807
1. Shareholders' equity	510,554	525,746
1. Capital	145,000	145,000
2. Share premium and reserves	255,025	253,713
4. Profit for the year attributable to the Parent	110,529	127,033
2. Valuation adjustments	(11,399)	(26,939)
2. Non-controlling interests	141,809	4,437
NON-CURRENT LIABILITIES	1,995,179	1,855,503
1. Grants (Note 17)	55,870	41,919
2. Non-current provisions (Note 15)	124,996	125,378
3. Non-current financial liabilities (Note 14)	1,776,700	1,658,924
1. Debt instruments and other marketable securities	1,556,641	1,552,445
2. Bank borrowings	109,167	38,340
3. Other financial liabilities	110,892	68,139
4. Deferred tax liabilities (Note 18)	33,662	25,145
5. Other non-current liabilities	3,951	4,137
CURRENT LIABILITIES	641,509	594,877
2. Current provisions (Note 15)	18,335	13,039
3. Current financial liabilities (Note 14)	50,724	53,285
1. Debt instruments and other marketable securities	17,768	17,737
2. Bank borrowings	5,996	8,448
3. Other financial liabilities	26,960	27,100
4. Trade payables and other accounts payable	568,027	525,858
1. Suppliers	234,341	227,374
2. Other payables (Note 16)	325,350	300,552
3. Current tax liabilities	8,336	(2,068)
5. Other current liabilities	4,423	2,695
TOTAL LIABILITIES AND EQUITY	3,277,652	2,953,624

The accompanying Notes 1 to 27 and Appendices I to V are an integral part of the 2019 consolidated financial statements.

FCC AQUALIA, S.A. AND SUBSIDIARIES
(CONSOLIDATED GROUP)
CONSOLIDATED INCOME STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018 (in thousands of euros)

	2019.12	2018.12
Revenue (Note 20)	1,186,881	1,106,112
In-house work on non-current assets (Note 5)	22,427	18,862
Other operating income (Note 20)	38,012	33,132
Changes in inventories of finished goods and work in progress	14	(8)
Procurements (Note 20)	(475,302)	(439,958)
Labor costs (Note 20)	(288,689)	(265,316)
Other operating expenses (Note 20)	(201,620)	(205,691)
Depreciation and amortisation (Notes 4 and 5)	(110,645)	(94,837)
Non-financial and other capital grants taken to income	3,535	4,233
Impairment and gains/(losses) on disposal of non-current assets	3,653	(1,067)
Other gains/(losses)	1,219	963
OPERATING PROFIT/(LOSS)	179,485	156,425
Finance income (Note 20)	37,579	30,958
Finance costs (Note 20)	(45,800)	(43,290)
Change in fair value of financial instruments	(285)	-
Exchange differences	982	(903)
Impairment losses and gains/(losses) on disposal of financial instruments	(408)	65
FINANCIAL GAINS/(LOSSES)	(7,932)	(13,170)
Profit of companies accounted for by the equity method (Note 7 and 13.c and 13.e)	(2,625)	7,200
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS (Note 18)	168,928	150,455
Income tax (Note 18)	(45,905)	(19,422)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	123,023	131,033
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD	123,023	131,033
Profit attributable to non-controlling interests (Note 13)	12,494	4,000
PROFIT ATTRIBUTABLE TO THE PARENT	110,529	127,033
Basic earnings per share	0.76	0.88

The accompanying Notes 1 to 27 and Appendices I to V are an integral part of the 2019 consolidated financial statements.



FCC AQUALIA, S.A. AND SUBSIDIARIES
(CONSOLIDATED GROUP)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
AT 31 DECEMBER 2019 AND 2018 (in thousands of euros)

	2019.12	2018.12
Consolidated profit/(loss) for the year	123,023	131,033
Income and expenses recognised directly in equity	4,986	1,242
Cash flow hedges	(696)	(269)
Translation differences	4,220	635
Actuarial gains and losses and other adjustments	(175)	(251)
Entities accounted for using the equity method	1,463	1,060
Tax effect	174	67
Transfers to the income statement	12,014	-
Entities accounted for using the equity method	12,014	-
Tax effect	-	-
Total recognised income/(expense)	140,023	132,275
 a) Attributable to the Parent	 125,623	 128,081
b) Attributable to non-controlling interests	14,400	4,194

The accompanying Notes 1 to 27 and Appendices I to V are an integral part of the 2019 consolidated financial statements.

FCC AQUALIA, S.A. AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018 (in thousands of euros)

	Share capital	Share premium and reserves	Profit/(loss) for the year attributed to the Parent Company	Valuation adjustments	Equity attributable to the Parent	Non-controlling interests	Total equity
	(Note 13)	(Note 13)	(Note 13)	(Note 13)	(Note 13)	(Note 13)	
Balance at 31.12.2017	145,000	230,793	92,133	(37,411)	430,515	51,149	481,664
Impact of transition to IFRS 15 and IFRS 9 (Note 2.b)	-	(10,576)	-	64	(10,512)	-	(10,512)
Balance at 01.01.2018	145,000	220,217	92,133	(37,347)	420,003	51,149	471,152
Total recognised income/(expense)	-	(118)	127,033	1,166	128,081	4,194	132,275
Transactions with shareholders or owners	-	32,623	(92,133)	9,213	(50,297)	(51,148)	(101,445)
Return of share premium	-	-	-	-	-	-	-
Distribution of dividends	-	92,133	(92,133)	-	-	(790)	(790)
Other transactions with shareholders or owners	-	(59,510)	-	9,213	(50,297)	(50,358)	(100,655)
Other changes in equity	-	991	-	29	1,020	242	1,262
Balance at 31.12.2018	145,000	253,713	127,033	(26,939)	498,807	4,437	503,244
Total recognised income/(expense)	-	(21)	110,529	15,115	125,623	14,400	140,023
Transactions with shareholders or owners	-	2,642	(127,033)	(38)	(124,429)	122,737	(1,692)
Return of share premium	-	-	-	-	-	-	-
Distribution of dividends (Note 13)	-	37,033	(127,033)	-	(90,000)	(4,818)	(94,818)
Other transactions with shareholders or owners (Note 2.e)	-	(34,391)	-	(38)	(34,492)	127,555	93,126
Other changes in equity	-	(1,309)	-	463	(846)	235	(611)
Balance at 31.12.2019	145,000	255,025	110,529	(11,399)	499,155	141,809	640,964

The accompanying Notes 1 to 27 and Appendices I to V are an integral part of the 2019 consolidated financial statements.

FCC AQUALIA, S.A. AND SUBSIDIARIES (CONSOLIDATED GROUP)		
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018 (in thousands of euros)		
	2019.12	2018.12
Profit/(loss) before tax from continuing operations	168,928	150,455
Adjustments to profit or loss	105,629	96,357
Depreciation and amortisation (Notes 4 and 5)	110,645	94,837
Other adjustments to profit (net)	(5,016)	1,520
Changes in working capital	(29,272)	50,645
Other cash flows from operating activities	(38,575)	(42,526)
Dividends received	1,539	1,610
Income tax refunded/(paid)	(32,928)	(39,633)
Other receipts/(payments) from operating activities	(7,186)	(4,503)
CASH FLOWS FROM OPERATING ACTIVITIES	206,710	254,931
Payments due to investments	(135,329)	(71,624)
Group companies, associates and business units	(45,072)	(3,220)
Property, plant and equipment and intangible assets	(69,027)	(61,349)
Other financial assets	(21,230)	(7,055)
Proceeds from disposals	10,812	94,459
Group companies, associates and business units	1,039	93,966
Property, plant and equipment and intangible assets	3,862	421
Other financial assets	5,911	72
Other cash flows from investing activities	91,879	30,385
Interest received	34,301	12,450
Other receipts/(payments) from investing activities	57,578	17,935
CASH FLOWS FROM INVESTING ACTIVITIES	(32,638)	53,220
Proceeds from and payments for equity instruments	(38,457)	(92,500)
(Acquisition)/disposal of treasury shares	(38,457)	(92,500)
Proceeds from (payments on) financial liabilities	(18,125)	(3,264)
Issue	45,628	5,022
Redemption and repayment	(63,753)	(8,286)
Dividends paid and payments on other equity instruments	(93,976)	(710)
Other flows from financing activities	(40,300)	(34,265)
Payment of interests	(42,116)	(36,403)
Other receipts/(payments) from financing activities	1,816	2,138
CASH FLOWS FROM FINANCING ACTIVITIES	(190,858)	(130,739)
EFFECT OF EXCHANGE RATE DIFFERENCES AND OTHERS	2,353	(600)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(14,433)	176,812
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	435,957	259,145
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 12)	421,524	435,957

The accompanying Notes 1 to 27 and Appendices I to V are an integral part of the 2019 consolidated financial statements.



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 27). In the event of a discrepancy, the Spanish-language version prevails.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2019

1. GROUP ACTIVITY

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

The FCC Aqualia Group is formed by the Parent and a group of Spanish and foreign investees, whose main activity is related to the end-to-end water cycle and which we set forth below in greater detail:

- Management of the end-to-end water cycle includes capture, transportation, treatment and distribution of water from wells, catchment basins and desalination plants to urban centres through pumping systems, pipe-work, distribution networks and complex water treatment facilities to make the water potable and deposit it. Once used, the water is collected through the sewerage networks and taken to wastewater treatment plants, where it is treated before being returned to the natural environment.

The end-to-end water cycle requires conservation and upkeep, both of the water networks, the sewerage system and of water purification plants, treatment plants, as well as the maintenance and repair of electrical, electronic and plumbing equipment and facilities, among others. All these works lead to the detection of leaks in the networks and to a better use of water.

The process is completed with the performance of technical, administrative and IT works for customer management such as, for example, the reading of meters, billing and collection management of receipts to subscribers and customer services.

- The construction, installation, operation, maintenance, management, repair, purchase, sale and promotion, for its own account or for the account of others, of all manner of treatment stations, plants and equipment, the recovery or elimination of waste and the



purification of water and of all those facilities that treat such waste.

The joint ventures in which the FCC Aqualia Group participates perform the same activity and are detailed in APPENDIX IV.

Also, the Parent has equity interests in companies with similar objects and activities to its own. The details of the fully consolidated, proportionately consolidated and equity-accounted companies are set forth in APPENDICES I, II and III, respectively.

The Group forms part of the FCC's end-to-end Water Management division, whose Parent is Fomento de Construcciones y Contratas, S.A., with registered offices at C/ Balmes, 36, Barcelona.

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 Infracore 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), contributing 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.

2. REGULATORY FRAMEWORK, BASIS OF PRESENTATION, BASIS OF CONSOLIDATION AND ACCOUNTING POLICIES

a) Basis of presentation

The accompanying consolidated financial statements at 31 December 2019 were prepared by the Parent's directors, in accordance with the International Financial Reporting Standards (IFRSs) adopted by the European Union (IFRS-EU) at year-end, in conformity with (EC) Regulation no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002, and with all the related implementing provisions and interpretations.

The consolidated financial statements of FCC Aqualia for 2018 were approved at the Company's General Shareholders' Meeting on 30 May 2019.



The consolidated financial statements at 31 December 2019 were prepared from the accounting records kept by FCC Aqualia, S.A. and its investees. These records, which are determined in accordance with the applicable local regulations in each case, were adjusted to the IFRSs for each company comprising the Group, in line with the procedures and operating systems established by the Group, which enable the development and justification of consolidation in compliance with IFRS requirements.

The FCC Aqualia Group's consolidated financial statements at 31 December 2019 were prepared so that they present fairly the Group's consolidated equity and financial position at 31 December 2019, together with the results of its operations, the changes in the consolidated equity and the consolidated cash flows at the Group in the year then ended.

In order to uniformly present the various items composing these financial statements at 31 December 2019, accounting standardisation criteria were applied to the financial statements of the companies included in the scope of consolidation. In general, the reporting date of the financial statements of the companies included in the scope of consolidation was the same as that of the Parent, i.e. 31 December.

For comparison purposes, the 2019 consolidated financial statements include the figures for 2018.

No error corrections or changes in accounting policies from prior years were applied in the 2019 consolidated financial statements.

The consolidated financial statements are presented in thousands of euros as this is the main currency of the area in which the Group operates.

Reclassifications made

The Group, pursuant to the provisions of IAS 12 "Income Tax", has offset the deferred tax assets and liabilities (Note 18) corresponding to the entities, which, in line with the applicable tax legislation, have the legal right to offset these assets and liabilities and will be settled for their net amount based on the corresponding time frames. As at 31 December 2019, deferred tax assets and liabilities have been offset in the amount of 16,297 thousand euros; consequently, similar offsetting has been performed for the purposes of comparison on the figures corresponding to 31 December 2018 for the sum of 20,269 thousand euros.

During the 2019 and 2018, there have been no other significant reclassifications.



b) Changes in accounting policies.

Rules and interpretations issued but not in force

At the date of preparation of these notes to the financial statements, the most significant standards and interpretations that had been published by the International Accounting Standards Board (IASB) during the year, but which had not yet entered into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had yet to be endorsed by the European Union, are as follows:

Not adopted by the European Union		Mandatory Application to the FCC Aqualia Group (*)
Amendments to IFRS 9, IAS 39 and IFRS 7	Update to the reference interest rate	1 January 2020

(*) This modification was approved by the European Union in January 2020

The Group generally does not expect the application of the standards to have a significant impact on its financial statements.

Significant rules and interpretations applied in 2019

The standards that entered into force in 2019 that have already been adopted by the European Union and which have been used by the Group, if applicable, were as follows:

New standards, amendments and interpretations:		Mandatory Application to the FCC Aqualia Group
Approved for use in the European Union		
Amendment to IAS 19	Plan amendment, curtailment or settlement	1 January 2019
Amendment to IAS 28	Long-term interests in associates and joint ventures	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendment to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019
IFRS 16	Leases	1 January 2019
Amendment to IFRS 3 - Annual Improvements to IFRS Standards 2015–2017	Acquisition of control over a business previously registered as a joint operation	1 January 2019
Amendment to IFRS 11 - Annual Improvements to IFRS Standards 2015–2017	Acquisition of joint control over a joint operation that constitutes a business	1 January 2019
Amendment to IAS 12 - Annual Improvements to IAS Standards 2015–2017	Registration of the tax impact of the remuneration of financial instruments classified as equity	1 January 2019



The application of these rules has not had a significant impact except for the first application of IFRS 16 "Leases".

For the first time, on 1 January 2019, the Group applied IFRS 16 "Leases", which indicates that for the lessee, all leases (except for certain exceptions involving low sums of money or duration) require the accounting of an asset corresponding to the right in use, fundamentally recognised by nature as a material asset, and a liability for the future payment obligations that are incurred. The liability is recognised at the present value of the future cash flows for each lease and the asset in an equivalent amount, adjusted for any early payment made. Subsequently, the right in use is systematically amortised and the financial expenses associated with the equivalent liability are recognised pursuant to the amortised cost method.

The first implementation of the aforementioned standard has been calculated taking into account the fact that the Group has availed itself of the option to apply it on a modified retroactive basis, i.e. with the cumulative impact of the first application of the standard as an adjustment to the initial balance sheet charged to reserves on 1 January 2019 without restating the previous year; this means that the adjustment has only been made for contracts previously classified as operating leases under current regulations prior to 31 December 2018. In this connection, the Group has recognised a financial liability equivalent to the current value of estimated future payments discounted at the incremental rate of debt on the date of first implementation, recognising the corresponding asset as a counterpart, adjusted as appropriate for the fees paid in advance and for the retirement and dismantling provisions made, without the value of the asset exceeding its fair value. For leases previously considered as financial, no adjustment has been made. Furthermore, adhering to the options to which it is entitled, the Group has not applied the standard to low-value assets, or to contracts which mature within 12 months after the date of first-time application.

In calculating the lease liability at 1 January 2019, the Group has applied the incremental rate of the two bonds issued in 2017 by FCC Aqualia and, affecting a smaller number of contracts, specific rates depending on the term and country in which company entering into the lease is based.

At 31 December 2018, the operating lease commitments contracted by the Group came to 53 million euros. The difference between the aforementioned amount and the value of liabilities recognised at 1 January 2019 under IFRS 16, 74 million euros, can primarily be traced to the inclusion of extensions that are reasonably expected to occur as liabilities, as well as the effect of the financial discount of future payments, the existence of low value leases or terms of less than one year and other impacts relating to the extension and cancellation of contracts.

The impact, broken down by balance sheet heading, of the first-time application of the standard was as follows:

	Balance at 1 January 2019	Impact of the first-time application of IFRS 16	Restated balance at 1 January 2019
Non-current assets	2,223,084	74,084	2,297,168
Intangible assets	813,757	-	813,757
Property, plant and equipment	338,465	74,084	412,549
Investments in associates and jointly controlled entities	123,220	-	123,220
Non-current financial assets	916,633	-	916,633
Deferred tax assets	31,009	-	31,009
Current assets	730,540	-	730,540
Inventories	50,977	-	50,977
Trade and other receivables	206,853	-	206,853
Other current financial assets	32,061	-	32,061
Other current assets	4,692	-	4,692
Cash and cash equivalents	435,957	-	435,957
Current assets	2,953,624	74,084	3,027,708
Equity	503,244	-	503,244
Equity attributable to the parent	498,807	-	498,807
Non-controlling interests	4,437	-	4,437
Non-current liabilities	1,855,503	63,384	1,918,887
Grants	41,919	-	41,919
Long-term provisions	125,378	-	125,378
Non-current financial liabilities	1,658,924	63,384	1,722,308
Deferred tax liabilities	25,145	-	25,145
Other non-current liabilities	4,137	-	4,137
Current liabilities	594,877	10,700	605,577
Current provisions	13,039	-	13,039
Current financial liabilities	53,285	10,700	63,985
Trade and other payables	525,858	-	525,858
Other current liabilities	2,695	-	2,695
Total equity and liabilities	2,953,624	74,084	3,027,708

It should be noted that, on 1 January 2018, the Group applied IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" for the first time. The



application of both standards was made recognising the cumulative effect of the first-time application as an adjustment to existing reserves at 1 January 2018.

The impact of the first-time application of IFRS 15 "Revenue from contracts with customers" gave rise to a decrease in reserves totalling 8,684 thousand euros, primarily as a result of the re-estimation of the revenue previously recognised under IAS 11 "Construction contracts" and IAS 18 "Revenue", which do not comply with the requirements to be recognised as revenue under the new standard as it establishes more restrictive criteria for their recognition due to generally requiring the approval of customers.

The first-time application of IFRS 9 "Financial instruments" had a negative impact on reserves, amounting to 1,892 thousand euros, arising from the application of the financial assets impairment model that the new regulation states must be estimated based on the expected credit loss, instead of on the credit loss actually incurred, as envisaged in IAS 39 "Financial instruments: recognition and measurement".

c) Basis of consolidation

Subsidiaries

A subsidiary is that over which the Company is capable of exercising effective control. This capacity manifests itself in general when the following three conditions are met: power over the investee; exposure or rights to variable returns from the investee; and the ability to use power over the investee to affect the amount of these returns.

The financial statements of subsidiaries are fully consolidated with those of the Company. Accordingly, all material balances and effects of the transactions between consolidated companies are eliminated on consolidation.

At the time of acquisition of a subsidiary, its assets and liabilities and contingent liabilities are calculated at their fair values at the date of acquisition that gives rise to the takeover, according to IFRS 3 - Business combinations. When the cost of acquisition is higher than the fair value of the identified net assets, the difference is recognised as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets, the difference is taken to profit or loss at the acquisition date.



The results of subsidiaries acquired during the year are included in the consolidated statement of profit or loss from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated statement of profit or loss from the beginning of the year to the date of disposal.

Also, the interest of minority shareholders is stated at their proportion of the fair values of the assets and liabilities recognised.

The ownership interests of third parties in the equity of their investees are presented in “Equity - Non-controlling interests” in the Group's consolidated balance sheet. Similarly, their share in profit for the year is presented under “Profit attributable to non-controlling interests” in the consolidated income statement (see Note 13).

The subsidiaries indicated in Appendix I were fully consolidated.

Jointly controlled operations

Joint arrangements are those in which investees are managed by a Group company and one or various third parties, in which the parties act jointly to manage significant activities, and in which the decisions regarding such significant activities require the unanimous consent of the parties.

A “joint operation” is a joint arrangement in which it has been concluded that the participant has direct rights and obligations in line with its proportional part in the arrangement's assets and liabilities.

The financial statements of jointly controlled operations are consolidated with those of the Company using proportionate consolidation, combining the balances and subsequent eliminations only in proportion to the Group's interest in these companies' share capital.

The assets and liabilities from the operations are recognised in the consolidated balance sheet, classified according to their specific nature. Similarly, the income and expenses originating from jointly controlled operations are recognised in the consolidated income statement by type.

The jointly controlled operations indicated in Appendices II and IV were proportionately consolidated.



Equity method

The Group's investments in associates and joint ventures (joint arrangements granting entitlement to net assets from the arrangement) are accounted for in the consolidated financial statements using the equity method, i.e. at a value equivalent to the Group's proportional share in their equity, after the deduction of dividends paid to the Group and other eliminations from equity.

The value of these investments in the consolidated balance sheet implicitly includes, where applicable, the goodwill arising on the acquisition thereof.

When the Group's investment in associates has been reduced to zero, the additional implicit obligations, if any, of the subsidiaries accounted for using the equity method are recognised under "Non-current provisions" in the consolidated balance sheet.

The joint ventures indicated in Appendices III were accounted for using the equity method.

Transactions between Group companies

Gains or losses on internal transactions between consolidated companies are eliminated and deferred until they are realised with third parties outside the Group.

Group work on its own non-current assets is measured at production cost, eliminating the intra-group results.

Inter-subsidary receivables and payables were eliminated from the consolidated financial statements and those between the subsidiaries and the joint ventures and intra-Group income and expenses at all consolidated companies were also eliminated in proportion to the related ownership interests.

Standardisation

The companies included in the scope of consolidation were consolidated on the basis of their individual financial statements, prepared as at 31 December in accordance with the Spanish General Chart of Accounts for those companies resident in Spain, and in accordance with their own local regulations for foreign companies. All significant adjustments required to adapt them to International Financial Reporting Standards and to unify them with the Group's accounting methods were considered in the consolidation process.



Changes in the scope of consolidation

Appendices V presents the changes in the scope of consolidation in 2019 and 2018. The results of these companies are included in the consolidated income statement as from the effective acquisition date or until the effective disposal date, as appropriate.

The "Changes in scope" in the corresponding notes to the consolidated financial statements show the effect of the inclusions and exclusions of companies from the scope of consolidation.

d) Accounting policies

The accounting policies used to prepare the FCC Aqualia Group's 2019 consolidated financial statements are as follows:

d. 1 Concessions: Service concession agreements (IFRIC 12)

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

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

When the characteristics of the standard are complied with, the aforementioned concession agreements are recognised pursuant to IFRIC 12 "Service Concession Arrangements". In general, there are two clearly differentiated stages: in the first, the concession operator performs construction or upgrade services that are recognised according to the stage of completion, with a balancing entry in an intangible asset or a financial asset account; in the second, a series of maintenance and/or operating services related to the infrastructure are provided. In both cases, the revenues are recognised as set forth in IFRS 15 "Revenue from Contracts with Customers".

Intangible assets are recognised when the demand risk of the service is assumed by the concessionaire. On the contrary, financial assets are recognised when the demand risk of the service is assumed by the grantor. These intangible assets also include the amounts paid in relation to the fees for the award of the concessions.

For concessions classified as intangible assets, provisions for dismantling, removal or rehabilitation and any steps to improve and increase capacity, the revenue from which is envisaged in the initial contract, are capitalised at the start of the concession, and the amortisation of these assets and the discounting of such provisions are recognised in profit or loss. Also, provisions to replace and repair the infrastructure are systematically recognised in profit or loss as the obligation is incurred.

Borrowing costs attributable to infrastructure financing are recognised as an expense in the period, capitalising, only in the intangible asset model, those that accrue during the construction phase and until the related infrastructure is put to use.

Intangible assets are amortised on a straight-line basis over the concession term.

Concession arrangements recognised as financial assets are measured at the fair value of the construction or upgrade services rendered. Under the amortised cost method, the corresponding income is allocated to profit or loss in accordance with the effective interest rate arising from the expected flow of receipts and payments from the concession.

d.2 Business combinations and goodwill

The assets and liabilities of the acquired companies and subgroups are recognised in the consolidated balance sheet at their fair value together with the related deferred taxes. However, in accordance with regulations, the initial measurement of the assets and liabilities and their allocation to the various headings may be reviewed within the twelve months following the acquisition date, should it be necessary to consider new data.

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

Non-controlling interests are generally measured based on the proportional stake held in the assets and liabilities of the acquired company.



If control over a business combination is achieved in stages in more than one transaction (successive purchases), the difference between the fair value at the time control over the preceding interest is obtained and the carrying amount of that interest is recognised as operating profit/(loss).

Once control is obtained over an investee, and until that control is lost, the difference between the amount of any additional equity interest acquired or sold and its carrying amount is accounted for in equity.

Goodwill is recognised as the positive difference between (a) the sum of the fair value of the consideration transferred as a result of the acquired interest and the fair value at the date on which control over these interests is acquired when control is obtained in stages and (b) the percentage of ownership acquired with respect to the fair value of identifiable assets and liabilities.

Goodwill is not amortised. However, it is tested for impairment at least at each balance sheet date, in order to recognise it at the lower of its recoverable value, estimated on the basis of expected cash flows, or acquisition cost, less any prior years' impairment losses. The accounting policies used to determine impairment are detailed in Note 2.d.5. The assumptions used in the impairment test are set forth in Note 4.

d.3 Other intangible assets

“In this standard, we refer to the remaining intangible asset headings not included in the previous standards regarding service concession arrangements and goodwill.

These intangible assets include computer software, measured at acquisition cost, reduced by any accumulated amortisation and impairment losses. It is amortised over its estimated useful life of four years on a straight-line basis.

d.4 Property, plant and equipment

Property, plant and equipment is initially measured at acquisition cost and subsequently reduced by any accumulated depreciation and any impairment losses, as detailed in Note 2.d.5. The cost of those assets includes the estimated present value of their dismantling or the withdrawal of the affected items and, in those cases in which they have been contributed by acquired companies, they are initially recognised at their fair value on the acquisition date.



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

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

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

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

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

The residual value, useful life and depreciation method applied to the Group's PP&E are reviewed periodically to ensure that the depreciation method used reflects the pattern in which the revenue deriving from operating the property, plant and equipment is obtained.

At least at the end of each reporting period, the companies determine whether there is any indication that an item or group of items of property, plant and equipment is impaired so that an impairment loss, or the reversal of such losses, can be recognised or reversed in order to adjust the carrying amount of the assets to their value in use. Under no circumstances do reversals exceed all prior impairment recognised.



d.5 Impairment of non-financial assets

Intangible assets with finite useful lives and property, plant and equipment items are tested for impairment when there is any indication that the assets might have become impaired, in order to adjust their net carrying amount to their value in use (if this is lower).

Goodwill and intangible assets with indefinite useful lives must be tested for impairment at least once a year in order to recognise possible impairment losses.

Impairment losses recognised in prior years on assets other than goodwill may be reversed if the estimates used in the impairment test show a recovery in the value of these assets. The carrying amount of the assets whose recoverable amount increases must in no case exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

The recognition or reversal of impairment losses on assets are charged or credited to income under “Impairment and results obtained on the disposal of assets”.

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

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



Cash flows from CGUs located abroad are calculated in the functional currency used by those cash generating units and they are updated using discount rates that take into consideration the risk premium relating to each currency. The present value of the net cash flows obtained in this manner are translated at the year-end exchange rate for each currency.

d.6 Leases

As indicated in Note 2.b, as a result of the application of IFRS 16 "Leases", as at 1 January 2019 all lease operations (with certain exceptions for small amounts or short durations) in which the Group acts as the lessee, require the accounting of an asset corresponding to the right in use, fundamentally recognised by nature as a material asset, and a liability for the future payment obligations that are incurred. This liability is recognised at the present value of the future cash flows for each lease and the asset in an equivalent amount, adjusted for any early payment made.

