Obrascón Huarte Lain, S.A. and Subsidiaries (Obrascón Huarte Lain Group)

Report on Limited Review

Interim Condensed Consolidated Financial Statements and Interim Directors' Report for the six-month period ended 30 June 2018

Translation of a report originally issued in Spanish and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

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REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Obrascón Huarte Lain, S.A. at the request of the Board of Directors,

Report on the Interim Condensed Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Obrascón Huarte Lain, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the condensed consolidated balance sheet as at 30 June 2018, and the condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in total equity, condensed consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent's directors are responsible for preparing these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the audit regulations in force in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

Based on our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2018 are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial statements, pursuant to Article 12 of Royal Decree 1362/2007.

Emphasis of Matters

We draw attention to Explanatory Note 21 to the accompanying interim financial statements, which refers to the estimates made by the Group in relation to the outcome of the court proceeding under way involving Cercanías Móstoles Navalcarnero, S.A., in liquidation, and the uncertainty about the recoverability of the non-current financial assets associated with that company, with a carrying amount of EUR 203 million. Our conclusion is not modified in respect of this matter.

In addition, we draw attention to Note 2 to the accompanying interim financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2017. Our conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2018 contains the explanations which the Parent's directors consider appropriate about the significant events that took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required under Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2018. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Obrascón Huarte Lain, S.A. and Subsidiaries.

Other Matter

This report was prepared at the request of the Board of Directors of Obrascón Huarte Lain, S.A. in relation to the publication of the half-yearly financial report required by Article 119 of the Consolidated Spanish Securities Market Law, approved by Legislative Royal Decree 4/2015, of 23 October, and implemented by Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.

Ignacio Alcaraz Elorrieta

24 September 2018

OBRASCÓN HUARTE LAIN, S.A.
AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements
and Interim Directors' Report
for the six-month period ended
30 June 2018

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails

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Thousands of euros

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OBRASCÓN HUARTE LAIN, S.A. AND SUBSIDIARIES

Consolidated balance sheets as at 30 June 2018 and 31 December 2017

ASSETS	30/06/18 (*)	31/12/17
NON-CURRENT ASSETS		
Intangible assets		
Intangible assets	460,634	449,460
Accumulated amortisation	(231,706)	(218,012)
	228,928	**231,448**
Concession infrastructure	**67,814**	**66,773**
Property, plant and equipment		
Land and buildings	74,517	118,518
Machinery	342,564	383,177
Other fixtures, tools and furniture	87,270	97,749
Advances and property, plant and equipment in the course of construction	10,497	13,261
Other items of property, plant and equipment	63,163	61,648
Accumulated depreciation and impairment losses	(407,190)	(462,294)
	170,821	**212,059**
Investment property	**86,435**	**73,284**
Goodwill	**12,515**	**12,515**
Non-current financial assets		
Investment securities	64,186	209,113
Other receivables	321,634	450,037
Deposits and guarantees given	14,302	123,798
Impairment losses	(8,236)	(281,957)
	391,886	**500,991**
Investments accounted for using the equity method	**210,033**	**303,127**
Deferred tax assets	**299,732**	**265,056**
TOTAL NON-CURRENT ASSETS	**1,468,164**	**1,665,253**
CURRENT ASSETS		
Non-current assets classified as held for sale	**-**	**8,023,590**
Inventories		
Embodiment items, fungibles and replacement parts for machinery	52,280	57,029
Auxiliary shop projects and site installations	30,142	29,340
Advances to suppliers and subcontractors	83,543	68,278
Write-downs	(1,507)	(2,243)
	164,458	**152,404**
Trade and other receivables		
Trade receivables for sales and services	1,393,883	1,710,407
Receivables from associates	165,079	172,163
Employee receivables	2,462	1,655
Tax receivables	97,362	89,650
Sundry accounts receivable	91,033	68,230
Write-downs	(100,383)	(305,930)
	1,649,436	**1,736,175**
Current financial assets		
Investment securities	48,735	46,660
Other receivables	92,753	100,762
Deposits and guarantees given	377,436	6,106
Write-downs	(13,409)	(13,409)
	505,515	**140,119**
Current income tax assets	**14,758**	**17,330**
Other current assets	**55,199**	**39,404**
Cash and cash equivalents	**825,559**	**434,210**
TOTAL CURRENT ASSETS	**3,214,925**	**10,543,232**
TOTAL ASSETS	**4,683,089**	**12,208,485**

The accompanying Notes 1 to 27 are an integral part of the interim condensed consolidated financial statements as at 30 June 2018.
(*) Unaudited.