To estimate the duration of the contract, extensions that are reasonably expected to occur and the period in which the lessee does not expect to terminate the contract (when they have the power to do so) are considered, without exclusively taking into account the minimum term established in the contract, as the term during which the lessee expects to continue using the underlying asset, depending on its particular circumstances, is estimated. To determine whether an extension is expected to take place, the economic incentives that the lessee may have to extend the contract are taken into account, considering factors such as the existence of advantageous conditions compared to market conditions in case of an extension, if the lessee has incurred significant costs in adapting the underlying asset to its needs that it must reapply in case of contracting a new lease, any possible costs for the termination of the contract in case it is not extended or the importance of the asset to the lessee, especially if it is a specialised asset that is not readily available on the market. Furthermore, the background in terms of the period of use in the past of certain assets is also taken into account.

Subsequently, during the term of the lease contract, the right of use is systematically amortised and the financial expenses associated with the affected liability are recorded applying the amortised cost method.

When the Group acts as the lessor, income and expenses arising from operating lease agreements are charged to the income statement during the year they are accrued.



d.7 Investments accounted for using the equity method

The investment is initially recognised at acquisition cost and is subsequently revalued to take into account the share of the results of these companies not distributed in the form of dividends. Also, the value of the investment is adjusted to reflect the proportion of the changes in these companies' equity that were not recognised in their profit or loss. These include the translation differences and the adjustments caused by changes in the fair value of financial derivatives of cash flow hedges acquired by the companies themselves.

Necessary measurement adjustments are applied provided that there are indications of impairment, that is, that the recoverable value of the investment is lower than its carrying amount.

d.8 Financial assets

The financial assets held by the Group are classified into 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 Group companies' business, or financial assets which did not arise from the ordinary course of business, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.
- Investments held to maturity: debt securities with fixed or determinable payments traded in an active market which the Group intends and is able to hold to maturity.
- Financial assets available for sale: debt securities and equity instruments of other companies that are not classified in any of the previous categories.

Initial recognition

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

Subsequent measurement

- Loans, receivables and investments held to maturity are measured at amortised cost.

- Available-for-sale financial assets are measured at fair value and the net gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or it is determined that it has become permanently impaired, at which time, the cumulative gains or losses previously recognised in equity are recognised in consolidated profit or loss for the year. The asset is considered to be permanently impaired when its value has decreased over 18 months and by 40% of its initial quoted price without having recovered its value.

At least at each reporting date, the Company tests its financial assets not measured at fair value through profit or loss for impairment. It is considered that impairment is evidenced by the fact that the recoverable amount of the financial asset is less than its book value. When this occurs, the impairment loss is recognised in the consolidated income statement.

Trade receivables arising in the Group's normal business activities are stated at their nominal value, adjusted by any expected credit losses over the course of their lives.

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

Classification

Financial assets maturing within no more than twelve months from the balance sheet date are classified as current assets and those maturing within more than twelve months are classified as non-current.

Derecognition of financial assets:

The Group derecognises a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred and substantially all the risks and rewards of ownership of the financial asset have been transferred, such as in the case of firm asset sales, the assignment of trade receivables in factoring operations in which the Group does not retain any significant credit or interest rate risk, sales of financial assets under an agreement to repurchase them at fair value and the securitisation of financial assets in which the transferor does not retain any subordinated debt, provide any kind of guarantee or assume any other kind of risk.

In contrast, the Group does not derecognise financial assets and recognises a financial liability for an amount equal to the consideration received in the transfer of financial assets in which it



retains substantially all the risks and rewards of ownership, such as the discounting of bills, recourse factoring, sales of financial assets under repurchase agreements at a fixed price or at a selling price plus interest, and the securitisation of financial assets where the selling company retains subordinated financing or other types of guarantees that substantially absorb all of the expected losses.

d.9 Inventories

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

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

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

The Group recognises the appropriate impairment losses and records them as an expense in the consolidated income statement when the net realisable value of inventories is lower than their acquisition cost (or production cost).

d.10 Foreign currency

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

Translation differences

In general, the financial statements of foreign operations denominated in currencies other than the euro have been translated to euros at the year-end exchange rates, with the exception of:

- Share capital and reserves, which were translated at historical exchange rates.
- The income statement items of foreign operations that were translated at the average exchange rates for the year.

Translation differences generated due to the application of the year-end exchange rate method are included net of taxes in Equity in the accompanying consolidated balance sheet.



Exchange differences

Balances receivable and payable in foreign currencies at each company are translated to euros at the exchange rates prevailing at the date of the consolidated balance sheet, and the differences that arise are taken to income.

The differences resulting from fluctuations in exchange rates between the date on which the collection or payment was made and the date on which the transactions took place or their value was discounted are allocated to profit or loss.

Also, the exchange differences arising in relation to the financing of investments in foreign operations (in which the investment and the financing are denominated in the same currency) are recognised directly in equity as translation differences.

d.11 Grants

Grants are recognised according to their nature.

Grants related to assets. Capital grants are those intended for the acquisition or construction of assets. These grants are measured at the amount received or the fair value of the asset received; they are recognised as deferred income on the liability side of the accompanying consolidated balance sheet and are taken to income as the asset or assets to which they relate are depreciated.

Operating grants. Those other than those defined above that do not relate directly to an asset or group of assets. They are deemed to be operating income at the amount received when granted.

d.12 Provisions and contingencies

In preparing the consolidated financial statements, the Group's directors made a distinction between:

- a) Provisions: creditor balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources will be required to settle the obligation, which is uncertain as to its amount and/or timing.



- b) 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 beyond the control of the Group.

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

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

The compensation receivable from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will be received, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Group is not liable. In this situation, the compensation will be taken into account for the purpose of estimating the amount of provision that should be recognised, if any.

Provisions for dismantling, removal or rehabilitation and environmental provisions are recognised by increasing the value of the related asset by the present value of the expenses that will be incurred when operation of the asset ceases. Profit or loss is affected when the asset concerned is depreciated as described in previous sections of this Note and by the discounted present value as described in the preceding paragraph.

Provisions are classified as current or non-current in the accompanying consolidated balance sheet on the basis of the estimated maturity date of the obligation covered by them, and non-current provisions are considered to be those whose estimated maturity date exceeds the average cycle of the activity giving rise to the provision.

d.13 Financial liabilities

Financial liabilities are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These financial liabilities are subsequently measured at amortised cost.

Borrowing costs are recognised on an accrual basis in the income statement using the effective interest method and are added to the amount of the instrument to the extent that they are not settled in the year in which they arise.

Bank borrowings and other current and non-current financial liabilities maturing within no more than twelve months from the balance sheet date are classified as current liabilities and those maturing within more than twelve months as non-current liabilities.

d.14 Financial derivatives and hedge accounting

A financial derivative is a financial instrument or another type of contract whose value varies in response to changes in certain variables, such as an interest rate, financial instrument price, foreign exchange rate, credit rating or credit index or any other variable that may not be financial.

Apart from giving rise to gains or losses, financial derivatives may, under certain conditions, fully or partially offset foreign currency or interest rate risks or risks relating to the value associated with balances and transactions. Hedges are accounted for as follows:

- Cash flow hedges: in hedges of this type, the changes in value of the hedging instrument are recognised provisionally under equity, and are taken to income when the hedged item materialises.
- Fair value hedges: in this case, changes in the value of the hedging instrument are recognised in income by offsetting changes in the fair value of the hedged item.
- Hedges of a net investment in a foreign operation: this type of hedges are aimed at covering foreign currency risk and are treated as cash flow hedges.

IFRS 9 "Financial Instruments" states that an effectiveness test must be performed, consisting of a qualitative assessment of the financial derivative to determine whether it can be considered to be a hedging instrument and, therefore, effective.

The qualitative requirements that must be met are as follows:

- Formal designation and documentation, at inception of the hedge, of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge.

- Documentation identifying the hedged item, the hedging instrument and the nature of the risk being hedged.
- The effectiveness requirements must be met. This means that there is a financial relationship between the hedged item and the hedging instrument such that both generally move in opposite directions upon the occurrence of the hedged risk. Credit risk must not have a dominant effect on the changes in the value of the hedged items and the hedging ratio must be equivalent to the percentage of the exposure to the covered risk.

The hedge is considered to be fully effective provided that the qualitative effectiveness test shows that it complies with those criteria. If not, the hedge would cease to be treated as a hedge and the hedge relationship would cease, recognising the derivative at its fair value through changes in profit or loss.

A quantitative analysis that will determine how the instruments are recognised takes place after their effectiveness has been assessed. This quantitative analysis consists of a retrospective portion for purely accounting purposes and another prospective portion intended to analyse any possible future deviations relating to the hedge.

The retrospective assessment analysis is adapted to the type of the hedge and the nature of the instruments used, and all of the financial derivatives contracted by the Group consist of cash flow hedges (Note 21):

- In the case of interest rate swaps (IRSs) in Cash flow hedges, the Group charges a variable rate equal to that of the hedged borrowings and pays a fixed rate, since the objective is to reduce the variability of the borrowing costs, the effectiveness test determines whether changes in the fair value of the IRS cash flows offset changes in the fair value of the hedged risk.

The hypothetical derivative method is used for accounting purposes when performing the quantitative assessment of effectiveness, which establishes that the company will recognise in equity the lower of the absolute change in the value of the hypothetical derivative (hedged position) and the change in the value of the contracted derivative. The difference between the value of the recognised change in equity and the fair value of the derivative on the date of the effectiveness test will be considered to be the ineffective portion and it will be directly recorded in the income statement.

A distinction must be made between the designated portion and the non-designated portion of cash flow hedges in which the derivative hedge instrument is an option or a forward and not an IRS:

- The treatment of the designated portion will be similar to that indicated for IRSs.
- The fair value of the non-designated portion (forward points or the temporary value of the options) will be recognised in other comprehensive income when related to the hedged portion and will be accumulated in a separate component of equity. This amount will be reclassified from the separate component of equity to the income statement for the period as a reclassification adjustment in the same period or periods in which the expected future cash flow hedges affect results for the period (for example, when a planned sale takes place).

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

The value is calculated using defined methods and techniques based on observable market inputs, such as:

- The interest rate swaps were measured by discounting all the flows envisaged in each contract on the basis of its characteristics, such as the notional amount and the collection and payment schedule. This measurement was made using the zero-coupon rate curve determined by employing a bootstrapping process for the deposits and swaps traded at any given time. This zero-coupon rate curve was used to obtain the discount factors for the measurements, which were made assuming the absence of arbitrage opportunity (AAO). When there were caps and floors or combinations thereof, on occasions conditional upon special conditions being met, the interest rates used were the same as those used for the swaps, although in order to introduce the component of randomness in the exercise of the options, the generally accepted Black - Scholes model was used.
- The methodology used in the case of a cash flow hedge derivative associated with inflation is very similar to that used for interest rate swaps. Expected inflation is estimated based on observed inflation and is embedded in the swaps indexed to the ex-tobacco European inflation rate used in the market, and translated to the Spanish rate using a convergence adjustment.



Furthermore, a sensitivity test is carried out on the derivatives and net financial debt in order to be able to analyse the effect that a possible fluctuation in interest rates might have on the Group's accounts, given different interest rate increase and decrease scenarios at year-end (Note 30).

Note 21 to these consolidated financial statements provides details of the financial derivatives that the FCC Aqualia Group has arranged and other matters related thereto.

d.15 Income taxes

Until 28 September 2018, the FCC Aqualia Group filed consolidated tax returns with the FCC Group, in accordance with file 18/89, including in this system all the Group companies that comply with the requirements of the tax legislation.

From 1 January 2019 onwards, FCC Aqualia and Group companies that meet the conditions set out in Spanish tax legislation form group 233/19 for the joint taxation of corporate income tax. At 31 December 2019, the accrued income tax expense corresponding to consolidated tax returns has been determined by taking into account the following parameters (aside from the parameters considered in individual tax returns set forth above):

- The temporary and permanent differences arising from the elimination of gains and losses due to transactions between tax Group companies, as a result of the calculation of the consolidated tax base.
- Tax relief and tax credits that relate to each company of the tax group under the regime of consolidated tax returns; for these purposes, tax relief and tax credits are recognised by the company that carried out the activity or obtained the income necessary to obtain the right to receive the tax relief and tax credit.
- The tax losses incurred at certain Tax Group companies that have been offset by the remaining Tax Group companies lead to a reciprocal credit and debit between the companies to which they correspond and the companies that offset them. If a tax loss cannot be set off by the other companies in the Tax Group, these tax assets for losses eligible for set off are recognised as deferred tax assets, following the methods established for their recognition, and the Tax Group is considered to be the taxpayer.
- The FCC Aqualia Group's Parent recognised the total consolidated income tax payable (refundable) with a charge (credit) to Receivables from (Payables to) Tax Group companies.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction



that is not a business combination and affects neither accounting profit/(loss) nor taxable 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 utilised.

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

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

d.16 Operating income and expenses

In water supply agreements, the Group recognises as income the amount corresponding to the cubic meters supplied to subscribers valued at the sales price.

This sales price is established for each agreement, based on the rates approved by each city council, published in the Official Gazettes of the respective province.

In relation to the cubic metres supplied, the Group makes frequent readings of its subscribers' consumption. At each reporting close, the Group assesses the unbilled sales of water supplies for the recognition of *Completed output pending certification* under "Trade receivables for sales and services" in current assets in the accompanying consolidated balance sheet at 31 December 2019. 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, the remaining consumption based on the available information of comparable historical periods between the dates of the last meter reading and the reporting close is estimated.

In Construction activities, the Group mainly recognises results in accordance with the degree of completion policy, which is determined by measuring the work that has been executed during the period and its cost, which is recognised in the accounts on an accrual basis, recognising revenues at the selling price of the executed work, covered by a contract signed with the customer.



In relation to the service concession arrangements, the FCC Aqualia Group recognises as operating income the interest deriving from collection rights under the financial model, since the value of that financial asset includes the construction, upkeep and maintenance services that are identical, from an operating standpoint, to those set out in the intangible model and, consequently, it is considered that, accordingly, they provide a better fair presentation, since both models are related to the Group's operating activities (Note 2.d.1).

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

d.17 Use of estimates

In preparing these consolidated financial statements, at 31 December 2019, Group has occasionally used estimates to quantify certain assets, liabilities, revenues, expenses and obligations recognised therein. These estimates relate essentially to the following:

- Impairment losses on certain assets (Notes 4, 5, 6, 7, 9, 10 and 11)
- The useful life of PP&E and intangible assets (see Notes 4 and 5)
- The amount of certain provisions (Note 15)
- The market value of certain derivatives (Note 21)
- The recoverability of deferred tax assets (Note 18).
- The Company's taxable profit to be reported to the tax authorities in the future, which has served as the basis for recognising the various income tax-related balances in these consolidated financial statements (see Note 18).
- Percentage of completion of construction activities. (Note 2.d.16)
- Estimate of the consumption of cubic meters supplied to subscribers between the dates of the last meter reading and the reporting close (see Note 2.d.16)

Although these estimates were made on the basis of the best available information on the facts analysed at the date of authorisation for issue of these consolidated financial statements, it is possible that future events may require these to be changed (upwards or downwards) in coming years, which would be done prospectively.



d.18 Related party transactions

The Group performs all of its transactions with related parties on an arm's length basis. In addition, transfer prices are duly supported and, therefore, the Board of Directors considers that there are no significant risks in this regard that could lead to significant liabilities in the future.

d.19 Pension obligations and similar liabilities

The Spanish Group companies have not generally established any pension plans to supplement the social security pension plans. However, under the Consolidated Pension Plans and Pension Funds Law, in those specific cases in which similar obligations exist, the companies externalise pension and similar obligations to its employees.

Also, certain foreign companies belonging to the Group assumed the commitment of supplementing the retirement and other similar commitments of its employees. Independent actuarial experts measured the commitments accrued and, where appropriate, the assets used, through generally accepted actuarial methods and techniques included, where appropriate, in the accompanying consolidated balance sheet under the "Non-current provisions" heading within "Non-current employee benefit obligations", in line with the criteria set forth by IFRSs (Note 15).

d.20 Fair value hierarchies

Assets and liabilities measured at fair value are classified according to the hierarchy established in IFRS 7, as follows:

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

Level 2: inputs other than prices quoted included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

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

At 31 December 2019 and 31 December 2018, the Group only held Level 2 assets and liabilities relating to financial instruments measured as indicated in section d.14 "Financial derivatives and accounting hedges".



d.21 Activities with an environmental impact

In general, environmental activities are those operations whose main objective is to prevent, reduce or repair damage caused to the environment. In this regard, investments arising from environmental activities are valued at acquisition cost and capitalised as an addition to fixed assets in the year in which they are incurred.

Expenses arising from business activities aiming to protect and improve the environment are expensed in the year in which they are incurred.

d.22 Consolidated statements of cash flows

The consolidated statement of cash flows, prepared using the indirect method, uses the following terms defined below:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to changes in value.
- Operating activities: the principal revenue-producing activities of the Group and other activities that are not investing or financing activities
- Investing activities: the acquisition, disposal or holding by other means of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of equity and borrowings and that are not operating activities.

d.23 Termination benefits

Under current legislation, the Group companies are required to pay termination benefits to employees terminated under certain conditions.

The Parent's directors consider that as a result of possible dismissals of permanent employees that might arise in the future under normal circumstances and of the amounts payable with respect thereto, the liability incurred for indemnity payments would not be significant; accordingly, no provision was recognised in this regard in the financial statements for 31 December 2019.



d.24 Earnings per share

For the purposes of IAS 33, basic earnings per share are calculated by dividing net profit for the period attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the number of Parent shares held as treasury shares by Group companies. Diluted earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders, adjusted by the effect attributable to dilutive potential ordinary shares and by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of ordinary shares that would be issued assuming the conversion of all the potential ordinary shares into ordinary shares of the Parent. For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the year itself.

Since the scope of application of IAS 33 is the consolidated financial statements whose parent meets one of the following requirements:

- Its ordinary shares or potential ordinary shares are traded in a public market (a domestic or foreign stock exchange or over-the-counter market, including local and regional markets), or
- It files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any form of instrument in a public market.

At 31 December 2019 and 31 December 2018, the Parent's directors considered that basic earnings per share were the same as diluted earnings per share since none of the aforementioned circumstances arose.

e) Changes in the scope of consolidation

e.1) Business combinations

In January 2019, two partner agreements were signed in relation to the consolidated that, until then, had been consolidated under the equity method - Shariket Tahlya Mostaganem, S.p.a. and Shariket Miyeh Djinet, S.p.a. - under which, the Group now holds control over the former and no longer has a significant influence on the latter. As a result, Shariket Tahlya Mostaganem, S.p.a. is now consolidated under the global consolidation method and the holding in Shariket Miyeh Djinet, S.p.a. is now considered a financial asset at fair value. These transactions have resulted in a net loss of 6,122 thousand euros being recognised under "Profits/(losses) of companies accounted for by the equity method" following the allocation of the negative translation differences accumulated in equity to profit and loss and the positive impact resulting from the fair value adjustment of shares prior to the



transaction. Furthermore, "Other collections/(payments) from investment activities" in the Statement of Cash Flows includes 43,337 thousand euros corresponding to the cash that Shariket Tahlya Mostaganem, S.p.a. presented in its balance sheet at the time of the takeover. This operation resulted in the recognition of 136,999 thousand euros under the heading "Non-controlling interests" (Note 13).

In June 2019, FCC Aqualia, S.A. acquired 100% of the French subgroup Services Publics et Industries Environnement, dedicated to the management of water supply and sanitation for the sum of 31,665 thousand euros, with the impact registered under "Payments for investments" on the accompanying Statement of Cash Flows. As part of this business combination, a first consolidation difference of 23,767 thousand euros was disclosed, which has been fully allocated to the subgroup's concession-related assets.

The composition of the balance sheets drawn up by the business combinations in 2019 is detailed below:

2019 Financial Year	Shariket Tahlya Mostaganem, S.p.a	Services Publics et Industries Environnement
Non-current assets	175,152	36,132
Intangible assets	-	32,051
Property, plant and equipment	92	4,081
Non-current financial assets	175,060	0
Current Assets	62,622	28,008
Inventory	229	509
Trade and other accounts receivable	18,955	13,683
Other current financial assets		4,029
Other current assets	101	329
Cash and other cash equivalents	43,337	9,458
Total Assets	237,774	64,140
Equity	167,362	31,655
Non-current liabilities	53,519	9,932
Grants	0	317
Non-current provisions	82	850
Non-current financial liabilities	52,773	578
Deferred tax liabilities	664	8,187
Current liabilities	16,893	22,553
Current provisions	10,255	0
Current financial liabilities	40	149
Trade payables and other accounts payable	6,598	22,404
Total Equity and Liabilities	237,774	64,140

As a result of the aforementioned business combinations, the fair value of the acquired assets has been determined, as all of these companies operate concessions, the fair value of the concession-based assets has been determined applying the discount at a market rate for the cash flows estimated during the time horizon of the concessions currently in force. These flows have been estimated internally based on the Group's past experience, based, as applicable, on the Financial and Economic Plans of the concessions, applying the assumptions and appropriate macroeconomic variables in each case. The following table shows the amounts allocated to assets and liabilities to reflect their fair value on the takeover date:

2019 Financial Year	Shariket Tahlya Mostaganem, S.p.a	Services Publics et Industries Environnement
Intangible assets	-	31,953
Non-current financial assets	29,232	-
Total assignments to assets	29,232	31,953
Non-current liabilities (deferred tax liabilities)	-	8,187
Total assignments to liabilities	-	8,187
Total net assignments	29,232	23,766

The reconciliation between the consideration transferred for each of the above business combinations, the value of non-controlling interests recognised and the fair value of the net assets acquired are provided below:

2019 Financial Year	Shariket Tahlya Mostaganem, S.p.a	Services Publics et Industries Environnement
Acquisition value	-	31,655
Fair value Minority interests acquired	124,687	-
Fair value previous interest	42,678	-
Fair value net assets	(167,362)	(31,655)
Goodwill	-	-



The previously listed business combinations have contributed ordinary income and profit/(loss) to the accompanying consolidated statement of profit and loss:

2019 Financial Year	Shariket Tahlya Mostaganem, S.p.a	Services Publics et Industries Environnement
Revenue	31,357	11,798
Other income	-	11
Operating Profit/(Loss)	15,441	1,768
Profit/(loss) before tax from continuing operations	14,007	1,771
Profit attributable to the parent company	3,752	925
Non-controlling interests	10,435	-

If the above companies had been consolidated since 1 January 2019, the ordinary income and profit/(loss) they would have contributed would be as follows:

2019 Financial Year	Shariket Tahlya Mostaganem, S.p.a	Services Publics et Industries Environnement
Revenue	31,357	19,027
Other income	-	310
Operating Profit/(Loss)	15,441	2,260
Profit/(loss) before tax from continuing operations	14,007	2,267
Profit attributable to the parent company	3,752	1,123
Non-controlling interests	10,435	-

In any case, these initial estimates are provisional and the Group has a period of one year in which to adjust them should more relevant and comprehensive information be obtained at a later date.

e.2) Other changes in scope

During April 2019, FCC Aqualia, S.A. acquired a 49% interest in the subsidiary Aquajerez, S.L., in which it already held a 51% interest, for the sum of 55,557 thousand euros, 28,858 thousand euros as a payment for shares and 26,699 thousand euros as a payment for participatory loans held by the seller. As this transaction involved non-controlling interests, the difference between the acquisition price and the value of the net assets acquired was recognised directly against equity, entailing a decrease of 33,246 thousand euros in reserves in the Group's consolidated financial statements (Note 13), having



recognised the cash outflow under the heading "Proceeds from/(payments on) equity instruments" for the part corresponding to the shares and under the heading "Proceeds from/(payments on) financial liabilities" for the part corresponding to the participatory loans acquired from the accompanying Statement of Cash Flows.

Furthermore, in January 2018, the acquisition of a 49% interest in Aqualia Czech, S.L. and Aqualia Infraestructuras Inzenyring, s.r.o. from MIT Infraestructures Europe, Ltd. was completed for the sum of 92,500 thousand euros, with the Group assuming control of 100% of these companies. As the Group already had control over both investees, the difference between the purchase price and the book value of the minority interests acquired generated a negative difference in reserves of 59,509 thousand euros, while in the Statement of Cash Flows, the disbursement was recorded under the heading "Proceeds from/(payments on) equity instruments".

3. DISTRIBUTION OF PROFIT OF THE PARENT

The proposed distribution of the Parent's 2019 profit that will be submitted for approval by shareholders at the Annual General Meeting is as follows:

PROPOSED DISTRIBUTION OF PROFIT	
<i>(Amounts in thousands of euros)</i>	
<u>Profit for the year</u>	80,883
Distribution:	
To voluntary reserves	80,883

4. INTANGIBLE ASSETS

The breakdown of intangible assets at 31 December 2019 and 2018 is as follows:

(thousands of euros)	Cost	Accumulated amortisation	Impairment	Net value
31.12.2019				
Concessions (Note 6)	1,547,955	(821,402)	(13,465)	713,088
Goodwill	85,330	-	(25)	85,305
Other intangible assets	33,219	(23,136)	-	10,083
TOTAL	1,666,504	(844,538)	(13,490)	808,476
31.12.2018				
Concessions (Note 6)	1,501,016	(768,039)	(15,622)	717,355
Goodwill	85,330	-	(25)	85,305
Other intangible assets	33,465	(22,368)	-	11,097
TOTAL	1,619,811	(790,407)	(15,647)	813,757

None of the intangible assets recognised were generated internally and, except goodwill, they all have a finite useful life; hence, they are amortised on a straight-line basis over the period during which it is estimated they will generate income, as follows:

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

Intangible assets located outside of Spain amounted to 113,929 thousand euros at 31 December 2019 (83,146 thousand euros at 31 December 2018).

There are no additional investment commitments to those already recognised in the specifications under “Non-current provisions” in the accompanying balance sheet (see Note 15).

Changes in intangible assets

The changes in this heading of the consolidated balance sheet in 2018 and 2019 were as follows:

(thousands of euros)	Concessions	Goodwill	Other intangible assets	Depreciation	Impairment	TOTAL
Balance at 31.12.17	1,470,342	85,331	30,747	(723,042)	(14,605)	848,773
Additions	30,240	-	2,933	-	-	33,173
Charges	-	-	-	(65,428)	(1,966)	(67,394)
Reversals	-	-	-	-	924	924
Derecognitions	(17)	-	(69)	47	-	(39)
Transfers	(3,028)	-	(110)	33	-	(3,105)
Translation differences	-	-	(31)	26	-	(5)
Changes in the scope of consolidation	3,478	-	(5)	(2,043)	-	1,430
Balance at 31/12/18	1,501,015	85,331	33,465	(790,407)	(15,647)	813,757
Additions	23,556	-	2,820	-	-	26,376
Provisions	-	-	-	(68,124)	-	(68,124)
Reversals	-	-	-	-	1,461	1,461
Derecognitions	(4,420)	-	(621)	3,783	-	(1,258)
Transfers	(2)	-	29	-	-	27
Translation differences	-	-	135	(111)	-	24
Changes in the scope of consolidation	27,805	-	(2,608)	10,320	696	36,213
Balance at 31.12.19	1,547,954	85,331	33,220	(844,539)	(13,490)	808,476

Concessions

The administrative concessions are defined as those whereby the granting entity awards to a concessionaire (the FCC Aqualia Group), within a period, the construction and operation, or only the operation, of works which, being able to be operated, are required to provide public services of an economic nature.

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

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

In 2019, the Group recorded 23,556 thousand euros as additions, corresponding mainly to the activity undertaken in Spain, with the following contracts worth particular note:



- 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.
- Ávila (Ávila) 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.
- Municipalities of Costa Tropical de Granada, amounting to 2,671 thousand euros, for refurbishment and modernisation works in the supply and sanitation network in various of them, including mainly Motril and Almuñécar.

In 2018, the Group recognised 30,240 thousand euros as an addition to administrative concessions, which corresponded mainly to the following contracts:

- San Pedro del Pinatar (Murcia), amounting to 7,600 thousand euros, for the renewal in this year and during 15 years, of the provision of the end-to-end water cycle and the investment commitments to be made in such period. 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 municipality over 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.
- Municipalities of Costa Tropical de Granada, amounting to 3,009 thousand euros, for refurbishment and modernisation works in the supply and sanitation network in various of them, including mainly Motril and Almuñécar.

- La Guardia (Toledo), amounting to 500 thousand euros for the agreement reached with this municipality, whereby it transfers the management of the operation of the municipal water supply service to the Aguas del Río Algodor Association so that the Company, as concessionaire of the Association, may provide the service through indirect management.
- Other Spanish municipalities with significant additions under this epigraph included 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.
- Guia de Isora (Santa Cruz de Tenerife), amounting to 2,412 thousand euros, for the investment commitment to be made in the network of that municipality.
- Cartaxo and Elvas (Portugal), amounting to 1,500 thousand euros and 1,950 thousand euros, respectively, for the investment commitment to be made in the water supply and sanitation networks of both municipalities.

At 31 December 2019 and 2018, the main administrative concessions were as follows:

2019 - Contract	Concessions			Advances for Concession arrangement	Duration
	Cost	Am. YTD	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)	-	-	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)	-	-	30 years
La Línea de la Concepción (Cadiz)	11,246	(8,184)	-	-	40 years
La Nucía (Alicante)	23,297	(11,724)	-	-	30 years
La Solana (Ciudad Real)	5,513	(2,446)	-	-	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)	-	-	20 years
Mdad. El Girasol (Toledo)	7,855	(5,122)	-	-	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)	-	50 years
Salamanca (Salamanca)	8,053	(4,069)	-	-	25 years
San Lorenzo Escorial (Madrid)	6,512	(2,335)	-	-	30 years
Sanlúcar de Barrameda (Cádiz)	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)	-	-	25 years
Valverde del Camino (Huelva)	6,206	(1,799)	-	-	25 years
Vélez-Málaga (Málaga)	7,800	(4,280)	-	-	20 years
Vigo (Pontevedra)	183,100	(175,534)	-	-	30 years
Adeje (Tenerife)	119,925	(79,767)	-	-	5-50 years
Ecija (Seville)	9,585	(7,058)	-	-	25 years
Jerez de la Frontera (Cádiz)	101,986	(27,418)	-	-	25 years
La Línea de la Concepción (Cádiz)	10,015	(4,194)	-	211	12 years
Puerto de Santa María (Cádiz)	2,000	(447)	-	-	25 years
Alcázar de San Juan (Ciudad Real)	12,698	(3,767)	-	-	25 years
WWTP municipalities (Teruel)	16,618	(8,898)	-	-	21 years
Municipios C.Tropical Granada	31,660	(11,650)	-	-	25 years
Abrantes (Portugal)	10,406	(3,822)	-	-	25 years
Campo Maior (Portugal)	4,032	(1,595)	-	-	30 years
Elvas (Portugal)	7,734	(2,239)	-	-	30 years
Cartaxo (Portugal)	25,517	(6,135)	-	-	35 years
Fundao (Portugal)	7,132	(1,843)	-	-	30 years
Caltanissetta (Italia)	51,714	(18,320)	-	8,610	30 years
Oise Valley (France)	31,953	(1,322)	-	-	16 years
Seville	6,814	(3,815)	-	-	12 years
Rest	292,772	(160,294)	(5,551)	172	5-50 years
TOTAL	1,538,962	(821,402)	(13,465)	8,993	

2018 - Contract	Concessions				Duration
	Cost	Am. YTD	Impairment	Concession arrangements	
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)	-	-	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)	-	-	30 years
l'Atmella de Mar (Tarragona)	9,007	(5,044)	-	-	25 years
La Línea de la Concepción (Cadiz)	11,246	(7,674)	-	-	40 years
La Nucia (Alicante)	23,297	(10,671)	-	-	30 years
La Solana (Ciudad Real)	5,513	(2,287)	-	-	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)	-	-	20 years
Mdad. El Girasol (Toledo)	7,855	(4,703)	-	-	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)	-	50 years
Salamanca (Salamanca)	8,053	(3,500)	-	-	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)	-	-	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
Adeje (Tenerife)	119,925	(73,294)	-	-	5-50 years
Ecija (Seville)	9,585	(6,673)	-	-	25 years
Jerez de la Frontera (Cádiz)	101,986	(23,332)	-	-	25 years
La Línea de la Concepción (Cádiz)	10,015	(3,352)	-	211	12 years
Puerto de Santa María (Cádiz)	2,000	(367)	-	-	25 years
Alcázar de San Juan (Ciudad Real)	12,698	(3,381)	-	-	25 years
WWTP municipalities (Teruel)	16,618	(8,024)	-	-	21 years
Municipios C.Tropical Granada	28,951	(10,906)	-	-	25 years
Abrantes (Portugal)	10,406	(3,457)	-	-	25 years
Campo Maior (Portugal)	4,032	(1,460)	-	-	30 years
Elvas (Portugal)	7,734	(1,955)	-	-	30 years
Cartaxo (Portugal)	25,517	(5,386)	-	-	35 years
Fundao (Portugal)	7,132	(1,595)	-	-	30 years
Caltanissetta (Italia)	50,543	(15,747)	-	5,376	30 years
Rest	298,247	(161,392)	(7,220)	136	5-50 years
TOTAL	1,498,940	(768,039)	(15,622)	5,723	

The concessional activities of municipal water services are characterised by having a very high number of contracts, and the most significant are listed in the preceding table. The main objective of the contracts is the management of the entire water cycle, including the collection and transport of the resource to urban centres, its treatment at complex facilities to ensure it is fit for human consumption, through to the distribution and subsequent reuptake of wastewater for its purification and discharge into the natural environment.

In these concessions, the end users of the service are billed directly, depending on their consumption.

In terms of hydraulic infrastructure concessions, such as sewage treatment plants and drinking water treatment plants, payments are generally made by the granting entity, depending on consumption. Furthermore, the Group recognises the concessions, mainly desalination plants, where the granting entity guarantees a component that provides for the recovery of the investment made with no demand risk in the tariff (see Note 9.a.3) as financial assets.

Contracts usually include clauses for the periodic review of rates based on indices such as the CPI or polynomial formulas that take into account the evolution of the unit prices of the main cost components of the resources used during the life of the concession. Concession companies build or



receive the right to use distribution and sewerage networks in order to carry out their businesses, in addition to the complex facilities necessary to treat and purify drinking water. The concession terms for these types of infrastructures cover different periods up to a maximum of 50 years and then the facilities revert to the granting entity at the end of the concession without any further compensation being received.

Since the amount of the proceeds received from practically all of the municipal concession contracts that are fully consolidated depends on consumption by users, therefore meaning that the amounts are variable, demand risk is borne by the concession company and the contracts are recognised as intangible assets. In these cases, including certain hydraulic infrastructure concessions, such as desalinisation plants and wastewater treatment plants, proceeds are received based on the cubic metres of effectively treated, with the concession holder being guaranteed a minimum amount independent of the volume. Therefore, since this involves a fixed payment and the grantor bears the demand risk, those guaranteed amounts are classified as financial assets.

Other intangible assets

"Other intangible assets" includes mainly computer software acquired from third parties, which is amortised on a straight-line basis over four years, and other intangible assets used in concession arrangements.

Restrictions on title to assets

In the scope of its activity, the Group acquires and builds items for its non-current assets, which will revert to the granting city councils at the end of the contracts.

The Group companies consider that the periodic maintenance plans for their facilities, the cost of which is recognised as an expense in the year in which it is incurred, are sufficient to ensure delivery of the assets that have to be returned to the concessionaire in good working order on expiry of the concession contracts and that, therefore, no significant expenses will arise as a result of their reversion.



Goodwill

The breakdown of goodwill (net of impairment) in the accompanying consolidated balance sheet at 31 December 2019 and 2018 was as follows:

(thousands of euros)	31.12.2019	31.12.2018
Depurplan 11, S.A.	18	18
Aqualia Intech, S.A.	2,523	2,523
Merger goodwill	82,764	82,764
TOTAL	85,305	85,305

Merger goodwill relates to that arising in 2002 and 2011 for the mergers by absorption of the Parent with various subsidiaries and which generated goodwill for the difference between the acquisition cost of such subsidiaries and the fair value of the identifiable net assets.

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

On 23 November 2015, Aqualia Industrial Solutions, S.A. merged with Aqualia Intech, S.A., through the absorption by the latter of Aqualia Industrial Solutions, S.A. Unipersonal, both investees of FCC Aqualia. The absorption took place through the inclusion of all elements and the transfer en bloc of the assets and liabilities of the absorbed company to the absorbing company at consolidated values.

The main aspects of the estimates made and the sensitivity analysis in the impairment tests of goodwill were as follows:

- Merger goodwill. In the assumptions used to estimate cash flows, the Parent was deemed to be a cash generating unit as a whole. The main assumptions used are as follows:
 - Annual income growth: 5.1% the first year, 6.1% the second and an average of 3% for the following years.
 - Growth of perpetual annuity: Zero.
 - Discount rate before taxes: 4.74%.
 - Current cash flow projections do not display high sensitivity, bearing increases in the discount rate of over 25 percentage points, and a drop in cash flows by 89% without incurring impairment.

5. PROPERTY, PLANT AND EQUIPMENT

The net detail of property, plant and equipment at 31 December 2019 and 2018 is as follows:

(thousands of euros)	Cost	Accumulated amortisation	Impairment	Net value
31.12.2019				
Land and buildings	121,890	(34,441)	-	87,449
Land and natural resources	8,208	(92)	-	8,116
Buildings for own use	113,682	(34,349)	-	79,333
Plant and other items of property, plant and equipment	863,954	(523,227)	(16)	340,711
Plant	610,527	(353,717)	-	256,810
Machinery and vehicles	144,624	(101,520)	-	43,104
Property, plant and equipment in progress	7,499	-	-	7,499
Other PP&E	101,304	(67,990)	(16)	33,298
TOTAL	985,844	(557,668)	(16)	428,160
(thousands of euros)	Cost	Accumulated amortisation	Impairment	Net value
31.12.2018				
Land and buildings	56,284	(23,523)	-	32,761
Land and natural resources	6,709	(41)	-	6,668
Buildings for own use	49,575	(23,482)	-	26,093
Plant and other items of property, plant and equipment	780,904	(475,178)	(22)	305,704
Plant	576,782	(322,409)	-	254,373
Machinery and vehicles	116,092	(90,883)	-	25,209
Property, plant and equipment in progress	4,137	-	-	4,137
Other PP&E	83,893	(61,886)	(22)	21,985
TOTAL	837,188	(498,701)	(22)	338,465

The movements in the various PP&E headings in 2018 and 2019 were as follows:

(in thousands of euros)	Land and natural resources	Buildings for own use	LAND AND BUILDINGS	Plant	Machinery and vehicles	Property, plant and equipment under construction	Other PP&E	PLANT AND OTHER ITEMS OF PROPERTY, PLANT AND EQUIPMENT	DEPRECIATION	IMPAIRMENT	TOTAL
Balance at 31.12.17	6,732	48,450	55,182	559,475	111,374	6,337	74,629	751,815	(473,043)	(27)	333,927
Additions	-	115	115	1,234	2,550	19,465	8,488	31,737	-	-	31,852
Provisions	-	-	-	-	-	-	-	-	(29,358)	-	(29,358)
Reversals	-	-	-	-	-	-	-	-	-	5	5
Derecognitions	(28)	(182)	(210)	(895)	(1,558)	(3)	(383)	(2,839)	2,746	-	(303)
Transfers	22	1,304	1,326	18,508	3,853	(21,644)	1,140	1,857	(77)	-	3,106
Translation differences	(19)	(112)	(131)	(1,574)	(157)	(18)	(17)	(1,766)	1,058	-	(839)
Changes in the scope of consolidation	2	-	2	34	30	-	36	100	(27)	-	75
Balance at 31/12/18	6,709	49,575	56,284	576,782	116,092	4,137	83,893	780,904	(498,701)	(22)	338,465
Additions	-	448	448	4,337	5,333	25,508	10,959	46,137	-	-	46,585
Additions (IFRS 16)	640	53,853	54,493	92	19,371	-	4,287	23,750	-	-	78,243
Provisions	-	-	-	-	-	-	-	-	(42,745)	-	(42,745)
Reversals	-	-	-	-	-	-	-	-	-	6	6
Derecognitions	(24)	(1,096)	(1,120)	(2,159)	(2,985)	(52)	(4,707)	(9,903)	10,380	-	(643)
Transfers	352	4,502	4,854	12,233	4,716	(22,514)	683	(4,882)	-	-	(28)
Translation differences	76	471	547	6,625	1,164	43	122	7,954	(4,905)	-	3,596
Changes in the scope of consolidation	455	5,930	6,384	12,616	933	377	6,067	19,993	(21,697)	-	4,681
Balance at 31.12.19	8,208	113,683	121,890	610,526	144,624	7,499	101,304	863,953	(557,668)	(16)	428,160



Additions in 2019 amounted to 46,585 thousand euros (31,852 thousand euros in 2018), and the most important were those recognised in the contracts entered into by the Group in the Czech Republic, whose investments amounted to 23,527 thousand euros at 31 December 2019 (19,083 thousand euros at 31 December 2018). The Group has also capitalised, applying IFRS 16, operating leases signed during the year for the sum of 4,159 thousand euros.

The Group companies take out the insurance policies they consider necessary to cover the possible risks to which their property, plant and equipment is subject.

At 31 December 2019, PP&E located outside of Spain had a carrying amount of 328,437 thousand euros and was mainly found in the Czech Republic, Italy and France (297,858 thousand euros at 31 December 2018).

Fully depreciated property, plant and equipment used in production due to being in a good state of use totals 208,358 thousand euros at 31 December 2019 (176,540 thousand euros at 31 December 2018).

No interest was capitalised in 2019 or 2018, and the total capitalised interest at source was 3,836 thousand euros (3,836 thousand euros in 2018).

Work performed on the Group's intangible assets

Through its specialised companies, the FCC Aqualia performs works and builds infrastructures assigned to water contracts, which are mostly provided in the Czech Republic and do not revert to the city councils that granted the contract. The amount capitalised in this regard amounted to 22,427 thousand euros at 31 December 2019 (18,862 thousand euros at 31 December 2018).

6. SERVICE CONCESSION ARRANGEMENTS

This Note presents an overview of all the Group's investments in concession businesses, which are recognised in various headings under "Assets" in the accompanying consolidated balance sheet.

The following table presents the total amount of the assets held under service concession arrangements by the Group companies to provide public services for the distribution of drinking water, the construction and operation of hydraulic infrastructure and others, which are recognised under "Intangible assets", "Non-current financial assets", "Other current financial assets" and "Investments accounted for using the equity method" in the accompanying consolidated balance sheet at 31 December 2019 and 2018.

CONCESSIONS AT 31.12.2019	Intangible assets	Non-current collection rights, concession arrangements	Non-current collection rights on concession arrangements	Loans to associates joint ventures concessionaires	Investments accounted for using the equity method in joint venture concessionaires	Total
(thousands of euros)	(Note 4)	((Note 9.a.3)				
Cost	1,547,955	189,302	-	52,122	35,499	1,824,878
Accumulated	(821,402)	-	-	-	-	(821,402)
Impairment	(13,465)	-	-	-	-	(13,465)
TOTAL	713,088	189,302	-	52,122	35,499	990,011

CONCESSIONS AT 31.12.2018	Intangible assets	Non-current collection rights, concession arrangements	Non-current collection rights on concession arrangements	Loans to associates joint ventures concessionaires	Investments accounted for using the equity method in joint venture concessionaires	Total
(thousands of euros)	(Note 4)	((Note 9.a.3)				
Cost	1,501,016	1,593	5,273	51,021	72,199	1,631,102
Accumulated	(768,039)	-	-	-	-	(768,039)
Impairment	(15,622)	-	(5,118)	-	-	(20,740)
TOTAL	717,355	1,593	155	51,021	72,199	842,323

Likewise, the concessionaires controlled by the Group are obliged, in accordance with the concession agreements, to acquire or build assets used in the concessions, in the amount of 62,263 thousand euros at 31 December 2019 (62,780 thousand euros at 31 December 2018) (Note 15).

7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

This heading includes the value of the investments in companies accounted for using the equity method, which includes both the investment and the non-current loans granted to such companies and the jointly controlled entities or associates accounted for using the equity method.

Movements in investments accounted for using the equity method in each year, by item, were as follows:

(thousands of euros)	Investments	Pending contributions	NC loans	CLOSING BALANCE
Balance at 31.12.17	64,009	(41)	53,228	117,196
Acquisitions	713	-	-	713
Share of profit	7,314	-	-	7,314
Distribution of dividends	(839)	-	-	(839)
Sales	-	-	-	-
Pending contributions	-	-	-	-
Translation differences	857	-	-	857
Loans granted/(repaid)	-	-	(2,207)	(2,207)
Other	186	-	-	186
Balance at 31/12/18	72,240	(41)	51,021	123,220
Acquisitions	7,116	-	-	7,116
Share of profit	9,472	-	-	9,472
Distribution of dividends	(1,072)	-	-	(1,072)
Transfer of statutory rights	(5,679)	-	-	(5,679)
Pending contributions	-	(1)	-	(1)
Translation differences	1,226	-	-	1,226
Loans granted/(repaid)	-	-	1,100	1,100
Change consolidation method	(48,474)	-	-	(48,474)
Other	715	(3)	-	712
Balance at 31.12.19	35,544	(45)	52,121	87,620

The joint ventures accounted for using the equity method are detailed in Appendix III.



The detail of assets, liabilities, revenue and profit and loss at 31 December 2019 and 2018 of each associate and jointly controlled entity, in proportion to the Group's ownership interest in each company, is set out below:

	(thousands of euros)	
	2019	2018
Balance Sheet		
Non-current assets	121,926	168,529
Current assets	55,582	71,279
Non-current liabilities	102,366	122,104
Current liabilities	52,814	52,190
Results		
Revenue	56,418	65,055
Net operating profit	10,000	15,251

In 2019, the Group acquired interests in joint ventures, the most significant of which was for the sum of 6,500 thousand euros for 26% of the share capital of Codeur, S.A., which holds concessions for a range of municipal services in Vera (Almería) including the town's integral water cycle.

Also in 2019, there was a decrease in this heading, mainly due to the agreement reached with one of the other shareholders in the two Algerian companies in which the Group has a shareholding, leading to a change in the consolidation method of both companies. Thus, the Group has acquired control over Shariket Tahlya Miyah Mostaganem, now consolidated under the global consolidation method, and loses its significant influence over Shariket Miyeh Ras Djinet company, which is now a portfolio holding for which it is entitled to receive dividends when they occur. The fair value of this shareholding has been calculated as 11,142 thousand euros (Note 9.a and 13.2.b)

In relation to the investments accounted for using the equity method, the FCC Aqualia Group granted guarantees for 390 thousand euros at 31 December 2019 (650 thousand euros at 31 December 2018), to financial entities, to ensure continued investment in the share capital of the affected subsidiaries during the term of the loan agreement.

8. JOINTLY CONTROLLED OPERATIONS

The Group companies carry on part of their activities through investments in businesses over which the FCC Aqualia Group jointly exercises control with other non-Group shareholders, mainly through Joint Ventures (JVs) and Economic Interest Groupings (EIGs). These businesses were proportionately consolidated, as indicated in Note 2 to these consolidated financial



statements, provided that the investment grants direct rights over assets and direct obligations over liabilities.

The main figures of the various jointly controlled entities, in relation to assets and liabilities and to the income statement at 31 December 2019 and 2018, were as follows.

Joint ventures and economic interest groupings (Thousands of euros)	2019	2018
Revenue	226,412	172,547
Gross operating profit	49,900	41,157
Net operating profit	38,312	31,070
Non-current assets	88,516	46,218
Current assets	139,979	59,256
Non-current liabilities	26,569	26,037
Current liabilities	158,447	58,268

Appendix II lists the proportionately consolidated companies and Appendix IV lists the entities controlled jointly by non-Group third parties through joint ventures.

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

The detail of the most significant balances under “Non-Current Financial Assets” and “Other Current Financial Assets” in the accompanying consolidated balance sheet is as follows:

9.a) Non-current financial assets

The breakdown of the non-current financial assets is as follows:

<i>(Amounts in thousands of euros)</i>	Balance at 31.12.19	Balance at 31/12/18
Non-current loans to Group companies (Note 9.a.1)	806,524	808,945
Non-current loans, third parties (Note 9.a.2)	101,346	105,761
Non-current collection rights, concession arrangements (Note 6 and 9.a.3)	189,302	1,593
Held-to-maturity investments	168	165
Non-current derivative financial assets	-	169
Assets at fair value (Note 7)	11,142	-
Total	1,108,482	916,633



9.a.1 Non-current loans to Group companies

The detail of non-current financial loans to Group companies was as follows:

	Balance at 31.12.19	Balance at 31.12.18
Fomento de Construcciones y Contratas, S.A.	806,479	808,944
Rest	45	1
Total	806,524	808,945

On 28 September 2018, the Company entered into a contract with Fomento de Construcciones y Contratas, S.A. which entailed the non-extinguishing modifying novation of the three existing loans in place between the two companies since 8 June 2017, when the bonds were issued by FCC Aqualia, S.A. (Note 14.b), and which was subordinated in terms of the payment of the principal to the repayment conditions set out in the loan granted to Fomento de Construcciones y Contratas by a syndicate of financial entities.

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 since 8 June 2017 and 28 September 2018, amounting to 23,712 thousand euros.

For this loan, which had 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.

9.a.2 Non-current loans, third parties

The repayment schedule envisaged for non-current loans granted by the Group companies to third parties was as follows:

At 31 December 2019:

(thousands of euros)	2021	2022	2023	2024	2025 and beyond	Total
Non-trade payables	9,299	8,997	8,018	7,695	45,690	79,699
Deposits and guarantees	690	30	-	-	20,927	21,647
Total	9,989	9,027	8,018	7,695	66,617	101,346

At 31 December 2018:

(thousands of euros)	2020	2021	2022	2023	2024 and beyond	Total
Non-trade payables	11,201	11,212	11,253	11,298	41,107	86,071
Deposits and guarantees	762	-	10	-	18,918	19,690
Total	11,963	11,212	11,263	11,298	60,025	105,761

The non-current loans with third parties are classified by type:

Amounts in thousands of euros	Balance at 31.12.19	Balance at 31.12.18
Non-current loans to public entities	79,678	86,047
Non-current deposits and guarantees given	21,648	19,690
Non-current loans to employees	20	24
TOTAL NON-TRADE LOANS BALANCE	101,346	105,761

Non-current loans to public entities include mainly the amounts granted to city councils to finance the performance of works and installations in the water network. These loans accrue a variable rate of interest indexed to the Euribor and are generally recovered through the tariff corresponding to the associated concession agreements, or by establishing charges approved by the administration.

LOANS TO THIRD PARTIES				
(Amounts in thousands of euros)				
FINAL MATURITY				
	31.12.19	31.12.18	< 5 YEARS	> 5 YEARS
Municipality of Alboraya	3,416	3,639		>2023
Municipality of Alcalá de Henares	2,863	3,176		>2023
Municipality of Aller	99	184		>2023
Municipality of Ávila	470	470		>2023
Municipality of Bollullos Par del Condado	1,420	1,415		>2023
Municipality of Calasparra	167	208		>2023
Municipality of Callosa del Segura	1,508	1,520		>2023
Municipality of Caravaca de la Cruz	148	179		>2023
Municipality of Chipiona	2,014	2,341		>2023
Municipality of Cristina	53	66		>2023
Municipality of El Vendrell	117	142		>2023
Municipality of Güimar	147	176		>2023
Municipality of Hellín	10	12		>2023
Municipality of Hondón de los Frailes	53	88		>2023
Municipality of Jaén	25,870	27,599		>2023
Municipality of La Guardia	395	408		>2023
Municipality of La Línea	903	1,068		>2023
Municipality of Lepe	10,364	10,490		>2023
Municipality of Llera	129	-	2022	
Municipality of Lora del Río	-	314	2019	
Municipality of La Albuera	95	-		>2024
Municipality of Magán	151	180		>2023
Municipality of Platja d'Aro	148	-		>2024
Municipality of Matalascañas	908	1,362		>2023
Municipality of Medina del Campo	68	75		>2023
Municipality of Mula	149	238		>2022
Municipality of Olivenza	474	623		>2023
Municipality of Puerto de la Cruz	-	375	2019	
Municipality of Ribera del Fresno	278	278		>2023
Municipality of Ronda	2,296	2,515		>2023
Municipality of San Pedro del Pinatar	292	317		>2023
Municipality of San Lorenzo del Escorial	2,533	2,806		>2023
Municipality of Sant Fost	129	918		>2023
Municipality of Solana de Los Barros	116	135		>2023
Municipality of Turcia	8	9		>2023
Municipality of Ubrique	173	371		>2023
Municipality of Vélez-Málaga	7,822	8,519		>2023
Municipality of Villarrubia de Santiago	152	155		>2023
Base General Menacho	126	140		2020
Campo de Gibraltar region	5,073	5,137		>2022
Llanos Villamartín Irrigation Community	-	78	2019	
Santa Eulalia Siglo XXI, S.A.	700	-	2022	
Manc. Costa Tropical Granada	7,804	8,321		2031
Rest	37	-		-
Total loans to third parties	79,678	86,047		



Deposits and guarantees given basically relate to the payments made due to legal or contractual obligations when carrying out businesses of the Group companies, mainly those performed for public entities as a result of guarantees received from customers for water supply services (see Note 14.c).

9.a.3 Non-current collection rights, concession arrangements

Under this heading, the Group recognises the fair value of construction services performed under concession agreements that, based on IFRIC 12, do not entail a demand risk as its characteristics guarantee the booked amount. During the operation of the infrastructure, the asset is measured at amortised cost, allocating the corresponding financial income based on the effective interest rate resulting from the concession's forecasted charges and payments to profit/(loss).

The main financial assets under this heading are as follows:

	Balance at 31/12 2019	Balance at 31/12/2018	Granting entity
Desaladora de Mostaganem (Argelia)	176,392	-	Argelia - Algerian Energie Co. S.p.a.
Guaymas Desalination Plant (Mexico)	12,910	1,593	Mexico - State Water Commission
Total	189,302	1,593	

Coinciding with the transaction described in Notes 7 and 9.a, as at 31 December 2019, the Group held a concession-based asset of 176,392 thousand euros. This amount was recognised at the current value of future collection flows, discounted at a discount rate of 8.7% and taking 30 September 2036 as the concession expiration date.

9.b) Other current financial assets

The detail of "Other Current Financial Assets" at 31 December 2019 and 2018 is as follows:

Amounts in thousands of euros	Balance at 31.12.19	Balance at 31.12.18
Other loans	37,284	21,886
Current loans to companies accounted for using the equity method.	4,818	4,622
Current loans to FCC Group companies	2,666	594
Current loans to non-Group third parties	28,879	15,119
Dividends receivable from joint ventures and associates	18	-
Dividends receivable from companies accounted for using the equity method	903	1,543
Dividend receivable from non-Group companies	-	8
Guarantees and deposits given	32,370	10,175
TOTAL	69,654	32,061



There are no restrictions as to the use of these assets, except for the amounts under “Guarantees and deposits given”, which relate to amounts paid to secure certain contracts, which will be surrendered upon maturity thereof.

10. INVENTORIES

The detail of “Inventories” at 31 December 2019 and 2018 was as follows:

<i>(Amounts in thousands of euros)</i>	Balance at 31.12.19	Balance at 31.12.18
Raw materials and other supplies	28,189	16,708
Auxiliary works for the execution of works	16	-
Advances to suppliers	24,846	34,350
Impairment	(90)	(90)
Initial expenses, pre-project/project	9	9
TOTAL	52,970	50,977

Raw materials and other supplies include replacement parts, fuel and other materials required to perform activities.

Advances on inventories include deliveries to suppliers, normally in cash, on account of future supplies.

11. TRADE AND OTHER RECEIVABLES

a) Trade receivables for sales and services

The breakdown of "Trade receivables for sales and services" was as follows at 31 December 2019 and 2018:

(thousands of euros)	Balance at 31.12.19	Balance at 31.12.18
Progress billings receivable and trade receivables for sales	170,315	149,793
Assignment without recourse of trade receivables, third parties	(101,999)	(101,996)
Completed output pending certification	108,836	92,616
Warranty retainers	6,013	4,233
Output billed pending collection from Group companies	28,860	28,537
Bad debt provisions receivable	(41,822)	(38,738)
TOTAL TRADE RECEIVABLES FOR SALES AND SERVICES	170,203	134,445



"Progress billings receivable and trade receivables for sales" includes the amount of the certifications to customers for work performed and services provided receivable at the consolidated balance sheet date. This heading does not include significant balances with a considerable age, concentrating over 50% of the amount from the foregoing table in an age of less than six months.