Thousands of euros

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OBRASCÓN HUARTE LAIN, S.A. AND SUBSIDIARIES

Consolidated balance sheets as at 30 June 2018 and 31 December 2017

EQUITY AND LIABILITIES	30/06/18 (*)	31/12/17
EQUITY		
Share capital	171,929	179,255
Share premium	1,265,300	1,265,300
Treasury shares	(1,079)	(48,638)
Reserves	1,287,328	(691,193)
Reserves of consolidated companies	(261,216)	2,225,326
Valuation adjustments	(88,304)	(751,309)
Consolidated loss for the period attributable to the Parent	(843,565)	(12,076)
Interim dividend	(99,867)	-
TOTAL EQUITY ATTRIBUTABLE TO THE PARENT	**1,430,526**	**2,166,665**
Non-controlling interests	**(5,320)**	**2,016,563**
TOTAL EQUITY	**1,425,206**	**4,183,228**
NON-CURRENT LIABILITIES		
Debt instruments and other marketable securities		
Corporate bonds and other marketable securities	658,307	883,385
	658,307	**883,385**
Bank borrowings		
Transferable mortgage and other loans	14,570	10,171
	14,570	**10,171**
Other financial liabilities	**3,766**	**4,433**
Deferred tax liabilities	**163,328**	**139,493**
Provisions	**35,191**	**50,122**
Deferred income	**18,076**	**20,651**
Other non-current liabilities	**17,910**	**15,867**
TOTAL NON-CURRENT LIABILITIES	**911,148**	**1,124,122**
CURRENT LIABILITIES		
Liabilities associated with non-current assets classified as held for sale	**-**	**4,141,724**
Debt instruments and other marketable securities		
Corporate bonds and other marketable securities	20,698	21,341
	20,698	**21,341**
Bank borrowings		
Loans received	27,260	606,111
Loans of concession operators	51,831	52,058
Unmatured accrued interest payable	90	1,168
Unmatured accrued interest payable of concession operators	6	1
	79,187	**659,338**
Other financial liabilities	**4,613**	**4,767**
Trade and other payables		
Customer advances	634,325	477,757
Accounts payable for purchases and services	1,096,241	1,106,619
Notes payable	8,897	10,954
	1,739,463	**1,595,330**
Provisions	**226,025**	**225,374**
Current income tax liabilities	**25,070**	**19,570**
Other current liabilities		
Payables to associates	81,058	88,998
Remuneration payable	29,452	30,283
Tax payables	87,172	88,762
Other non-trade payables	48,839	22,717
Guarantees and deposits received	4,362	2,610
Other current liabilities	796	321
	251,679	**233,691**
TOTAL CURRENT LIABILITIES	**2,346,735**	**6,901,135**
TOTAL EQUITY AND LIABILITIES	**4,683,089**	**12,208,485**

The accompanying Notes 1 to 27 are an integral part of the interim condensed consolidated financial statements as at 30 June 2018.

(*) Unaudited.

Thousands of euros

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OBRASCÓN HUARTE LAIN, S.A. AND SUBSIDIARIES

Consolidated statements of profit or loss for the periods ended 30 June 2018 and 30 June 2017

	30/06/18 (*)	30/06/17 (*)(**)
Revenue	1,445,065	1,587,182
Other operating income	64,616	74,097
TOTAL INCOME	**1,509,681**	**1,661,279**
Procurements	(960,471)	(997,008)
Staff costs	(413,317)	(445,584)
Other operating expenses	(249,102)	(233,477)
Depreciation and amortisation charge	(31,813)	(40,097)
Changes in provisions and allowances	12,071	1,185
LOSS FROM OPERATIONS	**(132,951)**	**(53,702)**
Finance income	12,257	10,758
Finance costs	(48,015)	(37,804)
Exchange differences (gains and losses)	(17,187)	(28,730)
Net losses on remeasurement of financial instruments at fair value	(96,780)	(5,748)
Result of companies accounted for using the equity method	(71,040)	(9,862)
Impairment and gains or losses on disposals of financial instruments	(35,834)	(1,307)
LOSS BEFORE TAX	**(389,550)**	**(126,395)**
Income tax	1,432	(10,681)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS	**(388,118)**	**(137,076)**
Profit (Loss) for the period from discontinued operations, net of tax	(386,580)	247,760
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**(774,698)**	**110,684**
(Profit) Loss from continuing operations attributable to non-controlling interests	2,751	(1,013)
Profit from discontinued operations attributable to non-controlling interests	(71,618)	(141,783)
CONSOLIDATED LOSS FOR THE PERIOD ATTRIBUTABLE TO THE PARENT	**(843,565)**	**(32,112)**
Earnings(Loss) per share:		
Basic	**(2.95)**	**(0.11)**
Diluted	**(2.95)**	**(0.11)**
Earnings(Loss) per share from discontinued operations:		
Basic	**(1.60)**	**0.36**
Diluted	**(1.60)**	**0.36**

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(*) Unaudited.
(**) Adjusted.