The difference between the amount of the output recognised for each of the water supply works and services, measured in accordance with the criteria set forth in Note 2.d.16) "Operating income and costs" and the certified amount for each one of them is recognised as "Completed output pending certification". At 31 December 2019, "Completed output pending certification" includes 15,554 thousand euros relating to works and 93,282 thousand euros relating mainly to water supply to subscribers which had not been billed at the aforementioned date (14,897 thousand euros in works and 77,719 thousand euros at 31 December 2018).

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.

The changes in provisions for bad debt receivables in the period between 31 December 2018 and 31 December 2019 and between 31 December 2017 and 31 December 2018 were as follows:

(thousands of euros)	2,019	2,018
Opening balance	38,738	41,836
Net allowances	1,525	(3,121)
Changes in the scope of consolidation	1,551	25
Translation differences	8	(2)
Closing balance	41,822	38,738

The net period provisions for the year were recognised with a charge to "Other operating expenses" in the accompanying consolidated income statement at 31 December 2019.



b) Other loans

The breakdown of the "Other receivables" heading at 31 December 2019 and 31 December 2018 was as follows:

(thousands of euros)	Balance at 31.12.19	Balance at 31.12.18
Tax receivables for grants awarded (Note 17)	35,051	32,432
Sundry receivables	28,671	20,349
VAT refundable	23,792	11,841
Accrued social security taxes refundable	1,015	634
Indirect taxes borne	3,392	1,554
TOTAL OTHER RECEIVABLES	91,921	66,810

"Tax receivables for grants awarded" was due to the balances receivable for grants awarded for R&D projects and to operating deficits receivable for water services.

The balance of the "Sundry receivables" contains a variation attributable, mainly, to the increase of 11,502 thousand euros in the year, to the current value of the financial asset generated by the change in the consolidation perimeter of Shariket Mostaganem (Note 9.a .3) and to the decrease of 5,492 thousand euros corresponding to the collection of accounts receivable from the municipality of Monóvar (Alicante), legal ruling favourable to the Parent for damages and losses against the municipality.

12. CASH AND CASH EQUIVALENTS

Up to the date of issue of the bonds referred to in Note 14, the Company participates in the cash pooling system of the FCC Group to which it belongs. From the aforementioned date onwards, cash was managed autonomously; accordingly, the Company increased its levels of cash considerably arising from its ability to generate cash flows.

(thousands of euros)	Balance at 31.12.19	Balance at 31.12.18
Treasury	421,524	435,957
TOTAL	421,524	435,957



The breakdown of cash flows, by currency, is as follows:

TREASURY AND CASH EQUIVALENTS		
Breakdown by currency (thousands of euros)	Balance at 31.12.19	Balance at 31.12.18
Balboa	278	(48)
Czech crowns	23,298	23,266
US dollars	1,138	7
Euros	330,660	389,745
Algerian dinars	50,183	-
Serbian dinar	-	797
UAE dirham	1,445	3,869
Romanian leu	987	-
Egyptian pound	3,797	36
Chilean peso	319	151
Mexican peso	4,372	15,968
Bosnian mark	1	1
Saudi riyal	850	1,708
Uruguayan peso	213	379
Colombian peso	3,690	27
Sucre	293	51
TOTAL	421,524	435,957

In 2019 and 2018, the Group's cash balances earned interest at markets rates. At 31 December 2019 and 2018, in relation to the bonds issued by the Company, which are detailed in Note 14, guarantees were provided in relation to certain accounts which, at their respective dates, have a balance of 251,810 thousand euros and 285,489 thousand euros. These amounts include the balances for debt service accounts amounting to 26,979 thousand euros at 31 December 2019 and 34,118 thousand euros at 31 December 2018.



13. EQUITY

The consolidated statements of changes in equity at 31 December 2019 and 2018 show the changes in equity attributable to the shareholders of the Parent in the respective years.

Equity attributable to shareholders of the Parent

a) Share capital

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

As indicated in Note 1, in 2018, Fomento de Construcciones y Contratas, S.A. sold 49% of share capital to Global Infracore Spain, S.L.U., belonging to the IFM investment fund and transferred 10% of its equity interest to a company wholly owned by the FCC Group, known as FCC MIDCO, S.A., and its shareholder structure was thereby distributed as follows:

Shareholder	No. of shares	% direct shareholding
Fomento de Construcciones y Contratas, S.A.	59,450,000	41.00
Global Infracore 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% of FCC Aqualia, S.A.

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

b) Share premium and reserves

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

Amount in thousands of euros	Balance at 31.12.19	Balance at 31.12.18
Reserves of the Parent	242,634	215,957
Consolidation reserves	12,391	37,756
	255,025	253,713



b.1) Reserves of the Parent

Series of reserves set up by the Group's Parent, FCC Aqualia, S.A., in relation to retained earnings and to comply with certain applicable legislation.

The detail at 31 December 2019 and 2018 is as follows:

Amount in thousands of euros	Balance at 31.12.19	Balance at 31.12.18
Share premium	79,481	79,481
Legal reserve	29,000	29,000
Voluntary reserves	101,442	74,765
Special reserves	76	76
Goodwill reserves	32,635	32,635
	242,634	215,957

Share premium and voluntary reserves

The Spanish Limited Liability Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use for other purposes.

There are no limitations or restrictions as to the use of these reserves, which are recognised on a voluntary basis using the Parent's profit, following the distribution of dividends and the appropriations to the legal reserve.

Legal reserve

Under the Spanish Limited Liability Companies Law, the Parent must earmark an amount equal to 10% of their profit for the year to the legal reserve until such reserve represents at least 20% of share capital. The legal reserve cannot be distributed to shareholders except in the event of liquidation.

The legal reserve may be used to increase capital provided that the remaining reserve balance is greater than 10% of the increased capital.

Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

At 31 December 2019 and 31 December 2018, this reserve had been set up in full.



Goodwill reserve

Under article 273.4 of the Consolidated Spanish Limited Liability Companies Law in force until 31 December 2015, the Parent had been provisioning a restricted reserve for the amount of the goodwill appearing on the asset side of the consolidated balance sheet over a 20-year period, whose balance at 31 December 2019 and 2018 was 32,635 thousand euros.

In accordance with the amendments made to the Spanish Limited Liability Companies Law by Audit Law 22/2015, of 20 July, for reporting periods beginning on or after 1 January 2016, the Company will interrupt contributions to this goodwill reserve, and any amount that exceeds the goodwill reported on the asset side of the balance sheet will be made available as from this year.

b.2) Consolidation reserves

“Consolidation Reserves” in the accompanying consolidated balance sheet includes the reserves at fully consolidated companies and at companies accounted for using the equity method generated from the date on which the companies were acquired.

The detail of the amounts included under this heading for each of the most significant companies at 31 December 2019 and 2018 is as follows:

Amount in thousands of euros	Balance at 31.12.19	Balance at 31.12.18
FCC Aqualia, S.A.	52,668	42,275
Abrantaqua, S.A.	827	645
Acque di Caltanissetta, S.p.a.	5,115	3,508
AISA Montenegro	(1,739)	(970)
Aisa Pristina LLC	575	122
Aisa D.O.O. Beograd-Vracar	(2,432)	(1,567)
Aguas de Elvas, S.A.	422	31
Agua do Fundao, S.A.	404	193
Aigües de Vallirana, S.A.	1,581	1,517
Aquajerez, S.L.	(42,329)	(5,201)
Aqualia Mace LLC	(649)	366
Aquos el Realito, S.A. de CV	2,644	2,202
AIE Itam Delta De La Tordera	178	-
AIE Costa Tropical de Granada	(689)	(878)
Aqualia Czech, S.L.U.	(31,078)	(33,321)
Aqualia Desalacion Guaymas S.A. de C.V.	150	-
Aqualia Intech, S.A.	21,871	18,426
Aqualia México, S.A de C.V.	5,390	7,336
Aqualia Infraestructuras Inzenyring	(24,660)	(23,449)
Aqualia New Europe, B.V.	170	1,246
Aguas Do Cartaxo, S.A.	212	158



Amount in thousands of euros	Balance at 31.12.19	Balance at 31.12.18
Conservación y Sistemas, S.A.	262	267
Constructora de Infraestructuras de Aguas de Queretaro SA de CV	(5,649)	(5,677)
Constructora de Infraestructuras de Aguas de Potosí SA de CV	(8,687)	(8,677)
Depurplan 11, S.A.	376	357
Empresa Gestora de Aguas Linenses	488	253
Entemanser, S.A.	(25,798)	(32,006)
FCC Aqualia América, S.A., Unipersonal	(350)	(549)
FCC Aqualia USA CORP	(2,064)	(1,321)
Girona, S.A.	1,606	1,580
Hidrotec Tecnología del Agua, S.L.U.	11,089	11,215
Infraestructura y distribución general del agua, S.L.U.	(2,453)	(2,295)
Inversora Riutort, S.L.	287	287
Operadora El Realito S.A. de C.V.	207	186
Orasqualia Construction, S.A.E.	468	685
Orasqualia DEVEL.Waste T.P.S.A.E.	10,100	8,782
Orasqualia O&M	2,167	1,756
HA Proyectos especiales Hidráulicos S.R.L. de C.V.	1,159	693
Proveiments d'aigua, S.A.	445	414
Shariket Tahlya Miyah Mostaganem	35,724	32,279
Shariket Miyeh Ras Djinet	-	9,599
SmVak	(16,885)	(13,616)
Sociedad Española de Aguas Filtradas, S.A.	3,259	3,305
Suministro de Aguas de Querétaro, S.A. de C.V.	253	262
Tratamiento Industrial de Aguas, S.A.	17,255	17,133
Vodotech Spol SRO.	455	201
Other companies	46	4
Total consolidation reserves	12,391	37,756

FCC Aqualia, S.A. included an amount of 52,668 thousand euros at 31 December 2019 (42,275 thousand euros at 31 December 2018), as consolidation reserves for those arising from the distribution in each year of the dividends of the subsidiaries and which, in the following year, become reserves of the Parent.

The decrease in the balance in 2019 compared to 2018 is mainly due to the allocation of the acquisition difference of 49% in Aquajerez, S.L., a company over which the Group already had control, to equity.

c) Valuation adjustments

This heading includes cash flow hedge derivatives (Note 21), together with translation differences arising from the translation to euros of the financial statements of subsidiaries denominated in another currency.

The details at 31 December 2019 and 2018 (in thousands of euros) were as follows:

	Balance at 31.12.19	Balance at 31.12.18
Valuation adjustments	(550)	(91)
Translation differences	(10,849)	(26,848)
	(11,399)	(26,939)

The amounts under "Valuation adjustments" for each of the most significant companies at 31 December 2019 and 2018 were as follows (in thousands of euros):

	Balance at 31.12.19	Balance at 31.12.18
Aquajerez, S.L.	(395)	64
Aquos el Realito, S.A. de C.V.	(155)	(155)
	(550)	(91)

The amounts under "Translation differences" for each of the subsidiaries with a functional currency other than the euro at 31 December 2019 and 2018 were as follows:

(thousands of euros)	Balance at 31.12.19	Balance at 31.12.18
Algeria	645	(12,013)
Shariket Tahlya Miyah Mostaganem S.p.a.	645	(8,809)
Shariket Miyeh Ras Djinet S.p.a.	-	(3,204)
Mexico	(3,472)	(3,974)
Aqualia México, S.A. de C.V.	(3,146)	(3,685)
Suministro Aguas de Querétaro, S.A. de C.V.	(85)	(103)
Constructora de Infraestructuras de Agua de Querétaro, S.A. de C.V.	(82)	241
Aquos El Realito, S.A. de C.V.	(1,187)	(1,590)
Operadora El Realito, S.A. de C.V.	(2)	(15)
HA Proyectos especiales Hidráulicos S.R.L. de C.V.	(44)	(107)
Constructora de Infraestructuras de Aguas de Potosí, S.A. de C.V.	877	1,318
Aqualia Desalación Guaymas S.A. de C.V.	197	(33)
Egypt	(12,793)	(14,533)
Orasqualia Devel. Waste. T.P.	(11,610)	(13,188)
Orasqualia Construction S.A.E.	(593)	(580)
Orasqualia O&M	(590)	(765)
Czech Republic	4,411	3,350



(thousands of euros)	Balance at 31.12.19	Balance at 31.12.18
Aqualia Czech, S.L.U.	1,796	1,796
Smvak	3,005	1,783
Aqualia Infraestructuras Inzenyryng, s.r.o.	(404)	(233)
Vodotech Spol, s.r.o.	14	4
United States	(80)	(58)
FCC Aqualia USA Corp.	(80)	(58)
Colombia	(5)	(5)
Sera. Q.A. Duitama E.S.P. S.A.	(5)	(5)
Serbia	(69)	(54)
Aisa D:O:O: Beograd-Vracar	(69)	(54)
Abu Dhabi	467	402
Aqualia MaceLLC	467	402
Oman	48	37
Omán Sustainable Water Services SAOC	48	37
Total translation differences	(10,848)	(26,848)

The main change in 2019 has been in Algerian companies. In January, the method of consolidation applied to Shariket Tahlya Miyah Mostaganem S.p.a. and Shariket Miyeh Ras Djinet S.p.a. changed, as part of an agreement under which another of the shareholders in these two companies transferred the statutory rights inherent to its 25.5% interest in Shariket Tahlya Miyah Mostaganem S.p.a. to FCC Aqualia (with FCC Aqualia retaining control over the Board and the shareholders' meeting), and FCC Aqualia transferring 25.5% of its statutory rights over Shariket Miyeh Ras Djinet S.p.a. (Note 7). This agreement gave rise to a business combination that involves the recycling of the existing translation differences to date for the sum of 12,013 thousand euros, recognised under "Profit/(loss) of companies accounted for by the equity method on the accompanying consolidated statement of profit and loss."

The main net investment balances abroad, by geographical market, expressed in thousands of euros, were as follows:

Amounts in thousands of euros	Balance at 31.12.19	Balance at 31.12.18
Mexico	15,904	14,924
Czech Republic	80,020	77,712
United States	3,106	1,976
Serbia	2,647	2,460
Algeria	9,640	-
Other	928	204
TOTAL	112,245	97,276

d) Consolidated profit attributable to the Parent, by company.

The detail, by company, of the consolidated profit attributable to the Parent, is distributed as follows:

Amounts in thousands of euros	31.12.19	31.12.18
Abrantaqua, S.A.	217	182
Acque di Caltanissetta, S.p.A	(136)	1,607
Agua y Gestión Ciclo Integral, S.L.U.	1,151	-
Aguas de Alcázar Empresa Mixta, S.A.	269	150
Aguas de Archidona, S.L.	6	(10)
Aguas de Denia, S.A.	9	25
Aguas De Guadix, S.A.	34	-
Aguas de las Galeras, S.L.	290	730
Aguas de Narixa, S.A.	422	(69)
Aguas de Priego, S.L.	(16)	(4)
Aguas del Puerto Empresa Municipal, S.A.	(201)	(462)
Aguas de Alcaldesa, S.L. Unipersonal	-	33
AIE Costa Tropical de Granada	647	878
AIE ITAM Delta de la Tordera	(178)	-
Aigües de Blanes, S.A.	28	22
Aigües de Vallirana, S.A.U.	194	63
Aigües Del Vendrell, S.A.	13	-
Aigües del Tomoví, S.A.	-	2
Aqua Campiña, S.A.	334	306
Aqualvas - Aguas de Elvas, S.A.	345	391
Aquafundalia – Agua do Fundão, S.A.	29	212
Aquajerez, S.L.	1,986	568
Aqualia Czech, S.L.	(526)	(79)
Aqualia Desalación Guaymas, S.A. de C.V.	1,342	150
Aqualia France, S.A.S.	(1,407)	-
Aqualia Infraestructuras Beograd-Vracar	(306)	(866)
Aqualia Infraestructuras Inzenyring, s.r.o.	1,223	1,350
Aqualia Infraestructuras Montenegro	(588)	(768)
Aqualia Infraestructuras Mostar	-	(10)
Aqualia Infraestructuras Pristina, LLC	(110)	454
Aqualia Intech, S.A.	6,756	2,139
Aqualia MACE LLC	1,498	2,674
Aqualia México, S.A. de C.V.	989	(1,946)
Aqualia New Europe B.V.	(159)	(56)
Aquamaior – Aguas de Campo Maior, S.A.	90	57
Aquos El Realito, S.A. de C.V.	487	442
Cartagua – Aguas do Cartaxo, S.A.	42	55
CEG, S.A.S.	550	-
Codeur, S.A.	4	-
Compañía de Servicios Medioamb. do Atlántico, S.A.	7	4
Concesionaria de Desalación de Ibiza, S.A.	172	241
Conservación y Sistemas, S.A.	292	407
Constructora de Infraestructuras de Aguas de Potosí, S.A. de C.V.	7	(9)
Constructora de Infraestructuras de Aguas de Querétaro, S.A. de C.V.	41	30
Depurplan 11, S.A.	1,045	260
EMANAGUA - Empresa Municipal de Aguas de Níjar, S.A.	136	202
Empresa Gestora de Aguas Linenses, S.L.	524	236

Amounts in thousands of euros	31.12.19	31.12.18
Empresa Mixta Abastament en Alta Costa Brava, S.A.	46	40
Empresa Mixta d'Aigües de la Costa Brava, S.A.	75	127
Empresa Mixta de Aguas de Jódar, S.A.	6	6
Empresa Mixta de Aguas de Langreo, S.L.	3	-
Empresa Mixta de Aguas de Ubrique, S.A.	15	13
Empresa Mixta de Aguas y Servicios, S.A.	10	54
Empresa Municipal Aguas de Algeciras, S.A.	(63)	6
Empresa Municipal Aguas de Benalmádena, S.A.	435	485
Empresa Municipal Aguas de Toxiria, S.A.	4	(13)
Empresa Municipal de Aguas de Linares, S.A.	132	234
Entemanser, S.A.	2,444	2,631
FCC Aqualia América, S.A.U.	175	199
FCC Aqualia USA CORP.	(931)	(743)
Flores, Rebollo Y Morales, S.L.	2	-
FCC Aqualia, S.A.	59,304	86,180
Gestión de Servicios Hidráulicos de Ciudad Real AIE	45	44
Girona, S.A.	(38)	(4)
HA Proyectos Especiales Hidráulicos S.R.L. de CV	14	466
Hidrotec Tecnología del Agua, S.L.U.	3,563	3,532
Infraestructuras y Distribución General de Agua, S.L.	204	135
Nueva Sociedad de Aguas de Ibiza, S.A.	16	16
Omán Sustainable Water Services SAOC	259	161
Operadora El Realito S.A. de C.V.	110	21
Orasqualia Construction, S.A.E.	11	(218)
Orasqualia Devel. Waste Treatment Plant S.A.E.	698	297
Orasqualia Operation and Maintenance, S.A.E.	629	411
Proveïments d'Aigua, S.A.	67	61
Severomoravske Vodovody a Kanalizace Ostrava a.s.	12,869	9,373
Shariket Miyeh Ras Djinet	-	1,120
Shariket Tahlya Miyah Mostaganem	2,216	3,445
Sociedad Española de Aguas Filtradas, S.A.	1,203	897
Sociedad Ibérica del Agua, S.A.U.	73	70
Societe Des Eaux De Fin D'Oise, S.A.S.	1,073	-
Suministro de Aguas de Querétaro, S.A. de C.V.	51	43
Tratamiento Industrial de Aguas, S.A.	8,005	8,099
Vodotec Spol, s.r.o.	252	254
TOTAL	110,529	127,033

e) Non-controlling interests

The balance of this heading in the accompanying consolidated balance sheet reflects the proportional part of the equity and the profit or loss for the year after tax of those subsidiaries in which the Group's minority shareholders have ownership interests.

The breakdown at 31 December 2019 and 2018, by item, of the main companies with non-controlling interests, was as follows:

(thousands of euros)	Equity	Translation differences	Interest rate hedges	Results	Total
Balance at 31.12.2019					
Abrantaqua, S.A.	678	-	-	145	823
Aguas de Alcazar Empresa Mixta S.A.	963	-	-	245	1,208
Aqua Campiña, S.A.	(163)	-	-	37	(126)
Acque di Caltanissetta, S.P.A.	136	-	-	(2)	134
Entemanser, S.A.	-	-	-	76	76
Shariket Tahlya Miyah Mostganem	124,679	1,884	-	10,436	136,999
Aguas do Cartaxo, S.A.	881	-	-	28	909
Aqualia Mace LLC	(609)	449	-	1,440	1,280
Rest	418	-	-	88	506
TOTAL	126,983	2,333		12,493	141,809

(thousands of euros)	Equity	Translation differences	Interest rate hedges	Results	Total
Balance at 31.12.2018					
Abrantaqua, S.A.	557	-	-	121	678
Aguas de Alcazar Empresa Mixta S.A.	796	-	-	137	933
Aqua Campiña, S.A.	(195)	-	-	34	(161)
Aquajerez	(4,996)	-	62	546	(4,388)
Aqualia New Europe B.V.	-	177	-	181	358
Acque di Caltanissetta, S.P.A.	111	-	-	25	136
Entemanser, S.A.	988	-	-	81	1,069
SmVak	725	227	-	126	1,078
Aguas do Cartaxo, S.A.	845	-	-	36	881
Aqualia Mace LLC	367	386	-	2,569	3,322
Rest	388	-	-	143	531
TOTAL	(414)	790	62	3,999	4,437

During 2019, the main changes recognised under this heading are attributable, firstly, to the change in the method of consolidation of Shariket Tahlya Miyah Mostganem, now consolidated under the global consolidation method after the Group assumed control over it (Note 7 and 13.c). The company's assets and liabilities have been recognised at fair value, generating an increase attributable to the balance of non-controlling interests coming to 124,679 thousand euros. Secondly, worth particular mention are the transactions performed during the year involving the non-controlling interests in Aquajerez (49%) and Severomoravske Vodovody a Kanalizace Ostrava a.s. (1.32%). These acquisitions have been completed for the sum of 28,859 thousand euros and 2,222 thousand euros, respectively. The Group consequently now owns 100% of those companies. Given that before the purchase, the Group already had control of



both investees, the difference between the purchase price and the book value of the non-controlling interests acquired generated negative differences in reserves amounting to 33,246 thousand euros for Aquajerez and 1,145 thousand euros for Severomoravske Vodovody a Kanalizace Ostrava a.s.

14. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

In 2017, in line with the details of section b) of this Note, the Parent performed a bond issue, 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. (Note 9.a.1).

a) Non-current and current bank borrowings

The details at 31 December 2019 and 2018 were as follows (in thousands of euros):

Balance at 31.12.19	NON-CURRENT	CURRENT	TOTAL
Loans and credit lines	109,167	5,411	114,578
Accrued interest pending settlement	-	585	585
	109,167	5,996	115,163
Balance at 31/12/18	NON-CURRENT	CURRENT	TOTAL
Loans and credit lines	38,340	8,024	46,364
Accrued interest pending settlement	-	424	424
	38,340	8,448	46,788

These payables are recognised at amortised cost, and their fair value does not vary significantly.

At 31 December 2019, the limit of the loans and credit facilities granted to the FCC Aqualia Group was 114,859 thousand euros (48,640 thousand euros at 31 December 2018), of which 281 thousand euros were available at 31 December 2019 (1,852 thousand euros available at 31 December 2018).

In 2018 and 2019, bank borrowings bear average interest basically at the rates prevailing in the various interbank markets, tied to Euribor.

All non-current and current bank borrowings in the form of loans and credit lines drawn down at 31 December 2019 and 2018 were denominated in euros.



Bank borrowings are broken down, by company, at 31 December 2019 and 2018, with the conditions indicated:

Company	Limit	2019	2018	Start date	Maturity date	Interest rate
Loans and credit lines						
AIE Costa Tropical de Granada	2,840	2,840	3,483	03.01,2014	03.01,2026	EURIBOR 12M + 1.90%
Abrantaqua, S.A. (loan)	-	-	500	10.05,2010	15.06,2019	EURIBOR 12M + 4.75%
Abrantaqua, S.A. (credit line)	-	-	850	15.05,2013	12.02,2019	EURIBOR 6M + 4.00%
Aquafundalia – Agua do Fundão, S.A.	31	31	406	17.01,2014	17.01,2020	EURIBOR 3M + 4.80%
Aquajerez, S.L. (Note 14.c)	61,360	61,360	35,808	21.07,2016	15.07,2031	EURIBOR 12M+ 2%
Aquamaior – Aguas de Campo Maior, S.A.	1,450	1,450	1,650	28.08,2014	28.05,2021	EURIBOR 6M + 4,000%
Entemanser, S.A. (credit line)	-	-	3,499	20.05,2014	28.02,2019	EURIBOR 12M+ 2%
Empresa Mixta d'Aigües de la Costa Brava	69	69	75	20.05,2014	30.11,2020	EURIBOR 12M+ 0.85%
Empresa Mixta de Aguas y Servicios, S.A.	450	169	93	17.03,2019	17.03,2020	EURIBOR 12M+ 1.5%
Shariket Tahlya Mostaganem S.p.a.	48,659	48,659	-	25.09,2011	31.12,2025	3.75%
Non-controlling		585	424			
Total	114,859	115,163	46,788			

b) Bonds and other marketable debt securities

The detail of this heading was as follows:

	Balance at 31.12.19	Balance at 31.12.18
Issue of non-convertible bonds listed in Ireland	1,345,306	1,344,204
Issue of non-convertible bonds listed in the Czech Republic	211,335	208,241
Total	1,556,641	1,552,445

The changes at 31 December 2018 and 2019 were as follows:

	Balance at 31/12/18	Amount assigned to profit and loss	Adjustments for exchange rates and others	Balance at 31.12.19
Debt securities issued in the EU requiring a prospectus to be registered	1,552,445	1,571	2,625	1,556,641
	1,552,445	1,571	2,625	1,556,641



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

	Balance at 31.12.17	Amount assigned to profit and loss	Adjustments for exchange rates and others	Balance at 31.12.18
Debt securities issued in the EU requiring a prospectus to be registered	1,551,554	1,532	(641)	1,552,445
	1,551,554	1,532	(641)	1,552,445

b.1 Issue of non-convertible bonds listed in Ireland.

In the context of the aforementioned Refinancing Agreement (Note 9.a.1) regarding the financial debt of Fomento de Construcciones y Contratas, S.A. and of certain Group companies, the Board of Directors of FCC Aqualia at its meeting held on 24 February 2017 agreed, among others, to perform one or various non-convertible bond issues of the Parent, 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 relation to two non-convertible bond issues guaranteed by the Parent, with the following characteristics:

- One of them, amounting to 700,000,000 euros, pays annual interest of 1,413%, with a single repayment in 2022.
- The other, amounting to 650,000,000 euros, pays annual interest of 2,629%, with a single repayment in 2027.

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

- The nominal value of the bonds is 100,000 euros and, above that figure, in whole multiples of 1,000 euros, until reaching 199,000 euros.
- Interest will be paid annually on 8 June of each year.
- The repayment 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 (see Note 12)

The Parent recognised 15,227 thousand euros under “Current debentures and bonds with third parties” at 31 December 2019 (15,227 thousand euros at 31 December 2018), as a result of the interest accrued since the issue date.

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

- Bonds maturing in 2022: 102,419% (99,986% at 31 December 2018).
- Bonds maturing in 2027: 107,310% (99,047% at 31 December 2018).

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

- 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 (Note 14.b.2), Shariket Talhya Mostaganem and Aquajerez (Note 14.c), 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.
- Limitation to the changes in the Parent's capital structure and in that of its investees, whose shares are pledged, except for the capital increases permitted in accordance with the terms and conditions of the issue.



b.2 Issue of non-convertible bonds listed in the Czech Republic.

Relates to the issue in July 2015 by Severomoravske Vodovody to Kanalizace Ostrava a.s. of non-convertible bonds, amounting to 5,400 million Czech crowns, maturing in 2022, with accrue fixed interest of 2,625% per year. These debentures are traded on the Prague stock exchange (Czech Republic).

The Czech company recognised 2,541 thousand euros under "Current debentures and bonds with third parties - current liabilities" at 31 December 2019 (2,510 thousand euros at 31 December 2018), as a result of the accrued interest payable.

The listing of these bonds at 31 December 2019 was 99,322% (99,323% at 31 December 2018).

No guarantees were provided with respect to this issue.

c) Other non-current financial liabilities

This heading in the consolidated balance sheet was as follows:

Amounts in thousands of euros	2019	2018
Deposits and guarantees received	39,574	37,617
Suppliers of long-term fixed and non-current assets with Group companies IFRS 16 (Note 22)	1,289	-
Suppliers of long-term fixed and non-current asset	63,459	-
Financial derivative liabilities	830	-
Other	5,740	30,522
TOTAL	110,892	68,139

"Guarantees and deposits received" includes the amounts received from subscribers of the water services when the service is arranged. In some territories, the requirement of depositing these bonds with a public authority is established. The amount deposited is recognised in "Non-current bonds deposited" (see Note 9.b).

"Suppliers of long-term fixed and non-current assets" include, for the sum of 62,979 thousand euros at 31 December 2019, non-current liabilities for future payment obligations incurred as a result of the application of IFRS16 on "Leases" (see Note 2.a). This liability is recognised at the current value of future cash flows for each lease. In addition, there is a liability with FCC Group companies for this concept worth 1,289 thousand euros at 31 December 2019.



The balance of the "Other" heading decreased in 2019 due to the cancellation of the participatory loan granted by the non-controlling shareholder of Aquajerez, S.L., which at 31 December 2018 stood at 24,580 thousand euros and was assumed by the Group as the company is 100% owned thereby (Note 13.e). This company was created in 2013 to execute the Jerez de la Frontera contract (Cádiz). The initial amount of the participating loan was 29,069 thousand euros, and it earned interest at a fixed rate of 3%, plus a variable interest rate based on free cash flows, with the sum of both items having an annual ceiling of 10%. Furthermore, the loan that this company signed with CaixaBank establishes pledges on the Parent Company's shareholding in this company.

d) Other current financial liabilities

Its details are as follows:

Amounts in thousands of euros	2019	2018
Remaining current financial payables to FCC Group companies	1,612	1,973
Suppliers of short-term fixed and non-current assets with FCC Group companies IFRS16	381	-
Short-term notes payable	318	727
Short-term payables to suppliers of fixed assets	15,653	4,984
Deposits and guarantees received	1,310	2,471
Current financial payables, third parties	7,686	16,945
TOTAL	26,960	27,100

"Remaining current financial payables to FCC Group companies" basically includes the balances generated by the Group companies with FCC, S.A. as a result of collections and payments for the account of this company with FCC Aqualia Group companies and contains no payments are due to be settled in the near future.

The heading "Suppliers of short-term fixed and non-current assets" includes the current liability associated with IFRS16 for the amount of 7,841 thousand euros.



e) Maturity of "Bank borrowings and other non-current financial liabilities."

The envisaged repayment schedule at 31 December 2019 and 2018 was as follows:

2019

(thousands of euros)	2021	2022	2023	2024	2025 AND THEREAFTER	TOTAL
Bonds and other marketable securities (Note 14.b)	-	909,408	-	-	647,233	1,556,641
Non-current bank borrowings (Note 14.a)	13,950	13,146	13,604	11,397	57,070	109,167
Other non-current financial liabilities (Note 14.c)	17,153	5,878	6,956	5,367	75,538	110,892
TOTAL	31,103	928,432	20,560	16,764	779,841	1,776,700

2018

(thousands of euros)	2020	2021	2022	2023	2024 AND THEREAFTER	TOTAL
Debt instruments and other marketable securities	-	-	905,544	-	646,901	1,552,445
Non-current bank borrowings	2,961	4,227	3,171	3,288	24,693	38,340
Other non-current financial liabilities	8,582	2,145	2,181	2,149	53,082	68,139
TOTAL	11,543	6,372	910,896	5,437	724,676	1,658,924

f) Other disclosures

In relation to the financial liabilities arranged by the Group, obligatory ratios exist, and no breaches had been committed at 31 December 2019 that could affect the Group's main lending agreements. No breaches are expected to be committed in 2020 either.

g) Changes in financial liabilities that affect cash flows from financing activities

Below are details of the changes in non-current and current financial liabilities, differentiating those that affected cash flows from financing activities in the Statement of Cash Flows from the remaining changes:

	Balance at 1 January 2019	Cash flows from financing activities	Without an impact on cash flows			Balance at 31 December 2019
			Exchange differences	Change in fair value	Other changes	
Non-current	1,658,924	7,437	3,401	812	106,126	1,776,700
Debt instruments and other marketable securities	1,552,445	1,571	2,625	-	-	1,556,641
Bank borrowings	38,340	23,751	786	-	46,290	109,167
Other financial liabilities	68,139	(17,885)	(10)	812	59,836	110,892
Current	53,285	(19,183)	46	-	16,576	50,724
Debt instruments and other marketable securities	17,737	-	31	-	-	17,768
Bank borrowings	8,448	(9,697)	-	-	7,245	5,996
Other financial liabilities	27,100	(9,486)	15	-	9,331	26,960

	Balance at 1 January 2018	Cash flows from financing activities	Without an impact on cash flows			Balance at 31 December 2018
			Exchange differences	Change in fair value	Other changes	
Non-current	1,660,613	3,012	(744)	-	(3,957)	1,658,924
Debt instruments and other marketable securities	1,551,554	1,532	(641)	-	-	1,552,445
Bank borrowings	41,851	(167)	-	-	(3,344)	38,340
Other financial liabilities	67,208	1,647	(103)	-	(613)	68,139
Current	47,525	(4,881)	(11)	-	10,652	53,285
Debt instruments and other marketable securities	18,031	(286)	(8)	-	-	17,737
Bank borrowings	11,228	(6,124)	-	-	3,344	8,448
Other financial liabilities	18,266	1,529	(3)	-	7,308	27,100

15. NON-CURRENT AND CURRENT PROVISIONS

The detail of the provisions at 31 December 2019 and 2018 is as follows (in thousands of euros):

	2019	2018
Non-current		
Liabilities for long-term employee benefits	2,589	2,661
Litigation	7,818	7,470
Contractual and legal guarantees and obligations	6,797	6,091
Actions to improve or expand the capacity of concessions	62,263	62,780
Other risks and expenses	45,529	46,376
TOTAL NON-CURRENT PROVISIONS	124,996	125,378
Current		
Construction contract close-outs and losses	14,948	10,171
Construction personnel lay-off pay	1,200	971
Other provisions	2,187	1,897
TOTAL CURRENT PROVISIONS	18,335	13,039

The changes in the different provisions in each year in the periods analysed were as follows:

(Amounts in thousands of euros)	Long-term provisions	Current provisions
Balance at 31.12.17	116,930	12,710
Charges	27,394	2,956
Reversals	(2,317)	(1,368)
Disposals	(16,805)	(1,305)
Translation differences	176	46
Balance at 31/12/18	125,378	13,039
Provisions	19,211	4,793
Reversals	(6,210)	(3,788)
Disposals	(15,529)	(1,650)
Translation differences	162	181
Changes in the scope of consolidation	1,984	5,760
Balance at 31.12.19	124,996	18,335

In 2019, allocations amounted to 24,004 thousand euros, the most important of which was reflected under "Provisions for improvements or expansions to the capacity of concessions" for



10,993 thousand euros. The main contracts affected are in Spain and are mainly: Castrillón (Asturias), for the sum of 4,597 thousand euros corresponding to the investment commitments to be made; Santa Eulalia (Ibiza) for the sum of 2,719 thousand euros for the capitalisation of the investment commitment corresponding to the Infrastructure modernisation plan; and the expansion of the Avila treatment plant for the sum of 2,038 thousand euros (Note 4). Furthermore, the provision includes an amount of 1,273 thousand euros relating to the financial discounting of these provisions.

During 2019 and 2018, the Group reclassified the sum of 5,103 thousand euros (4,387 thousand euros at 31 December 2018) from "Investments accounted for using the equity method" to this heading corresponding to the negative equity of two companies consolidated under the equity method whose registered addresses are in Mexico (Constructora de Infraestructura de Aguas de Querétaro and Constructora de Infraestructura de Aguas de Potosí), as the Directors considered these as requiring a future cash outflow.

In 2018, provisions amounted to 30,350 thousand euros, the most important of which were those that occurred in:

- Provision for investment commitments totalling 16,464 thousand euros. The main contracts affected are San Pedro del Pinatar (Murcia), amounting to 5,000 thousand euros, Guia de Isora (Santa Cruz de Tenerife), amounting to 2,412 thousand euros, and Cartaxo and Elvas (Portugal), amounting to 1,500 thousand euros and 1,950 thousand euros, respectively. Furthermore, the provision includes an amount of 1,460 thousand euros relating to the financial discounting of such provision.
- Provision for tax returns, amounting to 3,938 thousand euros, for inspections under way at companies in Spain and Italy.

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

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



Furthermore, in 2019, the most important outflows of non-current provisions refer to the provisions for improvements for the sum of 13,045 thousand euros for investment commitments made in Spain in Vigo (Pontevedra) for 1,689 thousand euros, San Pedro del Pinatar (Murcia) for 1,445 thousand euros, Lleida (Lleida) for 1,470 thousand euros, Jerez de la Frontera (Cádiz) for 2,455 thousand euros, Santa Eulalia (Ibiza) for 815 thousand euros, Castrillón (Asturias) for 572 thousand euros and in Portugal for 1,869 thousand euros in Cartaxo and 675 thousand euros in Fundao.

In 2018, the most significant disposals of non-current provisions related to provisions for improvement proceedings, totalling 13,433 thousand euros for investment commitments made in Spain in the municipalities of Vigo (Pontevedra) for 1,217 thousand euros, Almansa (Albacete) for 1,879 thousand euros, Lleida (Lleida) for 1,282 thousand euros, Jerez de la Frontera (Cádiz) for 1,394 thousand euros and Portugal for 1,754 thousand euros in Cartaxo and 102 thousand euros in Fundao.

The schedule of expected payments at 31 December 2019 and 2018, as a result of the obligations covered by non-current provisions, is as follows:

2019 (Thousands of euros)	TO 5 YEARS	MORE THAN 5 YEARS	BALANCE AT 31/12/2019
Liabilities for long-term employee benefits	370	2,219	2,589
Litigation	7,818	-	7,818
Contractual or legal guarantees and obligations	6,768	29	6,797
Actions to improve or expand the capacity of concessions	18,153	44,110	62,263
Other provisions for risks and expenses	44,489	1,040	45,529
TOTAL	77,598	47,398	124,996

2018 (Thousands of euros)	TO 5 YEARS	MORE THAN 5 YEARS	BALANCE AT 31/12/2018
Liabilities for long-term employee benefits	798	1,863	2,661
Litigation	7,470	-	7,470
Contractual or legal guarantees and obligations	6,046	45	6,091
Actions to improve or expand the capacity of concessions	33,963	28,817	62,780
Other provisions for risks and expenses	45,771	605	46,376
TOTAL	94,048	31,330	125,378

Liabilities for long-term employee benefits

This "Non-current provisions" heading includes those that cover Group company commitments regarding pensions and similar obligations, such as medical and life insurance.



Litigation

Provisions for litigation cover the contingencies of the FCC Aqualia Group companies acting as defendants in certain proceedings in relation to the liability inherent to the business activities carried on by them.

The major disputes affecting the FCC Aqualia Group were described above in “Contractual and legal guarantees and obligations” in this same Note, without these lawsuits generating additional liabilities to those already recognised at 31 December 2019, according to the directors.

Contractual and legal guarantees and obligations

Includes the provisions for the costs of non-environmental contractual and legal commitments, such as the removal of installations on completing certain contracts and the costs of assuring service quality.

In relation to contractual or legal guarantees, the Group's directors disclosed the following lawsuits pending settlement to date:

- The Italian Prosecutor's Office commenced legal procedures against Acque di Caltanissetta, in which FCC Aqualia has a 98% ownership interest, for breaching environmental regulations with respect to the spillage of wastewater, once this company had won the end-to-end water cycle tender in Caltanissetta (Sicilia).

The Group expects that the conclusion of the investigation will not have significant consequences beyond the amounts provisioned in these consolidated financial statements.

Actions to improve or expand the capacity of concessions

Such provisions are recognised when the Group is bound to perform procedures to improve infrastructure and such procedures are not offset with the obtainment of higher concession income. Its balancing entry is the “Intangible assets under concession arrangements” heading (Note 6).

Other risks and expenses

This heading includes those risks not included in the previous headings, including any contractual liability that may be generated for it as a result of a payment obligation in the future,



including most notably, a provision with Arteixo City Council, amounting to 14,000 thousand euros, described above.

16. OTHER PAYABLES

The details of "Other payables" at 31 December 2019 and 2018 corresponds to the following details (in thousands of euros):

	2019	2018
VAT payable (Note 18)	14,833	10,146
Accrued Social Security taxes payable (Note 18)	7,890	6,598
Tax withholdings payable (Note 18)	4,041	3,459
Other taxes payable (Note 18)	74,652	75,962
Remuneration payable	6,814	5,093
Customer advances	55,414	63,053
Payables and other non-trade payables	161,706	136,241
TOTAL OTHER PAYABLES BALANCE	325,350	300,552

"Other taxes payable" includes the amounts collected by the FCC Aqualia Group companies from its customers for the account of the tax authorities for taxes and which were pending payment (Note 18).

"Payables and other non-trade payables" includes the balances payable by the Group for services.

17. GRANTS

Movements under this epigraph in 2019 and 2018 were as follows:

	2019	2018
Balance at 1 January	41,919	44,989
Additions in the period	21,557	1,318
Derecognitions	(4,600)	(166)
Allocation to profit or loss of grants for intangible assets and property, plant and equipment	(3,534)	(4,233)
Changes in the scope of consolidation	528	11
Balance at 31 December	55,870	41,919

In 2019, the FCC Aqualia Group recognised additions for 21,557 thousand euros (1,318 thousand euros in 2018), the most important of which correspond to those obtained in Mexico for 18,170



thousand euros for the construction of a desalination plant and Italy for 3,136 thousand euros for the performance of works in the towns and cities where the service is provided. In 2018, the most important were those obtained in Spain for 705 thousand euros and Italy for 601 thousand euros.

At 31 December 2019, the Group recognised the sum of 13,471 thousand euros (11,546 thousand euros in 2018) in its consolidated income statement for operating grants (Note 20), grants awarded by the councils of the towns and cities in which the Group provides the integral water cycle service and in recognition of the operating shortfall to the concessionaire in such concessions, pursuant to the provisions of the tender specifications and the corresponding contract.

The amounts pending collection at 31 December 2019 and 31 December 2018 in this regard are shown in Notes 11 and 18.

18. TAX MATTERS

This Note describes the headings in the accompanying consolidated balance sheet and consolidated income statement relating to the tax obligations of each of the Group companies, such as deferred tax assets and liabilities, tax receivables and payables and the income tax expense.

Until 28 September 2018, FCC Aqualia, S.A and its subsidiaries, which comply with the Spanish tax regulations, were included in file 18/89, whereby the FCC Group filed consolidated income tax returns, with Fomento de Construcciones y Contratas, S.A. acting as the Group's parent. At 31 December 2018, as described in Note 2.d.15, the Group companies calculated their income tax following their exclusion from filing individual tax returns.

On 13 February 2019, notification was received from the Spanish Tax Agency approving the constitution of the Tax Group in accordance with case 233/19, as part of which the Parent Company of the FCC Aqualia Group is subject to the tax consolidation system of the Corporate Income Tax, acting as the head of the Tax Group, including all companies that meet the requirements established by tax legislation in these companies.

At 31 December 2019, FCC Aqualia, S.A. has all the years not yet legally prescribed open for review by the tax authorities for the taxes applicable to it.



a) Public authorities

The detail at 31 December 2019 and 2018 of the current assets and liabilities included under “Tax Receivables” and “Tax Payables”, respectively, is as follows:

Current assets

	2019	2018
Tax receivable on grants awarded (Note 11)	35,051	32,432
	35,051	32,432

Current liabilities

	2019	2018
Personal income tax withholdings and income tax (employment and movable capital earnings (Note 16).	4,041	3,459
Value added tax (Note 16)	14,833	10,146
Accrued Social Security taxes payable (Note 16)	7,890	6,598
Other tax receivables and tax payables (Note 16)	74,652	75,962
	101,416	96,165

“Other tax receivables and tax payables” includes the amounts payable for taxes and levies in which the Group manages their collection for the account of the tax authorities with respect to the services provided to the customers.

b) Deferred tax assets and liabilities

Deferred tax assets relate mainly to provisions that are non-deductible for tax purposes in the year, to the temporary limit in the deduction of the amortisation of non-current assets recognised in prior years and to the tax losses of the JVs that allocate their profit/(loss) in the following year, while the deferred tax liabilities basically relate to those arising from company acquisitions, taxable profit of the JVs that is going to be allocated to profit/(loss) in the following year and to accelerated amortisation.

Pursuant to the provisions of accounts regulations, the Group has proceeded to offset the deferred tax assets and liabilities corresponding to the tax group of which the Parent Company, FCC Aqualia S.A. is the parent company, as it has the legal right to offset them and, in accordance with the Spanish tax regulations, they will be settled for their net amount based on the corresponding reversal time frames. At 31 December 2019, deferred tax assets and liabilities have been offset for the sum of 16,297 thousand euros. For the purposes of comparison, 20,269 thousand euros have been offset in the figures corresponding to 31 December 2018.

The following table shows the breakdown of the main deferred tax assets and liabilities.

DEFERRED TAX ASSETS		
<i>(Amounts in thousands of euros)</i>		
	31.12.19	31.12.18
Provisions	18,426	26,829
Pension plans	30	102
Depreciation	4,988	5,417
For the profit/(loss) of JVs assigned to the following business year and adjustments thereto	2,453	2,014
For intragroup transactions for the purchase and sale of non-current assets	5,310	4,934
Tax loss carryforwards used	4,749	3,640
For non-deductible finance costs	3,150	3,468
For the cancellation of financial capitalisation of the concession arrangement under IFRS	3,660	3,893
Other differences	2,580	981
Offsetting of the Tax Group's deferred tax liabilities	(16,297)	(20,269)
TOTAL	29,049	31,009

The offsetting of the Tax Group's deferred tax liabilities mainly correspond to the results of Temporary Joint Ventures for the sum of 5,371 thousand euros at 31 December 2019 (4,564 thousand euros at 31 December 2018) and the allocation of goodwill of 6,418 thousand euros at 31 December 2019 (7,477 thousand euros at 31 December 2018).

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	5,371	4,564
For freedom of amortisation	22,103	21,570
For translation differences	-	3,347
For the assignment of goodwill	17,687	11,449
For the application of RD Ley 3/2016 deferral of portfolio impairment deducted	1,127	1,691
Other adjustments	3,671	2,793
Offsetting of the Tax Group's deferred tax liabilities	(16,297)	(20,269)
TOTAL	33,662	25,145

Below are the expected maturities of the deferred taxes before proceeding with the aforementioned offsetting in the Spanish tax group headed by FCC Aqualia, SA:

<i>(thousands of euros)</i>						
	2020	2021	2022	2023	2024	2025 AND THEREAFTER
Deferred tax assets	8,119	6,631	7,550	3,748	3,928	15,370
Deferred tax liabilities	8,187	2,543	2,503	2,503	2,536	31,687
						TOTAL
						45,346
						49,959

c) Reconciliation of the accounting profit to the taxable profit

The reconciliation of the accounting profit to the taxable profit was as follows (amounts in thousands of euros):

2019

Consolidated accounting profit for the year before tax			168,928
	Additions	Reductions	
Consolidation eliminations and adjustments	6,592	(3,968)	2,624
Permanent differences	5,110	(17,796)	(12,686)
Adjusted consolidated accounting profit			158,866
Temporary differences:			
- For other adjustments (mainly provisions)	9,682	(12,243)	(2,561)
- For depreciation and amortisation	296	(2,431)	(2,135)
- For transfers of profit/(loss) of JVs to the following year	17,270	(17,293)	(23)
- Tax effect IFRS 16	1,222	(16)	1,206
- Adjustment prepaid taxes for intragroup profit/(loss)	2,530	(1,321)	1,209
Tax credit capitalisation and offset			(2,282)
Consolidated tax base (taxable profit/(loss))			154,280

2018

Consolidated accounting profit for the year before tax			150,455
	Additions	Reductions	
Consolidation eliminations and adjustments	790	(7,990)	(7,200)
Permanent differences	9,627	(6,586)	3,041
Offset of prior years' tax profit/(losses)			(463)
Adjusted consolidated accounting profit			145,833
Temporary differences:			
- For other adjustments (mainly provisions)	23,036	(5,920)	17,116
- For depreciation and amortisation	236	(2,408)	(2,172)
- For transfers of profit/(loss) of JVs to the following year	17,201	(21,114)	(3,913)
- Adjustment prepaid taxes for intragroup profit/(loss)	2,200	(1,065)	1,135
Tax credit capitalisation and offset			(14,225)
Consolidated tax base (taxable profit/(loss))			143,774

At 31 December 2019 and 2018, the "Consolidation eliminations and adjustments" relate mainly to the profit/(loss) of companies accounted for using the equity method.

The income tax expense incurred in the year amounted to 45,905 thousand euros (19,422 thousand euros in 2018), as detailed in the accompanying consolidated income statement.

d) Tax recognised in equity.

No tax was recognised in equity for a significant amount in 2019 and 2018.



e) Reconciliation of accounting profit to the income tax expense.

2019

Adjusted consolidated accounting profit	158,866
Income tax charge	39,717
Tax credits and tax relief	1,268
Other adjustments	4,920
Accrued income tax	45,905

2018

Adjusted consolidated accounting profit	145,833
Income tax charge	35,237
Tax credits and tax relief	(7,174)
Other adjustments	(8,641)
Accrued income tax	19,422

In 2018, "Other adjustments" included 12,325 thousand euros of reduced expense for the reassessment of deferred tax assets and liabilities, and another amount of 3,562 thousand of increased expense for the use of tax credits taken to reduce prior years' expenses but pending application in the FCC tax group.

The Parent Company of the FCC Aqualia Group has a balance of 4,403 thousand euros payable to the Treasury corresponding to the companies whose registered address is in Spain and that belong to the FCC Aqualia Tax Group (group number 233/19). At 31 December 2018, and following the departure of the Tax Group from the Fomento de Construcciones y Contratas Group (group number 18/89), there are no balances with Group companies for these items.

f) Tax loss and tax credit carryforwards.

The FCC Aqualia Group had capitalised tax losses amounting to 4,749 thousand euros (3,640 thousand euros at 31 December 2018), relating mainly to losses obtained by the branch in Algeria, expected to be recovered in less than five years when such permanent establishment is eliminated.



g) Years open for review and tax audits

In 2018, the procedures commenced on 8 June 2015 by the Tax and Customs Control Department, answerable to the tax authorities with respect to the income tax of the Tax Group 18/89 headed by FCC, S.A., were concluded without significant effects on the FCC Aqualia Group. (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.

The VAT returns for 2012 and 2013 were also signed on an uncontested basis on 11 December 2017, generating a liability of 131 thousand euros, to be paid by Parent, and which was paid in 2018.

In relation to other years that have been inspected at Group companies, in certain cases, the different criteria applied by the tax authorities gave rise to claim assessments, which are currently being appealed against by the related Group companies.

The criteria that the tax authorities might adopt in relation to the years open for review could give rise to contingent tax liabilities that cannot be objectively quantified. The Parent's directors consider that the resulting liabilities, relating both to the years open for review and to the assessments filed, will not significantly affect the Group's equity.

19. GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

At 31 December 2019, the Group had provided guarantees to third parties, mostly vis-à-vis public bodies and private clients, to secure the performance of the works and contracts, for 274,992 thousand euros (268,608 thousand euros at 31 December 2018).

FCC Aqualia, S.A. and the Group's subsidiaries have appeared as defendants in certain lawsuits in relation to the liability inherent to the various business activities carried on by the Group in the performance of the contracts awarded, for which the related provisions have been recognised (see Note 15), considering that the liabilities that may arise therefrom, in view of the existing provisions, would not significantly affect the Group's equity.

As indicated in Note 7, the stakes of Group companies in jointly controlled operations managed through joint ventures, joint ownership, participation accounts, economic interest groupings and other entities of similar legal characteristics means that participants must share joint and several liability with respect to the activity carried on.

The Parent's directors do not expect any significant liabilities to arise from these joint and several guarantees.



20. REVENUE AND EXPENSES

Operating income

The Group companies classify operating income under “Revenue”, except for the grants related to income, which are recognised as “Other operating income” in the consolidated income statement.

Revenue mainly comprises the following two items:

- Water supply. Includes the amount corresponding to the cubic meters supplied to subscribers valued at the sales price. This sales price is established for each contract, based on the rates approved by each corresponding public entity.
- Sale of works and services. It includes the amount corresponding to the construction works and activities performed by the Group in relation to the provision of the end-to-end water cycle in those municipalities in which it was a successful bidder.

The amount of the sale of works is calculated by applying the percentage of completion method, which consists of valuing, at the sales price, set in the contract, the units of works completed in the period, at the same time as the expenses incurred therein are accounted for.

The difference between the amount of output from each of the contracts and the amount billed for each of them up to the consolidated balance sheet date, for both the water and works divisions, is recognised as “Completed output pending invoicing” under “Trade receivables for sales and services” (Note 11).

The distribution of revenue by activity type is as follows:

REVENUE BY TYPE OF ACTIVITY		
<i>(Thousands of euros)</i>		
	31.12.2019	31.12.2018
Supply	579,694	565,383
Sewerage	176,006	160,666
Sewage treatment	123,873	125,223
Hydraulic works	241,377	217,405
Desalination	20,980	11,138
Other income	44,951	26,297
TOTAL	1,186,881	1,106,112



The Group does not present analytical information on the income statement or balance sheet for business segments, since its main activity is the end-to-end water cycle and it is treated as a single segment in all items of both financial statements. except for revenue, which shows this segment, by activity, in accordance with the information included in the table above.

The distribution of Group revenue by geographical market is as follows:

GEOGRAPHICAL AREA			
(Amounts in thousands of euros)		31.12.2019	31.12.2018
Spain			
Andalusia		250,200	244,856
Aragón		10,010	10,113
Asturias		31,299	31,852
Balearic Islands		36,035	35,929
Canary Islands		62,705	63,150
Cantabria		21,581	21,590
Castilla La Mancha		63,518	60,633
Castilla y León		48,964	46,273
Catalonia		60,472	65,837
Valencia		37,046	37,354
Extremadura		41,070	40,943
Galicia		61,352	58,853
La Rioja		5,929	5,568
Madrid		35,544	27,778
Murcia		32,650	32,315
Navarre		2,949	2,167
Basque Country		3,035	3,416
	Spain total	804,359	788,627
International			
Saudi Arabia		15,884	13,018
Algeria		35,886	9,007
Bosnia		-	20
Chile		850	813
Colombia		53,073	33,897
Ecuador		8,698	3,418
Egypt		49,002	69,477
United Arab Emirates		11,969	11,114
France		11,798	-
Italy		43,445	39,602
Mexico		16,643	6,986
Montenegro		3,898	4,347
Oman		290	484
Panama		7,096	1,659
Portugal		16,024	16,484
Czech Republic		101,312	97,482
Romania		3,461	1,405
Serbia		2,993	4,917
Tunisia		200	3,278
Uruguay		-	77
	International total	382,522	317,485
TOTAL		1,186,881	1,106,112

The detail of “Other operating income” is as follows:

(thousands of euros)	2019	2018
Income from grants related to income (Note 17)	13,471	11,546
Income from sundry services	16,570	15,526
Surplus provisions for liabilities and charges	7,971	6,060
	38,012	33,132

Procurements

The breakdown of “Procurements” is as follows:

(thousands of euros)	2019	2018
Subcontracting and work performed by other companies	171,224	148,199
Purchases and procurements	304,078	291,759
	475,302	439,958

Labor costs

The breakdown of “Labor costs” is provided below:

(thousands of euros)	2019	2018
Wages and salaries	218,341	201,712
Social security contributions	66,618	59,993
Other labor costs	3,730	3,611
	288,689	265,316

The average number of Group employees, by professional category, is as follows:

CATEGORIES	Employees		Men		Women	
	2019	2018	2019	2018	2019	2018
Directors and managers	110	106	102	100	8	6
Supervisors	990	955	804	776	195	179
Technicians	1,309	1,191	806	766	503	425
Clerical Staff	1,083	1,052	322	325	761	727
Sundry trades	5,171	4,637	4,808	4,299	363	338
TOTAL	8,662	7,940	6,842	6,266	1,830	1,674



At 2019 year-end, the Group had 9,504 employees (8,062 employees at 2018 year-end), distributed by category and gender:

CATEGORIES	Employees		Men		Women	
	2019	2018	2019	2018	2019	2018
Directors and managers	112	107	104	101	8	6
Supervisors	1,010	970	815	791	195	179
Technicians	1,409	1,209	906	784	503	425
Clerical Staff	1,098	1,068	337	342	761	727
Sundry trades	5,876	4,708	5,512	4,370	363	338
TOTAL	9,504	8,062	7,674	6,388	1,830	1,674

At 31 December 2019, the Group had 125 employees with a degree of disability equal to or exceeding 33% (113 employees at 31 December 2018).

Other operating expenses

The breakdown of “Other operating costs” is provided below:

(thousands of euros)	2019	2018
External services	154,646	162,238
Taxes other than income tax	31,840	28,473
Losses on, impairment of and changes in allowances for trade receivables	4,977	5,236
Other current operating expenses	10,157	9,744
TOTAL	201,620	205,691

Finance income and finance cost

The breakdown of finance income is as follows:

(thousands of euros)	2019	2018
Interest on loans to FCC Group companies	30,491	24,812
Interest on loans to third parties	7,088	6,146
TOTAL	37,579	30,958

The increase in this heading arises from new interest rate on loans to Group companies, as mentioned in Note 9.a.



Finance cost

The breakdown of finance costs is as follows:

(thousands of euros)	2019	2018
Interest on debentures, bonds and other marketable securities	34,069	33,753
Interest on payables to third parties	8,671	8,073
Interest on payables to Group companies IFRS 16	39	-
Interest on payables to third parties IFRS 16	1,735	-
Financial update of provisions	1,286	1,464
TOTAL	45,800	43,290

The increase in the heading corresponds, mainly, to the financial expenses attributable to the update of the financial liabilities generated following the application of IFRS 16 (Note 2.a), amounting to 1,774 thousand euros at year-end.

21. FINANCIAL RISK MANAGEMENT POLICIES

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

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

Capital risk management

In line with the guidelines set by its majority shareholder, the FCC Aqualia Group manages its capital to ensure that the Group companies will be able to continue to operate as profitable businesses while maximising the return for shareholders through an optimum debt-to-equity balance.

The strategy of the Group as a whole continues to focus on geographical diversification, with the opening of markets in Europe, LATAM and MENA, mainly.



The Group's capital structure includes debt (formed by loans and credit facilities detailed in Note 14), Cash and cash equivalents (Note 12) and Shareholders' equity, which includes capital, reserves and retained earnings, as disclosed in Note 13.

The Group's Financial Area, which is responsible for the management of financial risks, periodically reviews the capital structure and the solvency and liquidity ratios of the FCC Group's financing policy.

The cost of capital and the associated risks of each investment project are analysed by the Operational Areas and the Finance Department and are subsequently approved or rejected by the corresponding committee or by the Parent's Board of Directors. Other functional areas of the Group may also provide reports if so required.

One of the objectives of this investment analysis is to maintain the net debt/EBITDA ratio at a reasonable level, in compliance with the existing covenants.

Foreign currency risk

The FCC Aqualia Group's current positioning on international markets means that the concept of exchange rate risk, in the Group's global context, has a moderate effect.

However, regardless of its significance, the Aqualia Group's policy is to mitigate, as far as possible, the adverse effect of such risk.

The Group actively manages its foreign currency risk by arranging financial transactions in the same currency as that in which the related asset is denominated, i.e. efforts are made, at all times, to obtain the financing required for the local activity of the company in local currency in the country of origin of the investment, with a view to creating a natural hedge or a matching of the cash flows generated to the financing.

Interest rate risk

In view of the nature of the activities in which the management of working capital plays an essential role, it is widespread practice for the Group to choose indexes that mostly accurately reflect the changes in inflation as a reference for financial debt. Therefore, the Group's policy is to endeavour to ensure that both its current financial assets which, to a large extent, provide natural hedging for its current financial liabilities, and the Group's debt, are tied to floating interest rates. In the event of long-term transactions and if required by the Group's financial structure, debt is tied to the fixed-interest rate and to a term which



coincides with the maturity cycle of the transaction in question, all within the possibilities offered by the market.

Solvency risk

At 31 December 2019, the net financial debt of the FCC Aqualia Group amounted to 406,628 thousand euros (389,080 thousand euros at 31 December 2018), as shown in the table below, which represents 63% (77% in 2018) of equity at that date:

	31.12.19	31.12.18
Bank borrowings (Note 14)	115,163	46,788
Debt instruments and other marketable securities (Note 14)	1,574,409	1,570,181
Other interest-bearing financial debt	14,758	49,073
Other current financial assets (Note 9)	(69,654)	(32,061)
Other non-current financial assets (Note 9)	(806,524)	(808,944)
Cash and cash equivalents (Note 12)	(421,524)	(435,957)
Net interest-bearing debt	406,628	389,080

Liquidity risk

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

At 31 December 2019, the Group had working capital of 174,356 thousand euros (135,662 thousand euros at 31 December 2018).

Risk hedging financial derivatives

The main financial risk hedged by the FCC Aqualia Group through derivative instruments relates to the fluctuations in floating interest rates to which Group companies financing is tied.



At 31 December 2019 and 2018, the FCC Aqualia Group had arranged the following interest rate hedging transactions, which comply with cash flow hedging terms and conditions:

(thousands of euros)	Fair value at 2019	Notional 2019	Fair value at 2018	Notional 2018	Due date
Fully consolidated companies					
Aquajerez	(813)	43,936	168	28,000	2031
Companies consolidated using the equity method					
Aquos el Realito, S.A. de C.V.	36	19,711	16	19,685	2025

To a lesser extent, as indicated in previous sections, the Group actively manages its foreign currency risk by arranging financial transactions in the same currency as that in which the related asset is denominated, i.e. efforts are made, at all times, to obtain the financing required for the local activity of the company in local currency in the country of origin of the investment, with a view to creating a natural hedge or a matching of the cash flows generated to the financing.

As indicated in Note 13.c), the most significant net assets denominated in a currency other than the euro, owned by the FCC Aqualia Group at 31 December 2019 and 2018, are found in the Czech Republic. To cover the exchange rate risk of these assets, the FCC Aqualia Group arranged financial debt in the same currency (Czech crowns), in accordance with the breakdown included in Note 14.b).

The changes in the fair value of cash flow hedges are taken, net of the tax effect, to "Equity - Valuation adjustments" and are recognised in profit or loss for the year to the extent that the hedged item has an impact on the consolidated income statement.

The financial derivatives were measured by experts on the subject using generally accepted methods and techniques. These experts were independent from the Group and the entities financing it.



22. TRANSACTIONS WITH COMPANY DIRECTORS, THE MANAGEMENT TEAM AND RELATED PARTIES

Board of Directors.

At 31 December 2019 and 2018, the members of the Board of Directors have not received any remuneration from the Company.

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

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.

In 2019, no significant transactions were performed entailing a transfer of assets or liabilities between Group companies and their executives and directors.

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.

The balances and transactions with Group companies, joint ventures and associates are as follows (in thousands of euros):

a) Customer and trade receivables from Group companies, joint ventures and associates

Customer and trade receivables from Group companies, joint ventures and associates	2019	2018
ABAST.ALTA COSTA BRAVA EMP.MIXTA	2	1
AGUAS DE ARCHIDONA, S.L.	303	151
AGUAS DE GUADIX, S.A.	33	-
AGUAS DE LANGREO, S.L.	225	240
AGUAS DE NARIXA, S.A.	32	52
AGUAS DE PRIEGO, S.L.	445	462
AGUAS DEL PUERTO EMPRESA MUNICIPAL, S.A.	803	777
AIE COSTA BRAVA AB. AQUALIA-SOREA	14	34
AIE COSTA TROPICAL DE GRANADA	1,500	1,263
AIE ITAM DELTA DE LA TORDERA	4	204
AIE SOREA-AQUALIA	10	10
AIGÜES DE TOMOVI, S.A.	-	184
AIGÜES DEL SEGARRA GARRIGUES, S.A.	23	138
AIGUES DEL VENDRELL	155	-
AQUOS EL REALITO S.A., DE CV	36	16
CIA. DE SERV. MEDIOAMBIEN. DO ATLANTICO	82	54
CODEUR, S.A.	2	-
CONCESIO. DESALACION DE IBIZA, S.A.	46	31
CONST.DE INFRAEST.DE AGUAS POTOSI, SACV	1,910	1,802
CONSTRUCTORA INFRAEST. DE AGUA QUERETARO	374	353
CONTRATAS Y VENTAS	-	8
EMPRESA MIXTA DE AIGUES DE LA COSTA BRAVA	1	-
EMP. MIXTA MUNICIPAL DE AGUAS DE NIJAR	2,353	2,179
EMP.MIXTA DE AGUAS DE JODAR, S.A.	501	400
EMPR.MUNICIPAL DE AGUAS DE ALGECIRAS, SA	5,158	6,535
EMPRESA MIXTA DE AGUAS DE UBRIQUE, S.A.	264	261
EMPRESA MIXTA DE AGUAS Y SERVICIOS, S.A.	20	21
EMPRESA MPAL. AGUAS DE BENALMADENA, S.A.	513	630
EMP.MUNICIPAL AGUAS DE LINARES	1,106	444
EMPRESA MUNICIPAL AGUAS DE TOXIRIA, S.A.	545	446
FAST CONSORTIUM LIMITED LLC	9,590	6,162
FCC CONSTRUCCION	1,612	1,956
FCC INDUSTRIAL E INFRAESTRUCTURAS ENERGÉTICAS + UTES	43	38
FCC MEDIO AMBIENTE	7	-
FCC, S.A.	189	77
GESTION Y VALOR INT.CENTRO, S.L.	3	3
GIRONA, S.A.	5	9
MATINSA	8	8
NUEVA SOCIEDAD DE AGUAS DE IBIZA, S.A.	1	1
OMAN SUSTAINABLE WATER SERVICES	38	-
ORASQUALIA DEVEL.WASTE T.P. S.A.E.	8	183
ORASQUALIA O&M	6	69
SHARIKET MIYEH RAS DJINET	-	631
SHARIKET TAHLYA MIYAH MOSTAGANEM	-	1,805
TOTAL	27,970	27,638



b) Suppliers and payables Group companies, joint ventures and associates

Suppliers and payables Group companies, joint ventures and associates	2019	2018
AGUAS DE ARCHIDONA	1	-
AGUAS DE DENIA, S.A.	181	284
AGUAS DE LANGREO, S.L.	14	14
AGUAS DEL PUERTO EMPRESA MUNICIPAL, S.A.	6	4
AIE COSTA TROPICAL DE GRANADA	3	3
AIE ITAM DELTA DE LA TORDERA	4	107
AIGÜES DE TOMOVI, S.A.	-	1
AIGÜES DEL VENDRELL	1	-
ÁRIDOS DE MELO	15	-
ECOACTIVA DE MEDIO AMBIENTE, S.A.	8	3
EMP. MIXTA MUNICIPAL DE AGUAS DE NIJAR	587	735
EMP.MUNICIPAL AGUAS DE LINARES	6	10
EMPR.MUNICIPAL DE AGUAS DE ALGECIRAS, SA	385	983
EMPRESA MIXTA DE AGUAS DE UBRIQUE, S.A.	5	5
EMPRESA MIXTA DE AGUAS Y SERVICIOS, S.A.	17	11
FAST CONSORTIUM LIMITED LLC	2,054	1,373
FCC AMBITO	11	25
FCC CONSTRUCCION, S.A.	10,201	6,099
FCC EQUAL CEE, S.L.	8	5
FCC INDUSTRIAL E INFRAESTRUCTURAS ENERGÉTICAS	19	91
FCC, S.A.	4,692	5,001
FCCMA	112	103
FEDEMES, S.L.	685	598
GAMASUR CAMPO DE GIBRALTAR, S.L.	34	33
HORMIGONES REINARES, S.A.	1	-
HORMIGONES Y MORTEROS PREP., S.A. UNIPERSONAL	1	1
MATINSA	3	-
NUEVA SOCIEDAD DE AGUAS DE IBIZA, S.A.	26	40
ORASQUALIA CONSTRUCTION SAE	-	320
ORASQUALIA DEVEL.WASTE T.P. S.A.E.	-	24
PREFABRICADOS DELTA + UTE's	-	2
PROVEIMENTS D'AIGUA, S.A.	11	18
SERVICIOS ESPECIALES DE LIMPIEZA, S.A.	3	60
SISTEMAS Y VEHICULOS DE ALTA TECNOLOGIA, S.A.	180	180
TOTAL	19,274	16,133

c) Non-current loans to FCC Group companies

Amounts in thousands of euros	2019	2018
FCC, S.A.	806,479	808,944
FCC MEDIO AMBIENTE	44	-
Other	1	1
TOTAL	806,524	808,945

d) Current loans to Group companies, joint ventures and associates.

Current loans to companies accounted for using the equity method	2019	2018
AGUAS DE ARCHIDONA, S.L.	30	29
AGUAS DE LANGREO, S.L.	732	732
AGUAS DE NARIJA, S.A.	465	524
AGUAS DE PRIEGO, S.L.	331	184
AGUAS DEL PUERTO EMPRESA MUNICIPAL, S.A.	935	1,200
AIGÜES DEL VENDRELL	408	-
CIA. DE SERV. MEDIOAMBIEN. DO ATLANTICO	2	2
CONST.DE INFRAEST.DE AGUAS POTOSI, SACV	299	256
EMP. MIXTA MUNICIPAL DE AGUAS DE NIJAR	408	406
EMP.MIXTA DE AGUAS DE JODAR, S.A.	33	31
EMP.MUNICIPAL AGUAS DE LINARES	4	43
EMPR.MUNICIPAL DE AGUAS DE ALGECIRAS, SA	327	341
OMÁN SUSTAINABLE WATER SERVICES SAOC	8	-
EMPRESA MPAL. AGUAS DE BENALMADENA, S.A.	793	790
EMPRESA MUNICIPAL AGUAS DE TOXIRIA, S.A.	43	47
SHARIKET MIYEH RAS DJINET	-	3
SHARIKET TAHLYA MIYAH MOSTAGANEM	-	34
TOTAL	4,818	4,622

Short-term loans to Group companies and joint ventures and associates	2019	2018
ABAST.ALTA COSTA BRAVA EMP.MIXTA	-	1
AGUAS DEL PUERTO EMPRESA MUNICIPAL, S.A.	14	8
AIE COSTA TROPICAL DE GRANADA	14	11
AIE ITAM DELTA DE LA TORDERA	-	117
CIA. DE SERV. MEDIOAMBIEN. DO ATLANTICO	5	3
INFRAST. Y DISTRIBUCIÓN GENERAL DE AGUAS, S.L.	44	-
EMPRESA MIXTA DE AGUAS Y SERVICIOS, S.A.	2	2
FCC CONSTRUCCION, S.A.	52	147
FCC, S.A.	2,527	288
OMÁN SUSTAINABLE WATER SERVICES SAOC	8	16
TOTAL	2,666	593

Dividends receivable from joint ventures and associates	2019	2018
AIE COSTA BRAVA AB. AQUALIA-SOREA	18	-
TOTAL	18	0

Dividends receivable from companies accounted for using the equity method	2019	2018
ORASQUALIA DEVEL.WASTE T.P. S.A.E.	693	1,202
ORASQUALIA CONSTRUCTION SAE	210	341
TOTAL	903	1,543

e) Current borrowings with Group companies and joint ventures and associates

	2019	2018
AGUAS DE ARCHIDONA, S.L.	1	-
AGUAS DE PRIEGO, S.L.	2	3
AIE ITAM DELTA DE LA TORDERA	258	375
AIGÜES DE TOMOVI, S.A.	-	5
AIGÜES DEL VENDRELL	79	-
AUGAS MUNICIPAIS DE ARTEIXO, S.A.	1	1
CONSTRUCTORA INFRAEST. DE AGUA QUERETARO	12	12
EMPR.MUNICIPAL DE AGUAS DE LINARES	-	471
EMPRESA MIXTA DE AGUAS DE UBRIQUE, S.A.	509	470
FCC CONSTRUCCION, S.A.	116	120
FCC INDUSTRIAL E INFRAESTRUCTURAS ENERGÉTICAS	69	68
FCC, S.A.	808	415
PROACTIVA GROUP	13	13
PRESTADORA SERV.ACUEDUCTO EL REALITO,SA DE CV	1	1
SHARIKET TAHLYA MIYAH MOSTAGANEM	-	1
SISTEMAS Y VEHICULOS DE ALTA TECNOLOGIA, S.A.	17	17
Total	1,886	1,972

f) Revenue

(Thousands of euros)	2019	2018
ABASTECIMIENTO ALTA COSTA BRAVA EMPRESA MIXTA	6	4
AGUAS DE ARCHIDONA, S.L.	495	461
AGUAS DE GUADIX, S.A	42	-
AGUAS DE LANGREO, S.L.	110	103
AGUAS DE NARIXA, S.A.	244	710
AGUAS DE PRIEGO, S.L.	165	163
AGUAS DEL PUERTO EMPRESA MUNICIPAL, S.A.	4,115	4,381
AIE SOREA-AQUALIA	33	33
AIE COSTA BRAVA ABASTAMENT AQUALIA-SOREA	58	60
AIE COSTA TROPICAL DE GRANADA	506	498
AIGÜES DE TOMOVI, S.A.	215	591

AIGÜES DEL SEGARRA GARRIGUES, S.A.	193	221
AIGUES DEL VENDRELL	336	-
CIA. DE SERVICIOS MEDIOAMBIENTALES DO ATLANTICO, S.A.	574	175
CONCESIONARIA DESALACION DE IBIZA, S.A.	445	312
CONTRATAS Y VENTAS,	-	7
EMP. MIXTA MUNICIPAL DE AGUAS DE NIJAR, S.A.	3,870	3,615
EMP.MUNICIPAL AGUAS DE LINARES, S.A.	4,377	4,040
EMPR.MUNICIPAL DE AGUAS DE ALGECIRAS, SA	9,590	9,278
EMPRESA MIXTA DE AGUAS DE JODAR, S.A.	584	549
EMPRESA MIXTA DE AGUAS DE UBRIQUE, S.A.	968	939
EMPRESA MIXTA DE AGUAS Y SERVICIOS, S.A.	36	31
EMPRESA MPAL. AGUAS DE BENALMADENA, S.A.	3,112	3,014
EMPRESA MUNICIPAL AGUAS DE TOXIRIA, S.A.	993	923
FAST CONSTRUCTION, LLC	15,023	8,793
FCC ÁMBITO, S.A.	1	21
FCC CONSTRUCCION, S.A.	136	1,285
FCC MEDIO AMBIENTE, S.A.	4	-
FCC SERVICIOS INDUSTRIALES Y ENERGÉTICOS	92	76
FCC, S.A.	95	2,178
GESTION Y VALOR INT.CENTRO, S.L.	4	8
GIRONA, S.A.	24	30
HA PROY. OUTLETS HIDR.	3	214
MATINSA, S.A.	24	23
NUEVA SOCIEDAD DE AGUAS DE IBIZA, S.A.	2	2
OMÁN SUSTAINABLE WATER SERVICES SAOC	246	484
ORASQUALIA DEVEL.WASTE T.P. S.A.E.	96	110
ORASQUALIA O&M	69	69
SHARIKET MIYEH RAS DJINET, S.P.A.	4,486	3,912
SHARIKET TAHLYA MIYAH MOSTAGANEM, S.P.A.	-	5,050
AIE ITAM DELTA DE LA TORDERA	(4)	-
TOTAL FCC GROUP COMPANIES AND ASSOCIATES	51,368	52,363

Revenue with Fast Construction LLC relates to works performed for the Riad underground (Saudi Arabia).

g) Purchases and other procurements

(Thousands of euros)	2019	2018
AGUAS DEL PUERTO EMPRESA MUNICIPAL, S.A.	32	26
AIE COSTA TROPICAL DE GRANADA	9	5
AIGÜES DE TOMOVI, S.A.	-	8
ARIDOS DE MELO	32	-
EMPR.MUNICIPAL DE AGUAS DE ALGECIRAS, SA	2,194	1,589
ECOACTIVA DE MEDIO AMBIENTE, S.A.	1	1
EMPRESA MIXTA MUNICIPAL DE AGUAS DE NIJAR	1,172	1,191
EMPRESA MIXTA DE AGUAS DE JODAR, S.A.	-	(4)
EMPRESA MUNICIPAL DE AGUAS DE TOXIRIA, S.A.	8	(8)
FCC AMBITO, S.A.	2	-
FCC CONSTRUCCIÓN, S.A.	-	2



FCC INDUSTRIAL E INF. ENERGETICAS, S.A.	7	45
FCC, S.A.	37	14
HORMIGONES REINARES, S.A.	-	1
NUEVA SOCIEDAD DE AGUAS DE IBIZA, S.A.	62	144
PREFABRICADOS DELTA	4	10
PROVEIMENTS D'AIGUA, S.A.	5	29
MANIPULACIÓN Y RECUPER. MAREPA, S.A	2	-
TOTAL FCC GROUP COMPANIES AND ASSOCIATES	3,567	3,053

h) Work performed by other companies

(Thousands of euros)	2019	2018
AIE COSTA TROPICAL DE GRANADA	2	6
ARIDOS DE MELO, S.L.	31	20
ECOACTIVA DE MEDIO AMBIENTE, S.A.	18	9
EMP.MUNICIPAL AGUAS DE LINARES, S.A.	-	15
EMPRESA MIXTA DE AGUAS Y SERVICIOS, S.A.	63	57
EMPRESA MUNICIPAL AGUAS DE TOXIRIA, S.A.	4	-5
FCC AMBITO, S.A.	41	81
FCC CONSTRUCCION, S.A.	8,433	1,886
FCC MEDIO AMBIENTE, S.A.	10	4
FCC SERVICIOS INDUSTRIALES Y ENERGÉTICOS, S.A.	44	201
FCC, S.A.	8	128
GAMASUR GIBALTAR, S.L.	56	50
GESTION Y VALOR INT.CENTRO, S.L.	-	3
MANTINSA	3	-
PROVEIMENTS D'AIGUA, S.A.	53	17
SERVICIOS ESPECIALES DE LIMPIEZA, S.A.	62	48
TOTAL FCC GROUP COMPANIES AND ASSOCIATES	8,828	2,520

i) Other operating expenses

(Thousands of euros)	2019	2018
AGUAS DE ARCHIDONA, S.L.	1	1
AGUAS DE DENIA, S.A.	257	257
AGUAS DE LANGREO, S.L.	46	23
AIE COSTA TROPICAL DE GRANADA	6	7
AIE ITAM DELTA DE LA TORDERA	-9	-8
AIGÜES DE TOMOVI, S.A.	8	7
AIGÜES DEL VENDRELL	10	-
CONSTRUCTORA INFRAEST. DE AGUA QUERETARO	-2	-
EMPRESA MIXTA DE AGUAS DE UBRIQUE, S.A.	-	5
FC y C, S.L. UNIPERSONAL	8	-
ECOACTIVA DE MEDIO AMBIENTE, S.A.	-	1
EMPRESA MIXTA DE AGUAS DE UBRIQUE, S.A.	5	-
EMP.MUNICIPAL AGUAS DE LINARES	16	28



EMPR.MUNICIPAL DE AGUAS DE ALGECIRAS, SA	121	119
FCC AMBITO, S.A.	2	7
FCC CONSTRUCCION, S.A.	4,678	755
FCC EQUAL CEE, S.L.	12	12
FCC MEDIO AMBIENTE, S.A.	2	0
FCC INDUSTRIAL E INFRAESTRUCTURAS ENERGÉTICAS, S.A.	8	36
FCC, S.A.	18,296	20,062
FEDEMES, S.L.	3,749	3,757
OMÁN SUSTAINABLE WATER SERVICES SAOC	-	-90
ORASQUALIA DEVEL.WASTE T.P. S.A.E.	12	10
PROVEIMENTS D'AIGUA, S.A.	-	1
SERVICIOS ESPECIALES DE LIMPIEZA, S.A.	2	102
SISTEMAS Y VEHICULOS DE ALTA TECNOLOGIA, S.A.	2	
TOTAL FCC GROUP COMPANIES AND ASSOCIATES	27,230	25,092

j) Finance income

(Thousands of euros)	2019	2018
AGUAS DE ARCHIDONA, S.L.	30	31
AGUAS DE NARIXA, S.A.	(709)	345
AGUAS DE PRIEGO, S.L.	169	174
AGUAS DEL PUERTO EMPRESA MUNICIPAL, S.A.	890	909
AIE COSTA TROPICAL DE GRANADA	525	444
AIGÜES DEL VENDRELL	206	-
ASESORIA FINANCIERA Y DE GESTION, S.A.	-	6,154
EMPRESA MIXTA AGUAS DE LANGREO, S.A.	196	212
EMPRESA MIXTA DE AGUAS DE JODAR, S.A.	69	70
EMPRESA MUNICIPAL DE AGUAS DE ALGECIRAS	19	22
EMPRESA MUNICIPAL DE AGUAS DE BENALMADENA,S.A.	38	43
EMPRESA MUNICIPAL DE AGUAS DE LINARES, S.A.	(1)	(1)
EMPRESA MUNICIPAL DE AGUAS DE NIJAR, S.A.	31	43
EMPRESA MUNICIPAL DE AGUAS DE TOXIRIA, S.A.	-	1
FCC, S.A.	29,028	16,365
TOTAL FCC GROUP COMPANIES AND ASSOCIATES	30,491	24,812

The increase in "Other finance income" arises from the increase in interest rates on loans to Group companies, as mentioned in Note 9.a.

k) Finance costs

During 2019, financial costs with Group companies were exclusively associated with FCC, S.A. on account of the impact of IFRS 16.

23. FEES PAID TO AUDITORS

The fees for audit and other professional services provided in the year to the different companies forming the Aqualia Group by the main auditor and by other auditors participating in the audit of the different Group companies, together with the entities related thereto, are shown in the following table:

(thousands of euros)	2019			2018		
	Principle auditor	Other auditors	Total	Principle auditor	Other auditors	Total
Audit services	373	207	580	338	206	544
Other assurance services	42	376	418	27	10	37
Total	415	583	998	365	216	581
Tax advisory services	-	162	162	-	-	-
Other services	-	572	572	10	-	10
Total professional services	-	734	734	10	-	10
TOTAL	415	1,317	1,732	375	216	591

24. OTHER DISCLOSURES

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

In relation to the Spanish Accounting and Audit Institute (ICAC) Resolution dated 29 January 2016, enacted in compliance with the Second final provision of Law 31/2014, of 3 December, which amends the Third additional provision of Law 15/2010, of 5 July, stipulating measures to combat late payment in commercial transactions, it must be indicated with respect to 2019 and 2018, that the Parent operates in Spanish territory, mainly with public clients, such as the State, Autonomous Communities, local corporations and other public bodies, which settle their payment obligations in periods that exceed that laid down in Public Sector Contract legislation, and in Law 3/2004, of 29 December 2004, setting forth measures to combat late payment in commercial transactions.

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



Due to such circumstances and in order to adapt the Company's financial policy to reasonable efficiency levels, the usual payment periods to suppliers were maintained in 2019 in the sectors in which the Company operates.

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

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

In accordance with the aforementioned ICAC resolution, below is a table containing information on the average payment period to suppliers for those commercial transactions accrued since the entry into force of Law 31/2014, that is, 24 December 2014, albeit exclusively with respect to the fully or proportionately consolidated companies located in Spain.

For the exclusive purposes of the information required by this Resolution, suppliers are defined as trade creditors for the supply of goods or services included under "Suppliers" and "Other payables" under current liabilities in the balance sheet, relating solely to Spanish companies included in the consolidated group.

Average payment period to suppliers (thousands of euros)		
	2019	2018
	Days	Days
Average period of payment to suppliers	85	95
Ratio of paid transactions	71	72
Ratio of transactions pending of payment	144	174
	Amount	Amount
Total payments made	492,413	433,855
Total payments pending	125,293	117,966



b) Earnings per share

Diluted earnings per share coincide with basic earnings per share, as follows:

(thousands of euros)	2019.12	2018.12
Profit for the year attributable to the Parent (thousands of euros)	110,529	127,033
Weighted average number of shares outstanding	145,000	145,000
Basic earnings per share (euros)	0.8	0.9

25. ENVIRONMENTAL INFORMATION

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 allows 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 incorporates this new Standard into its comprehensive Management System.
2. **Increased efficiency in the internal and external Audit process** by integrating 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 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 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 treatment 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 (Customers, Compliance, Communications, RSC, HR, etc.).

26. EVENTS SUBSEQUENT TO YEAR-END

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 Group'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 Consolidated Financial Statements, it is premature to carry out a detailed assessment or quantification of the possible impacts that COVID-19 will have on the Group, 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 Group, 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 Group 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 Group's available cash position together with the factoring line of credit (Note 11) and the time horizon of its financing lines, gives the Group 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 Group'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 Group 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 Group operates, such as the potential decrease in consumption linked to industrial or tourist activity, may cause a decrease in the next consolidated financial statements in the amounts of relevant headings for the Group 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 consolidated balance sheet: a change in future estimates of sales, production costs, financial costs, customer collectability, etc. The Group 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. In this regard, Note 4 includes a sensitivity analysis (before the appearance of COVID-19) on the possible impacts of the impairment tests, in the event of changes in some of the basic hypotheses of the models used for elaborate them.



Finally, it should be noted that the Directors of the Parent Company and the Group's Management 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.

27. 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.



APPENDIX I

FCC AQUALIA AND SUBSIDIARIES (CONSOLIDATED GROUP) FULLY CONSOLIDATED SUBSIDIARIES

COMPANY	GROUP HOLDING (%)	AUDITOR
Acque di Caltanissetta, S.p.A Viale Sicilia 176 93100 Caltanissetta - ITALY	98.46%	DELOITTE
Aguas de Alcázar Empresa Mixta, S.A. C/ Rondilla Cruz Verde, 1 - Alcázar de San Juan (CIUDAD REAL)	52.38%	CENTIUM AUDITORES
Aguas de las Galeras, S.L. Avda. Camino de Santiago, 40 – MADRID	100.00%	-
Aigües de Vallirana, S.A.U. C/ Conca de Tremp, 14 – Vallirana (BARCELONA)	100.00%	-
Aqualia Desalación Guaymas, S.A. de C.V. Avenida 5 de febrero N° 1351, ROBLE 304 - QUERÉTARO - MEXICO	100.00%	DELOITTE
Aqualia Infraestructuras D.O.O. Beograd-Vracar Resavska 23 Belgrado Vracar - Belgrado-SERBIA	100.00%	-
Aqualia Infraestructuras Montenegro Bulevar Svetog Petra Centinjskog I A – 81000 Podgorica - MONTENEGRO	100.00%	-
Aqualia Infraestructuras Pristina LLC Bulevardi Nëna Terezë No 47/5B -Prishtina- KOSOVO REPUBLIC	100.00%	-
Aqualia MACE LLC P.O. Box 105547 – Abu Dhabi, U.A.E.	51.00%	DELOITTE
Aqua elvas - Aguas de Elvas, S.A. Rua Paco Bandeira, 14 - Assunção - Elvas - PORTUGAL	100.00%	DELOITTE
Aquamaior – Aguas de Campo Maior, S.A. Rua Mayor Talaya, 28 – Nossa Senhora de Expectação – Campo Maior – PORTUGAL	100.00%	DELOITTE
Abrantaqua, S.A. Parque Lena – Alferrarede Abrantes – PORTUGAL	60.00%	OLIVEIRA, REIS & ASSOCIADOS
Aqua Campiña, S.A. C/Blas Infante, 6 – Écija (SEVILLE)	90.00%	AUDINFOR
Aquafundalia – Agua do Fundão, S.A. Rua Fernando Pessoa, 195 6230 479 Fundao - PORTUGAL	100.00%	DELOITTE
Aquajerez, S.L. C/ Cristalería, 24 - CÁDIZ	100.00%	EY
Aqualia France, S.A.S. Quai De L'Oise 28 - ANDRESY (FRANCE)	100.00%	SNR AUDIT
Aqualia Intech, S.A. Avda. Camino de Santiago, 40 – MADRID	100.00%	DELOITTE
Aqualia Infraestructuras Inzenyring, s.r.o. Mariennské Hory, Slavnikovcu 571/21 Ostrava - CZECH REPUBLIC	100.00%	ABC AUDIT SRO
Aqualia México, S.A. de C.V. Carrizal, 33 - Santiago de Queretaro - Queretaro - MEXICO	100.00%	DELOITTE
Aqualia Infraestructuras Mostar Dr. Ante Estarcevic BB – MOSTAR (SERBIA)	100.00%	-
Aqualia Czech, S.L. Avda. Camino de Santiago, 40 – MADRID	100.00%	DELOITTE
Aqualia New Europe B.V. C/Calude Debussylann, 24 – Amsterdam -NETHERLANDS	100.00%	DELOITTE
Agua y Gestion Ciclo Integral, S.L.U. Avda. Diego Martínez Barrio 4-SEVILLA	100%	-



FCC AQUALIA AND SUBSIDIARIES (CONSOLIDATED GROUP)
FULLY CONSOLIDATED SUBSIDIARIES

COMPANY	GROUP HOLDING (%)	AUDITOR
Cartagua – Aguas do Cartaxo, S.A. Zona Industrial do Cartaxo, Lote 20 – Cartaxo - PORTUGAL	60.00%	OLIVEIRA, REIS & ASOCIADOS
CEG, S.A.S. Boulevard du Général de Gaulle 71 - GOUSSAINVILLE (FRANCE)	100.00%	SNR AUDIT
Compañía Onubense de Aguas, S.A. C/Martín Alonso Pinzón, 8 – HUELVA	60.00%	-
Conservación y Sistemas, S.A. C/Federico Salmón, 13 – MADRID	100.00%	DELOITTE
Depurplan 11, S.A. C/ Madre Rafols, 2 – ZARAGOZA	100.00%	AUDINFOR
Empresa Gestora de Aguas Linenses, S.L. C/Federico Salmón, 13 – MADRID	100.00%	-
Empresa Mixta de Butarque, S.A. C/Princesa, 3 - (MADRID)	70.00%	-
Entemanser, S.A. C/Castillo, 13 – ADEJE (SANTA CRUZ DE TENERIFE)	97.00%	DELOITTE
FCC Aqualia América, S.A.U. C/ Uruguay, 11 – VIGO (PONTEVEDRA)	100.00%	-
FCC Aqualia USA Corp. 2711 Centerville Road, Suite 400. Wilmington (New Castle -Delaware-USA)	100.00%	BEKOWITZ POLLACK BRANT
Flores, Rebollo y Morales, S.L. Ctra Águilas 6, Bugarvillas-VERA (ALMERÍA)	60.00%	-
Hidrotec Tecnología del Agua, S.L.U. C/Píncel, 25 – SEVILLE	100.00%	DELOITTE
Infraestructuras y Distribución General de Agua, S.L. C/La Presa, 14 – Tijoco Bajo-ADEJE (SANTA CRUZ DE TENERIFE)	100.00%	-
Servicios Hídricos Agricultura y Ciudad, S.L.U. C/ Alfonso XIII – Sabadell (BARCELONA)	100.00%	-
Severomoravske Vodovody a Kanalizace Ostrava a.s. Varenská 2723/51 70200 Ostrava – CZECH REPUBLIC	100.00%	DELOITTE
Shariket Tahlya Miyah Mostaganem Cit� Abdoni Ilot, 36 – Dar el Beida (ALGERIA)	25.50%	MUSTAPHA HEDDAD
Sociedad Ib�rica del Agua, S.A.U. C/Federico Salm�n, 13 – MADRID	100.00%	-
Sociedad Espa�ola de Aguas Filtradas, S.A. C/ Jacometrezo, 4 – MADRID	100.00%	DELOITTE
Soci�te Des Eaux De Fin D'Oise, S.A.S. Quai De L'Oise 28 - ANDRESY (FRANCE)	100.00%	SNR AUDIT
Tratamiento Industrial de Aguas, S.A. C/Federico Salm�n, 13 – MADRID	100.00%	DELOITTE
Vodotech Spol, S.R.O. Jaselsk� 47 - Opava - CZECH REPUBLIC	100.00%	ABC AUDIT SRO
Watersur, S.L. Ctra �guilas 6, Bugarvillas-VERA (ALMER�A)	60.00%	-

Note: This Appendix forms an integral part of the notes to the accompanying consolidated financial statements.



APPENDIX II

FCC AQUALIA AND SUBSIDIARIES (CONSOLIDATED GROUP) PROPORTIONATELY CONSOLIDATED JOINTLY CONTROLLED OPERATIONS

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

Note: This Appendix forms an integral part of the notes to the accompanying consolidated financial statements.

APPENDIX III

FCC AQUALIA AND SUBSIDIARIES (CONSOLIDATED GROUP) ASSOCIATES AND JOINTLY CONTROLLED ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

COMPANY	HOLDING (%)	Carrying amount 31/12/2019 (Note 7)	Carrying amount 31/12/2018 (Note 7)	AUDITOR
Aguas de Archidona, S.L. Plaza Ochavada, 1 – 29300 Archidona - MALAGA	48.00%	75	62	CENTIUM AUDITORES S.L.
Aguas de Denia, S.A. Pedro Esteve, 17 - Denia (ALICANTE)	33.00%	408	424	AUDINFOR S.L.
Aguas de Guadix, S.A. Plaza de la Constitución 1, Guadix (GRANADA)	40.00%	161	-	-
Aguas de Langreo, S.L. C/Alonso del Riesgo, 3 – Langreo (ASTURIAS)	49.00%	885	882	CAPITAL AUDITORS AND CONSULTANTS,SL
Aguas de Narixa, S.A. C/Málaga, 11 – Nerja (MALAGA)	50.00%	722	231	AUDINFOR S.L.
Aguas de Priego, S.L. Plaza Constitución, 3. Priego de Córdoba (CORDOBA)	49.00%	(16)	(4)	AUDINFOR S.L.
Aguas del Puerto Empresa Municipal, S.A. C/ Aurora 1 - 11500 - EL PUERTO DE SANTA MARÍA (CÁDIZ)	48.98%	4,094	3,832	-
Aigües de Blanes, S.A. Canigó, 5. Blanes - GIRONA	16.47%	68	62	CD AUDITORS
Aigües de Girona Salt i Sarrià del Ter Ciudadans, 11 - GIRONA	26.88%	162	167	CATAUDIT AUDITORS ASSOCIATS S.L.
Aigües del Tomoví, S.A. c/ Vella, 1 – El Vendrell (TARRAGONA)	49.00%	-	492	GM AUDITORS S.L.
Aigues Del Vendrell, S.A. Plaza Vella, 1 – El Vendrell (TARRAGONA)	49.00%	503	-	
Aquos El Realito, S.A. de C.V. San Luis Potosí (MEXICO)	49.00%	7,499	6,608	DELOITTE MEXICO
Compañía de Servicios Medioamb. do Atlántico, S.A. Carretera de Cedeira, km1 - Narón (LA CORUÑA)	49.00%	302	298	AUDINFOR S.L.
Concesionaria de Desalación de Ibiza, S.A. Rotonda de Sta. Eulalia, s/n – Ibiza (BALEARIC ISLANDS)	50.00%	1,243	1,300	BDO AUDITORES S.L.
Codeur, S.A. C/ Mayor 22-Vera (ALMERÍA)	26.00%	6,504	-	-
Constructora de Infr. de Aguas de Potosí, S.A. de C.V. Bulevar Manuel Avila Camacho, 36 Méjico, Distrito Federal (MEXICO)	24.50%	(5,396)	(5,395)	-
Constructora de Infr. de Aguas de Querétaro, S.A. de C.V. C/ Minería Edificio B Ciudad de Méjico, Distrito Federal (MEXICO)	24.50%	(2,995)	(2,994)	DELOITTE S.L.
EMANAGUA - Empresa Municipal de Aguas de Níjar, S.A. Plaza de la Glorieta, 1 – Níjar (ALMERIA)	49.00%	356	423	CENTIUM AUDITORES S.L.
Empresa Mixta de Aguas de Jódar, S.A. Plaza de España, 1- Jódar (JAEN)	49.00%	6	6	CENTIUM AUDITORES S.L.
Empresa Municipal de Aguas de Linares, S.A. C/ Cid Campeador, 7 - Linares (JAEN)	49.00%	279	381	CENTIUM AUDITORES S.L.
Empresa Municipal Aguas de Algeciras, S.A. C/Virgen del Carmen, s/n - Algeciras (CADIZ)	49.00%	152	214	NEXT AUDITORES Y CONSULTORES S.L.
Empresa Mixta de Aguas de Ubrique, S.A. C/JUZGADO S/N - 11600 - UBRIQUE (CADIZ)	49.00%	88	86	DELOITTE S.L.
Empresa Municipal Aguas de Benalmádena, S.A.	50.00%	1,745	1,795	AUDINFOR S.L.



FCC AQUALIA AND SUBSIDIARIES (CONSOLIDATED GROUP)
ASSOCIATES AND JOINTLY CONTROLLED ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

COMPANY	HOLDING (%)	Carrying amount 31/12/2019 (Note 7)	Carrying amount 31/12/2018 (Note 7)	AUDITOR
Fil. Ap.Tívoli, s/n - Arroyo de la Miel (MALAGA)				
Empresa Municipal Aguas de Toxiria, S.A.	49.00%	68	66	CENTIUM AUDITORES S.L.
Plaza de la Constitución – Torredonjimeno (JAEN)				
Girona, S.A.	33.61%	1,672	1,681	CATAUDIT AUDITORS ASSOCIATS S.L.
Travesía del Carril, 2 – GERONA				
HA Proyectos Especiales Hidraulicos S.R.L. de CV	49.50%	1,132	1,055	GRANT THORNTON SC
Neucalpán – MEXICO D.F.				
Nueva Sociedad de Aguas de Ibiza, S.A.	40.00%	65	77	-
C/Bartolomé Rosselló, 18 - (IBIZA)				
Omán Sustainable Water Services SAOC	49.00%	1,030	911	-
Batinah Highway 322 - Sohar (OMAN)				
Operadora El Realito S.A. de C.V.	15.00%	316	193	EY
Tomas Alva Edison 176- San Rafael-Distrito Federal (MEXICO)				
Orasqualia Construction, S.A.E.	50.00%	(98)	(97)	KPMG
2112 South Tower – El Cairo (EGYPT)				
Orasqualia Devel. Waste Treatment Plant S.A.E.	27.95%	11,700	9,601	DELOITTE S.L.
2112 South Tower – El Cairo (EGYPT)				
Orasqualia Operation and Maintenance, S.A.E.	50.00%	1,802	997	DELOITTE S.L.
Nile City Towers – El Cairo - EGYPT				
Prestadora de Servicios Acueducto El Realito SACV	24.50%	1	1	-
Bvd. Manuel Avila Camacho, 36. MIGUEL HIDALGO (MEXICO)				
Proveïments d'Aigua, S.A.	15.12%	571	535	ANTONI RIERA ECONOMISTES AUDITORS
Asturias, 13 - GIRONA				
Sera.Q.A. Duitama, S.A.	30.60%	40	40	-
(COLOMBIA)				
Shariket Tahlya Miyah Mostaganem	25.50%	-	35,222	MUSTAPHA HEDDAD
Cité Abdoni Ilot, 36 – Dar el Beida (ALGERIA)				
Shariket Miyeh Ras Djinet	25.50%	-	12,704	MUSTAPHA HEDDAD
Cité Abdoni Ilot, 36 – Dar el Beida (ALGERIA)				
Suministro de Aguas de Querétaro, S.A. de C.V.	1.00%	400	384	DELOITTE MEXICO
Santiago de Querétaro – Querétaro Arteaga (MEXICO)				
Total		35,544	72,240	

Note: This Appendix forms an integral part of the notes to the accompanying consolidated financial statements.

APPENDIX IV

COMPANY	PARTNERS	GROUP HOLDING (%)
Consortium O&M Alamein	Aqualia Intech, S.A. - ICAT	65%
UTE Abu Rawash Construcción	Aqualia Intech, S.A. - Orascom Cons.Industries	50%
UTE Agua Santo Domingo	FCC Aqualia, S.A. - Agua y energía	70%
UTE Aguas de Alcalá	FCC Aqualia, S.A. - Canal de Isabel II - SUFI, S.A.	50%
UTE Aguas del Doramas	FCC Aqualia, S.A. - Eicoh Explot. S.L. - Eléct. Maspalomas, S.A.	50%
UTE Aigües els Poblets	FCC Aqualia, S.A. - Hidrosal, S.A.	95%
UTE Alcantarillado Alcoy	FCC Aqualia, S.A. - FCC, S.A.	50%
UTE Alcantarillado Burgos	FCC Aqualia, S.A. - FCC, S.A.	40%
JV Alcantarillado Madrid Lote D	FCC Aqualia, S.A.	99.99%
JV Alkhorayef-FCC Aqualia	FCC Aqualia, S.A. - Alkhorayef Water & Power	51%
UTE Ampliación ITAM Delta de la Tordera	Aqualia Intech, S.A. - FCC Construcción, S.A.	33.33%
UTE Oviedo	FCC Aqualia, S.A. - Seafsa, S.A.	100%
UTE Aqualia Riofabar Piloña	FCC Aqualia, S.A.	100%
UTE Badajoz Zona Este	AYGECI - Sist. De Automatismo Y Control	50%
UTE Badajoz Zona Oeste	AYGECI - Sist. De Automatismo Y Control	50%
UTE Bombeos Zona Sur	FCC Aqualia, S.A. - FCC, S.A.	99%
UTE C.H. Talave	FCC Aqualia, S.A. - SEAFSA	100%
UTE Calle Cruz	FCC Aqualia, S.A. - Const. Y O.P. Luis Vazquez e Hijos S.L.	80%
UTE Cangas	FCC Aqualia, S.A. - FCC, S.A.	99.99%
UTE Cap Djinet	Aqualia Intech, S.A. - Inima	50%
UTE Centro Deportivo Granadilla de Abona	FCC Aqualia, S.A. - FCC, S.A.	99%
UTE Cons. Gestor Ptar Salitre	Aqualia Intech, S.A. - Cass Construct.s y Cía S.A. - Aktor Thechnical S.A. Col. Branch	30%
UTE Conservación Getafe	Conservación y Sistemas, S.A. - FCC, S.A.	99%
UTE Consorcio Louro	FCC Aqualia, S.A.	99%
UTE Consorcio PTAR Arraiján	FCC Aqualia, S.A. - Aqualia Intech, S.A.	100%
UTE Costa Tropical	FCC Aqualia, S.A. - Acciona Agua, S.A.	51%
UTE Costa Tropical II	FCC Aqualia, S.A. - Acciona Agua, S.A.	51%
UTE Costa Tropical III	FCC Aqualia, S.A. - Acciona Agua, S.A.	51%
UTE Denia	FCC Aqualia, S.A.	100%
UTE Aqualia Inima (Depuración poniente almeriense)	FCC Aqualia, S.A. - Inima, S.A.	75%
UTE Desaladora Bajo Almanzora	FCC Aqualia, S.A. - FCC, S.A. - FCC Construcción, S.A. - Aqualia Intech, S.A.	30%
UTE EDAM Oeste	Aqualia Intech, S.A. - FCC Construcción, S.A. - Transformaciones y Servicios	50%
UTE EDAM Santa Eulalia	FCC Aqualia, S.A. - Aqualia Intech, S.A.	100%
UTE EDAR A Guarda 2013	FCC Aqualia, S.A. - DEMAIN, S.L.	50%
Ute Edar Albuñol	FCC Aqualia, S.A. - FCC Construcción, S.A.	50%
UTE EDAR Baeza	Aqualia Intech, S.A. - Explotaciones las Misiones, S.L.- Martín Casillas, S.L.	50%
JV EDAR Cuerva	FCC Aqualia, S.A. - FCC, S.A.	95%
UTE EDAR San Claudio	Aqualia Intech, S.A.	100%
UTE EDAR Gijón	Aqualia Intech, S.A. - FCC Construcción, S.A. - Degremont, S.A.	30%
UTE EDAR La Ranilla	FCC Aqualia, S.A. - Aqualia Intech, S.A.	100%
JV EDAR Reinos	FCC Aqualia, S.A. - FCC, S.A.	99%
JV EDAR San Vicente de la Barquera	FCC Aqualia, S.A. - FCC, S.A.	99%
UTE Edar Tablada	AYGECI - Abengoa Water, SI	50%
UTE EDAR Valdepeñas	FCC Aqualia, S.A. - Aqualia Intech, S.A. - FCC Construcción, S.A.	50%
UTE ETAPS Este	FCC Aqualia, S.A. - Iragaz Watin S.A.	65%
JV Explotación ITAM Tordera	FCC Aqualia, S.A. - Acciona Agua, S.A.	50%
UTE Fuentes De Cádiz	FCC Aqualia - FCC S.A. - FCC M.A.	50%
UTE Galindo-Beurko	FCC Aqualia, S.A. - FCC Construcción, S.A. - Bycam Serv.Edif e Ingfraestr. S.A.	10%
JV Gestión Cangas	FCC Aqualia, S.A. - Civis Global, S.L.	70%
UTE Groupement Solidaire Jerba	FCC Aqualia, S.A. - Aqualia Intech, S.A. - Inima, S.A.	50%
UTE Guadiana Plueblonuevo	FCC Aqualia, S.A. - OPS INFR Y SERV HIDR	51%
UTE HIDC-HIDR-INV. Do centr ACE	FCC Aqualia, S.A. - Lena Ambiente	50%
UTE Ibiza	FCC Aqualia, S.A. - Acciona Agua, S.A.	50%
UTE IDAM Janubio	FCC Aqualia, S.A. - Aqualia Intech, S.A.	100%
UTE IDAM Sant Antoni	FCC Aqualia, S.A. - Infilco Española, S.A.	50%

COMPANY	PARTNERS	GROUP HOLDING (%)
UTE IDAM Sant Antoni II	FCC Aqualia, S.A. - Infilco Española, S.A.	50%
UTE IDAM Santa Eulalia	FCC Aqualia, S.A. - Acciona Agua, S.A.	50%
UTE Idga Saneca	Infr. y distr. gral del agua S.L.-Saneca Siglo XXI S.L.	70%
UTE Aqualia Infilco	FCC Aqualia, S.A. - Infilco, S.A.	50%
UTE Lote 11 Santillana	Trainasa- Conservación y Sistemas	100%
UTE Lote 4 Culebro A	Sociedad Española de Aguas Filtradas, S.A. - FCC, S.A.	99%
UTE Lote 9 Torrelaguna	Trainasa- Conservación y Sistemas	100%
UTE Louro	FCC Aqualia, S.A. - Movexvial	65%
JV Mancomunidad de Órbigo	FCC Aqualia, S.A. - FCC, S.A.	99%
UTE Mostaganem	Aqualia Intech, S.A. - Inima	50%
JV Nigrán	FCC Aqualia, S.A. - FCC, S.A.	99%
UTE O&M EDAM Oeste	Aqualia Intech, S.A.	100%
UTE Obra Edar Argamasilla De Calatrava	FCC Aqualia, S.A. - Barahona Obras Y Serv. S.L	70%
UTE Obra Edar El Endrinal	FCC Aqualia, S.A. - FCC Construcción, S.A.	33.33%
JV OYM Cap Djinet	FCC Aqualia, S.A. - Inima	50%
JV OYM Mostaganem	FCC Aqualia, S.A. - Inima	50%
UTE Periférico Lote 3	FCC Aqualia, S.A. - FCC, S.A.	50%
UTE PTAR Ambato	Aqualia Intech, S.A. - Alvarado Ortiz Constructores	60%
UTE PTAR San Silvestre	Aqualia Intech, S.A. - Construvias de Colombia S.A.	50%
UTE Puebla Reina	AYGECI - Grupo Empresarial Magenta	65%
UTE Recirculación la Gavia	FCC Aqualia, S.A. - Aqualia Intech, S.A.	100%
UTE Redes CABB	FCC Aqualia, S.A. - Iragaz Watin S.A.	65%
UTE Redondela	FCC Aqualia, S.A. - FCC, S.A.	99.99%
UTE Reparaciones Lote 9	FCC Aqualia, S.A.	100%
UTE Saneamiento Canet y L'Almardá	FCC Aqualia, S.A. - Aqualia Intech, S.A. - FCC Construcción, S.A.	50%
UTE Santomera	FCC Aqualia, S.A. - FCC, S.A.	99.99%
UTE SCC Sice	Conservación y Sistemas, S.A. - SICE	50%
UTE Seafsa Lanzarote	Sociedad Española de Aguas Filtradas, S.A. - Jaime e Isaac Rodríguez	60%
UTE Sentinas	Sociedad Española de Aguas Filtradas, S.A. - Sampol	50%
UTE Vigo	FCC Aqualia, S.A. - FCC, S.A.	99.99%
UTE Sistema Integral Alacantí Sur	Aqualia Intech, S.A. - FCC Construcción, S.A. - Terceros	33.33%
UTE Sollanoko Ura	FCC Aqualia, S.A. - Iragaz Watin, S.A.	50%
JV TSE Riad	FCC Aqualia, S.A. - Alkhorayef Water & Power	51%
UTE Ussa A 17	FCC Aqualia, S.A. - Iragaz Watin S.A.	65%
UTE Vigo Piscinas	FCC Aqualia, S.A. - Idonea CYS, S.L.	50%
UTE Zafra	AYGECI - Grupo Empresarial Magenta	65%

Note: This Appendix forms an integral part of the notes to the accompanying consolidated financial statements.



APPENDIX V

FCC AQUALIA AND SUBSIDIARIES (CONSOLIDATED GROUP) CHANGES IN THE SCOPE OF CONSOLIDATION 31-12-2019

COMPANY	ADDRESS	GROUP HOLDING (%)
A) Additions at fully consolidated companies		
Aqualia France, S.A.S.	FRANCE	100%
Agua y Gestion Ciclo Integral, S.L.U.	SPAIN	100%
CEG, S.A.S.	FRANCE	100%
Flores, Rebollo y Morales, S.L.	SPAIN	60%
Shariket Tahlya Miyah Mostaganem	ALGERIA	25.5%
Societe Des Eaux De Fin D'Oise, S.A.S.	FRANCE	100%
Watersur, S.L.	SPAIN	60%
B) Derecognitions at fully consolidated companies		
Aguas de Alcaidesa, S.L.U.	SPAIN	100%
C) Additions at companies accounted for using the equity method		
Aguas de Guadix, S.A.	SPAIN	40%
Aigues Del Vendrell, S.A.	SPAIN	49%
Codeur, S.A.	SPAIN	25.5%
D) Derecognitions at companies accounted for using the equity method		
Aigües del Tomoví, S.A.	SPAIN	49%
Shariket Tahlya Miyah Mostaganem	ALGERIA	25.5%
Shariket Miyeh Ras Djinet	ALGERIA	25.5%

FCC AQUALIA AND SUBSIDIARIES (CONSOLIDATED GROUP) CHANGES IN THE SCOPE OF CONSOLIDATION 31-12-2018

COMPANY	ADDRESS	GROUP HOLDING (%)
A) Additions at fully consolidated companies		
Aguas de Alcaidesa, S.L.U.	SPAIN	100%
Aqualia Desalación Guaymas, S.A. de C.V.	MEXICO	100%
B) Derecognitions at fully consolidated companies		
C) Additions at companies accounted for using the equity method		
Omán Sustainable Water Services S.A.O.C	OMAN	49%
D) Derecognitions at companies accounted for using the equity method		

Note: This Appendix forms an integral part of the notes to the accompanying consolidated financial statements.



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 D'Àro (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, Lúcar (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 Aragón 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 Ugíjar 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

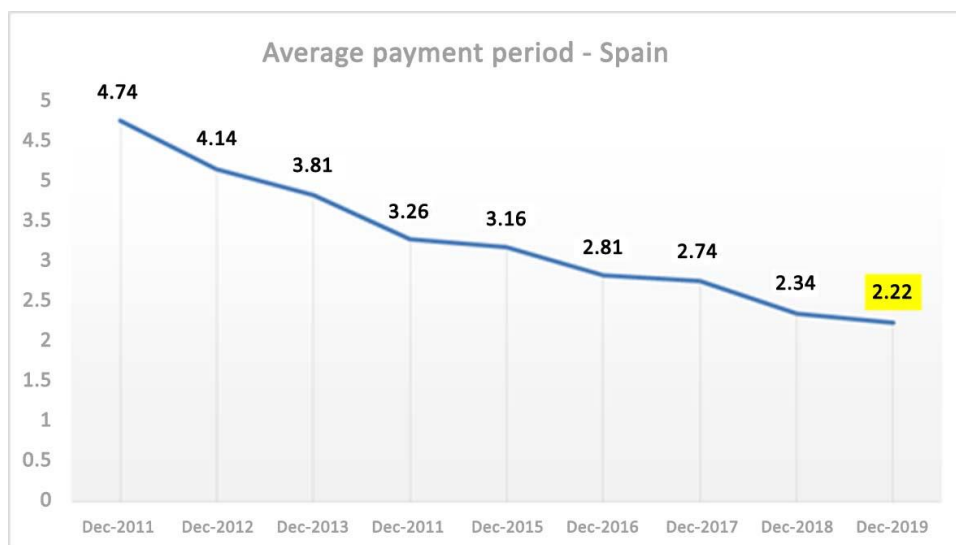
- Cross platform clients
- Efficient use of resources, development of communication skills by channel.

5.2. Invoicing and payment management

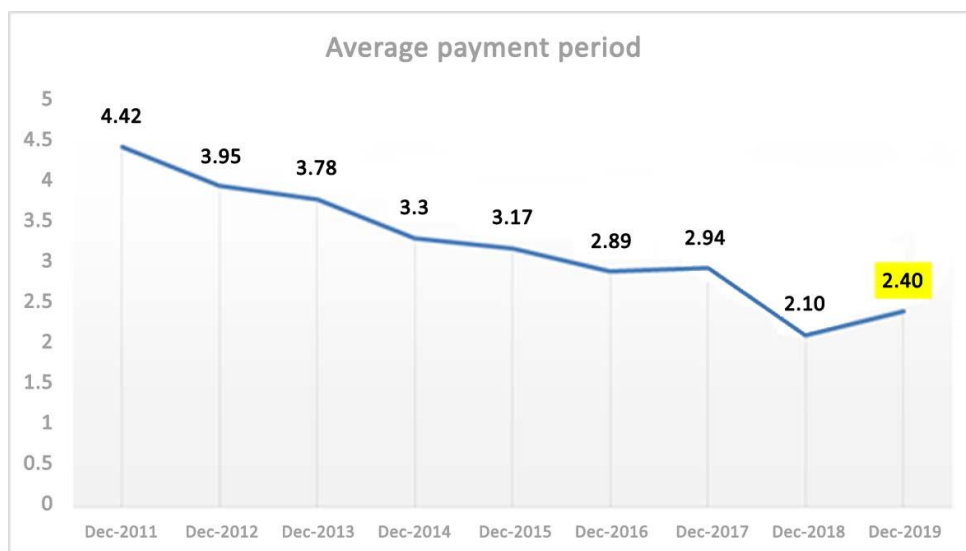
The Client Management Department maintains the same strategic vision in the development of management tools, mainly with the implementation of the unique tool for invoicing and debt management for non-tariff concepts, and the advancement of new functions for the Business Intelligence tool regarding, 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

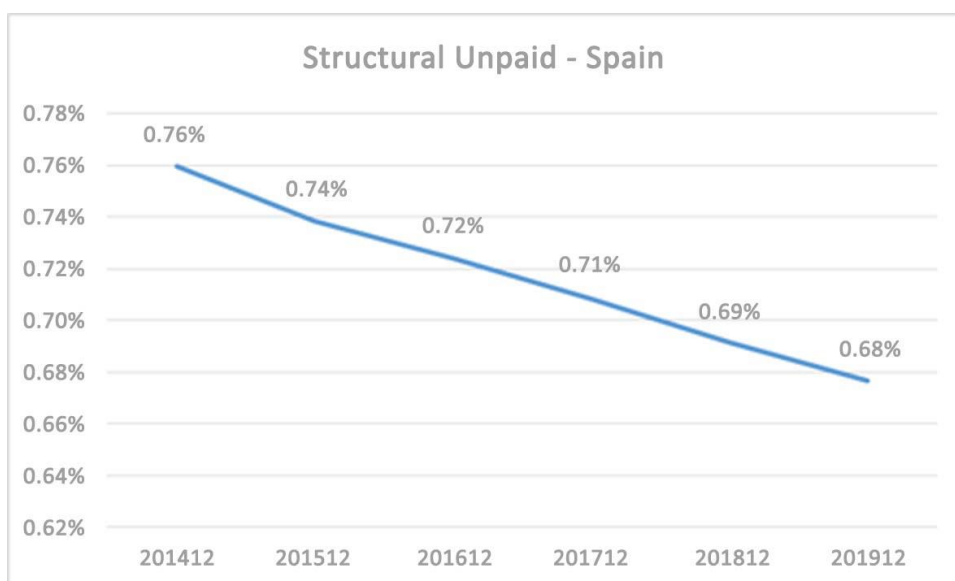
The above has led to continuous improvement of the processes until reaching an average payment period in Spain of 2.22 months, developing as follows:



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	-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	-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	-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	-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	-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	-Definition of security measures to adopt. -Adaptation of security measures, group websites, APP.
NOTIFICATION OF VIOLATIONS AND DATA	-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.

BLOCK	ASPECTS REVIEWED AND ADAPTED TO DP REGULATIONS
IMPACT ASSESSMENTS FOR PRIVACY	-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	-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	-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.).

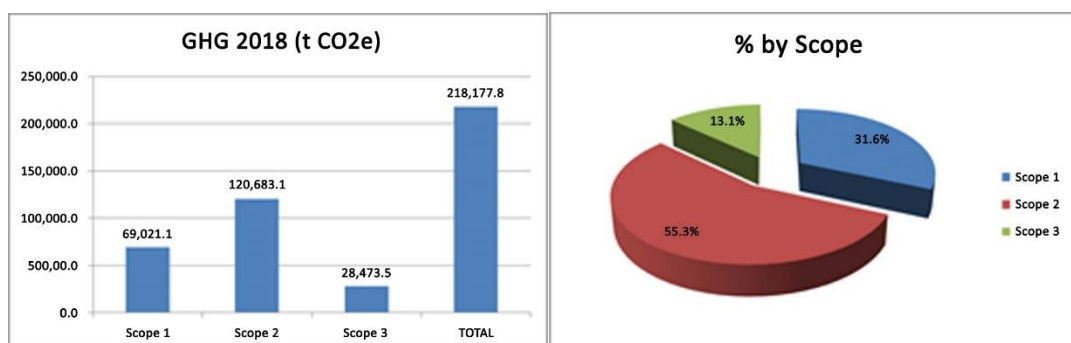
7. ENERGY MANAGEMENT

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.

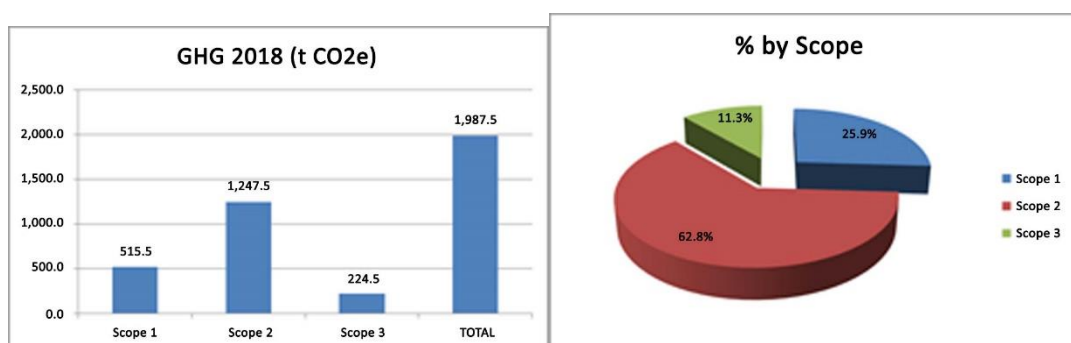


Not surprisingly, the calculation of the company's Carbon Footprint for its holdings in Spain and Portugal, verified according to UNE-ISO 14064 Standard guidelines by AENOR, shows that the component with the greatest impact on Aqualia's Carbon Footprint is the consumption of electrical energy (Scope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

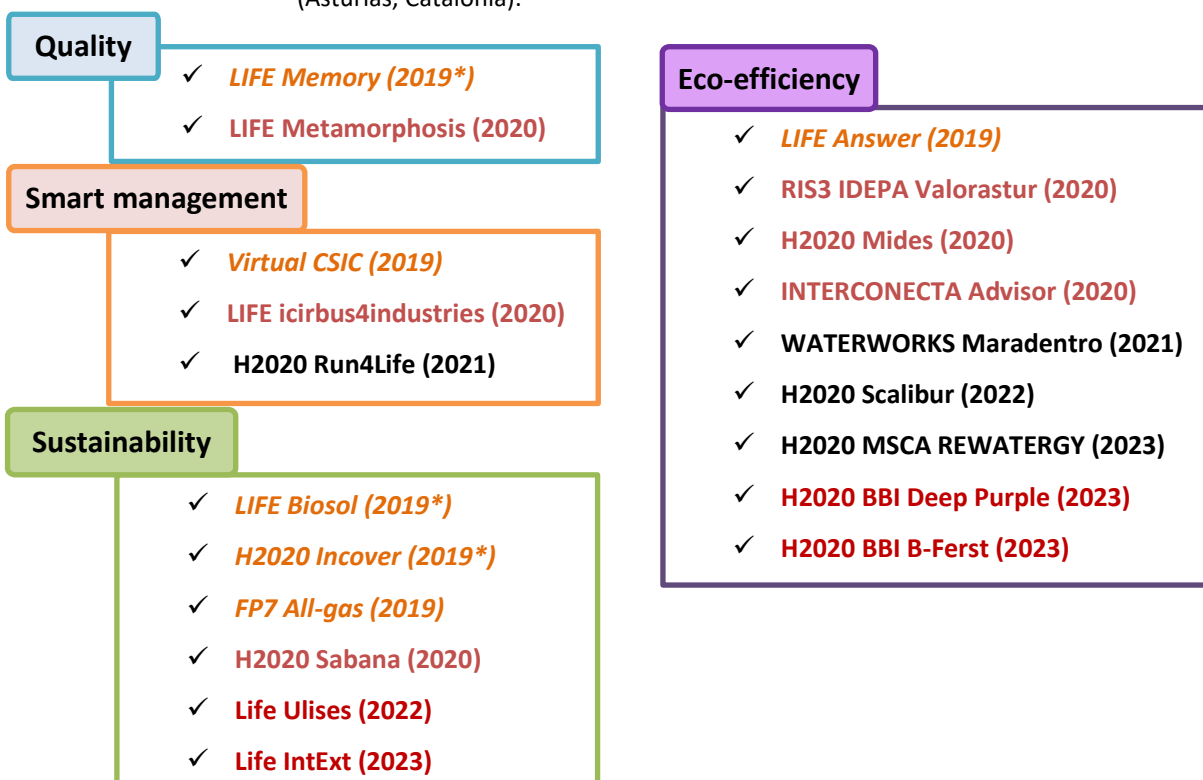
Innovation activity in Aqualia focuses on achieving the United Nations Sustainable Development Goals (SDGs), with regard to a water and sanitation service with sufficient and affordable quality (SDG 6),

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

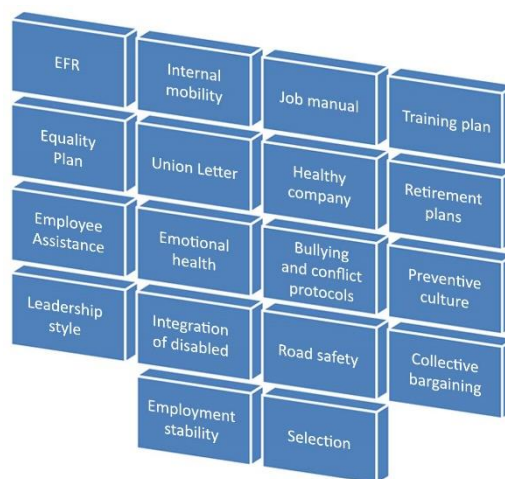
After the re-definition of the activities of the Department of People and Culture, all the different functions developed around the Be Aqualia project come together under a common motto: **People who work for people.**

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.



	Leadership
	Employment quality
	Equality and Diversity
	Health and safety
	Community
	Professional development
	Work-life balance

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 180º 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.

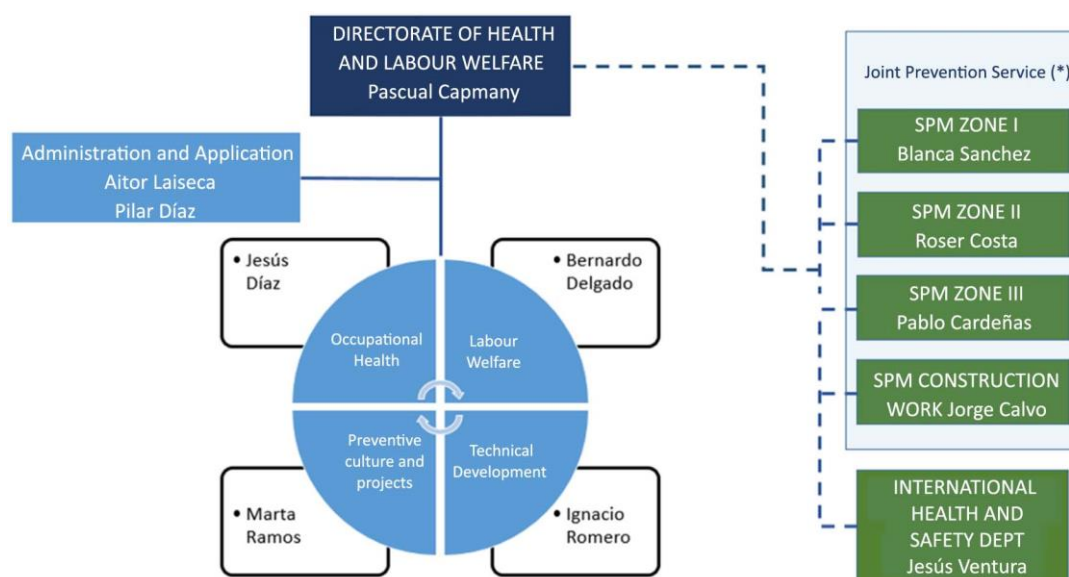
In 2019, Aqualia also implemented a Selection and Professional Internship Procedure that guarantees the transparency of the selection processes. This procedure has improved the good development of the selection processes in a timely manner, involving and training all areas of the company for compliance. 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.

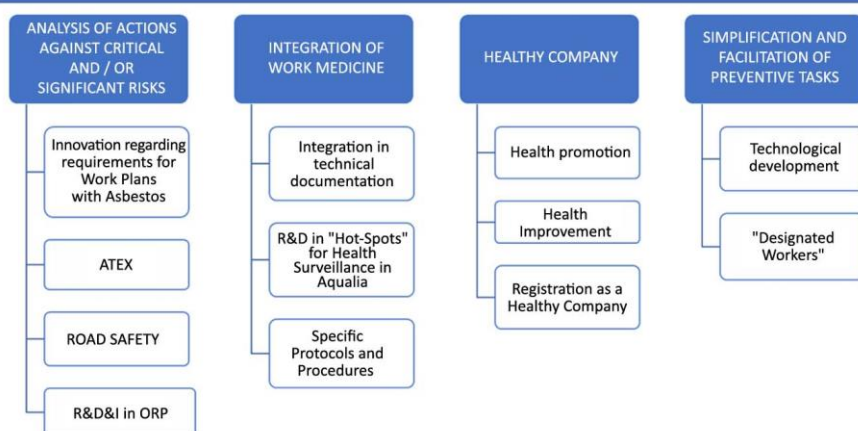
The current organisation chart for the department and its composition is as follows:



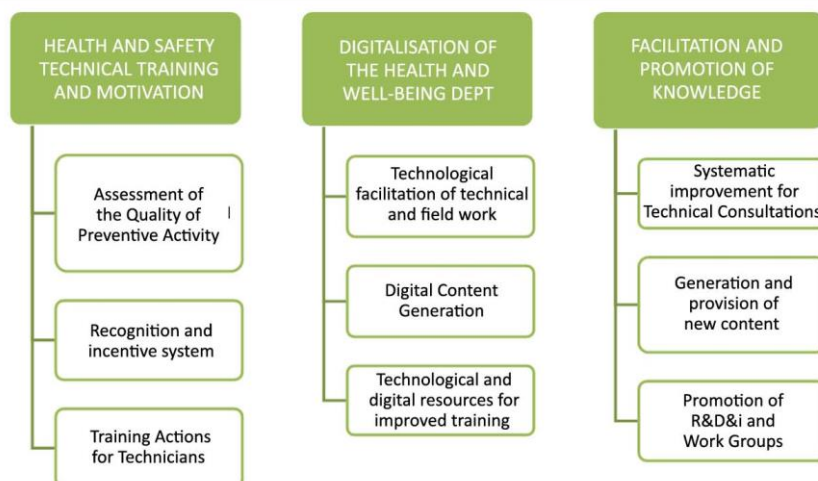
(*) Joint Prevention Service SPM: domestic legal preventive organisation

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.

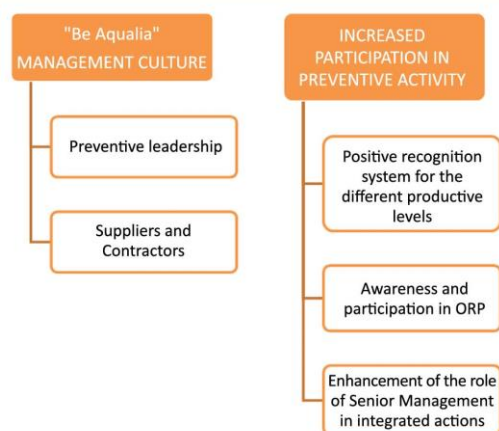
**AXIS 1.- INNOVATION AND DEVELOPMENT OF ACTIONS AND LINES OF WORK:
IMPROVEMENT AND INTEGRATION OF PREVENTIVE ACTIVITY
(Programmes and Projects)**



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

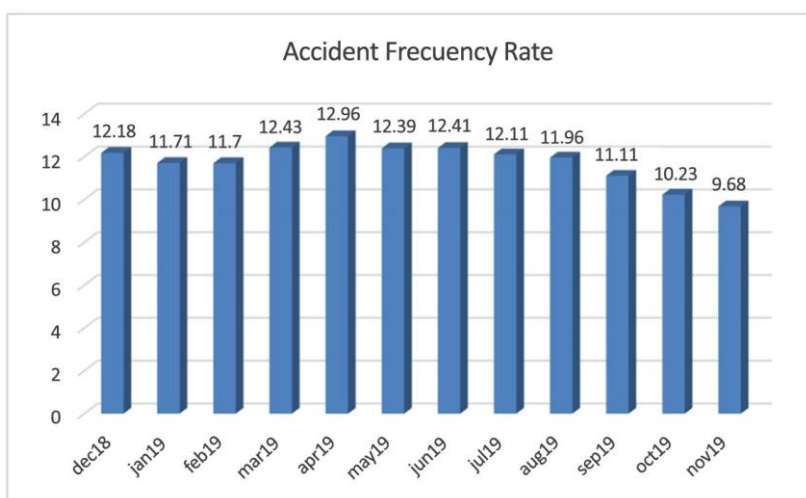


AXIS 3.- IMPLEMENTATION OF THE PREVENTIVE CULTURE IN THE PRODUCTION AREA (Programmes and Projects)

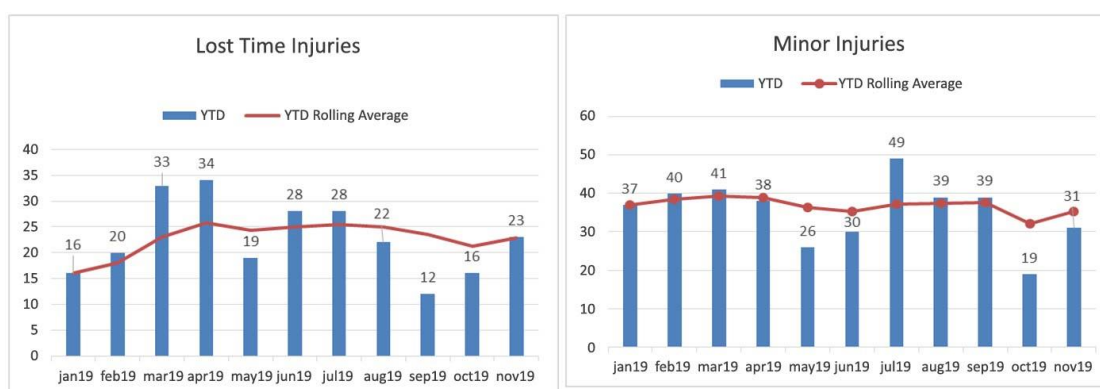


10.6.1 Absenteeism

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	
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

Learning about Unsafe Behaviour - Methodology:

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

Assessment:

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

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:

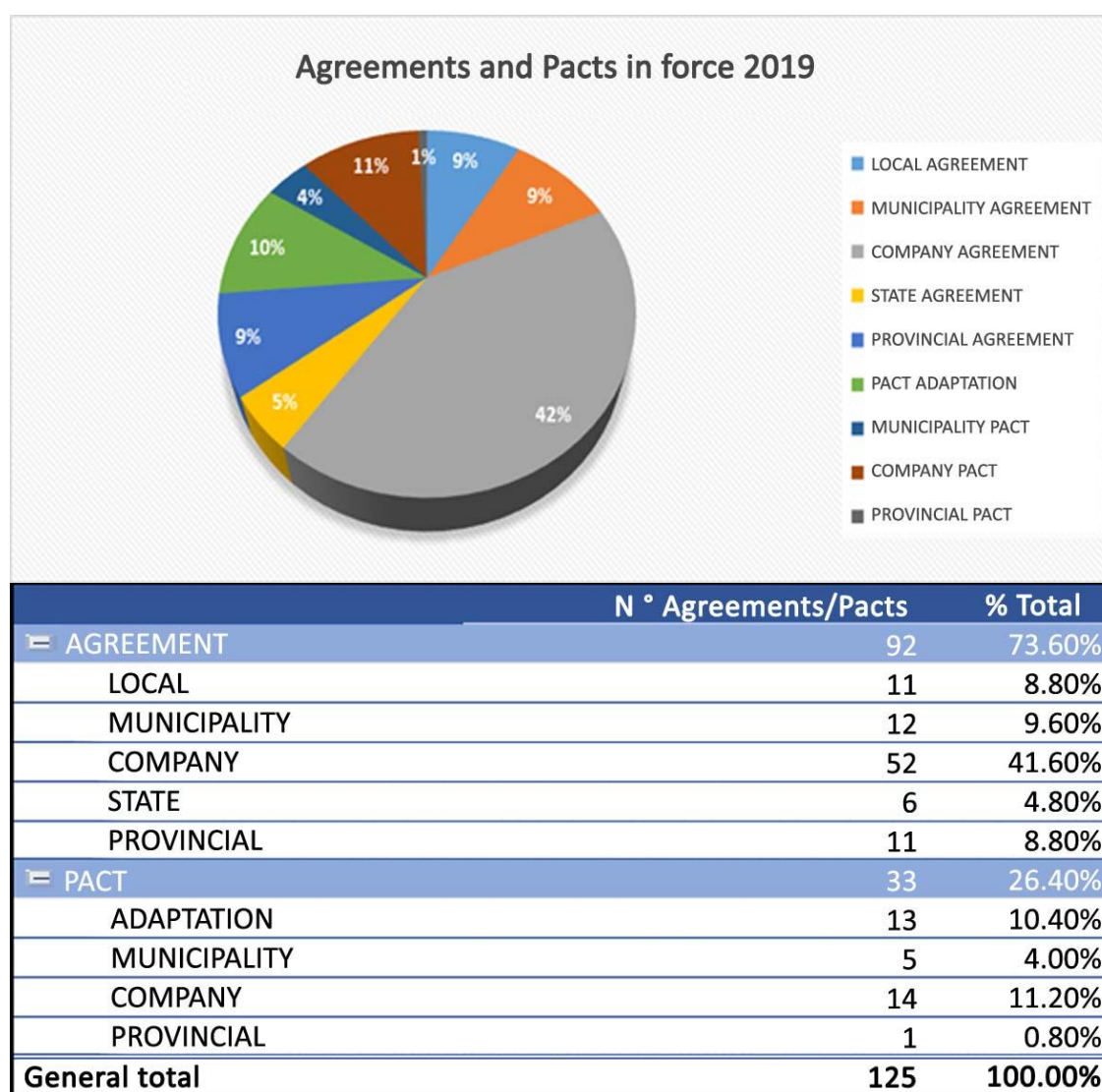
Initiative	Health action field	Notes
Women's Race 2019 - Madrid	Sedentary lifestyle and physical inactivity	25 dorsals
Vig Bay half marathon 2019	Sedentary lifestyle and physical inactivity	15 dorsals
Wellness Ball pilot project - Las Tablas	Health problems and prevalent illnesses	1 wellness ball
Cross-Baiona 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 Transplantbike	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

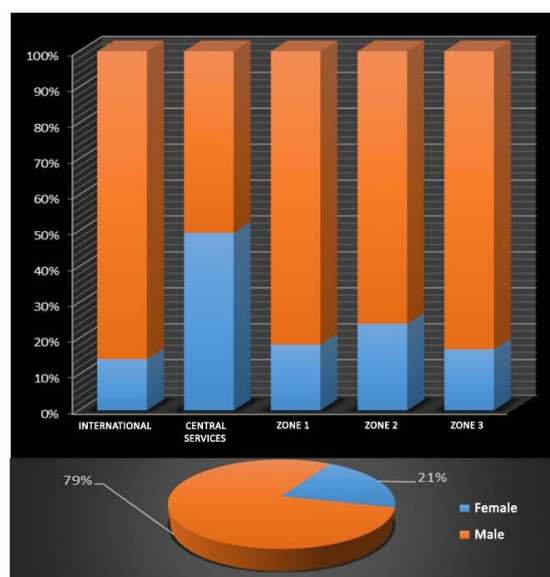
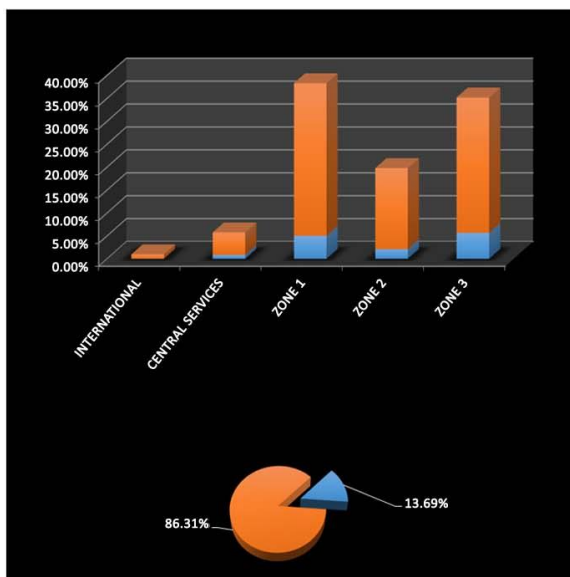


With regard to conflicts resulting in strike action, in 2019 3 strikes were declared as a result of non-company causes, since they were due to mobilisations that took place on 8 March coinciding with



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 360º 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 Andahuaylillas, 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 like 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 Almería 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 of 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, Molíns 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 21.



As detailed in Note 24.a) 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 26 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 98 double-sided sheets of stamp-impressed State paper corresponding to series OM numbers 0147867 to 0147964 both inclusive, being signed as proof of conformity, on stamp-impressed State paper corresponding to series OM number 0148044.

President

D. Alejandro Aboumrad González

Vice-president

Voting member

Mr Nicolás Villén Jiménez

Mr Lars Bespolka

Voting member

Voting member

Mr Pablo Colio Abril

Mr Scott Longhurst

Voting member

Voting member

Mr Gerardo Kuri Kaufmann

Mr Juan Rodríguez Torres