Thousands of euros

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OBRASCÓN HUARTE LAIN, S.A. AND SUBSIDIARIES

Consolidated statements of comprehensive income for the periods ended 30 June 2018 and 30 June 2017

	30/06/18 (*)	30/06/17 (*)
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD (per consolidated statement of profit or loss)	**(774,698)**	**110,684**
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**1,318,368**	**214,275**
Available-for-sale financial assets	**-**	**15,929**
Revaluation gains/losses	-	(6,326)
Amounts transferred to profit or loss	-	22,255
Cash flow hedges	**4,891**	**10,337**
Revaluation gains/losses	(2,881)	(4,432)
Amounts transferred to profit or loss	7,772	14,769
Translation differences	**1,313,625**	**185,601**
Revaluation gains/losses	776,346	193,776
Amounts transferred to profit or loss	537,279	(8,175)
Share of OCI relating to investments in joint ventures and associates	**228**	**5,184**
Revaluation gains/losses	(876)	2,871
Amounts transferred to profit or loss	1,104	2,313
Tax effect	**(376)**	**(2,776)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**543,670**	**324,959**
Attributable to the Parent	(180,560)	111,883
Attributable to non-controlling interests	724,230	213,076

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OBRASCÓN HUARTE LAIN, S.A. AND SUBSIDIARIES

Consolidated statement of changes in total equity for the period ended 30 June 2018

	Equity attributable to the Parent						Non-controlling interests	Total equity
	Shareholders' equity					Valuation adjustments		
	Share capital	Share premium and reserves	Treasury shares	Loss for the period attributable to the Parent	Interim dividend			
Ending balance at 31/12/17	**179,255**	**2,799,433**	**(48,638)**	**(12,076)**	**-**	**(751,309)**	**2,016,563**	**4,183,228**
Total comprehensive income	**-**	**-**	**-**	**(843,565)**	**-**	**663,005**	**724,230**	**543,670**
Transactions with shareholders or owners	**(7,326)**	**(40,542)**	**47,559**	**-**	**(99,867)**	**-**	**-**	**(100,176)**
Capital increases (reductions)	(7,326)	(39,694)	47,020	-	-	-	-	-
Dividends paid	-	-	-	-	(99,867)	-	-	(99,867)
Treasury share transactions (net)	-	(848)	539	-	-	-	-	(309)
Other changes in equity	**-**	**(467,479)**	**-**	**12,076**	**-**	**-**	**(2,746,113)**	**(3,201,516)**
Transfers between equity items	-	(12,076)	-	12,076	-	-	-	-
Other changes	-	(455,403)	-	-	-	-	(2,746,113)	(3,201,516)
Ending balance at 30/06/18 (*) (**)	**171,929**	**2,291,412**	**(1,079)**	**(843,565)**	**(99,867)**	**(88,304)**	**(5,320)**	**1,425,206**

The accompanying Notes 1 to 27 are an integral part of the interim condensed consolidated financial statements as at 30 June 2018.

(*) Unaudited.

(**) There are no items that cannot be subsequently reclassified to profit or loss.

Thousands of euros

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OBRASCÓN HUARTE LAIN, S.A. AND SUBSIDIARIES

Consolidated statement of changes in total equity for the period ended 30 June 2017

	Equity attributable to the Parent							
	Shareholders' equity							
	Share capital	**Share premium and reserves**	**Treasury shares**	**Loss for the period attributable to the Parent**	**Other equity instruments**	**Valuation adjustments**	**Non-controlling interests**	**Total equity**
Ending balance at 31/12/16	**179,255**	**3,327,052**	**(46,145)**	**(432,338)**	**-**	**(588,135)**	**1,603,204**	**4,042,893**
Total comprehensive income	**-**	**-**	**-**	**(32,112)**	**-**	**143,995**	**213,076**	**324,959**
Transactions with shareholders or owners	**-**	**(207)**	**(1,833)**	**-**	**-**	**-**	**-**	**(2,040)**
Dividends paid	-	-	-	-	-	-	-	-
Treasury share transactions (net)	-	(207)	(1,833)		-	-	-	(2,040)
Other changes in equity	**-**	**(500,512)**	**-**	**432,338**	**-**	**-**	**182,593**	**114,419**
Transfers between equity items	-	(432,338)	-	432,338	-	-	-	-
Other changes	-	(68,174)	-		-	-	182,593	114,419
Ending balance at 30/06/17 (*) (**)	**179,255**	**2,826,333**	**(47,978)**	**(32,112)**	**-**	**(444,140)**	**1,998,873**	**4,480,231**

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OBRASCÓN HUARTE LAIN, S.A. AND SUBSIDIARIES

Consolidated statement of cash flows for the periods ended 30 June 2018 and 30 June 2017

	30/06/18 (*)	30/06/17 (*)(**)
A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3+4)	**(758,002)**	**(304,561)**
1. Loss before tax	**(389,550)**	**(126,395)**
2. Adjustments for:	276,341	111,606
Depreciation and amortisation charge	31,813	40,097
Other adjustments to loss	244,528	71,509
3. Changes in working capital	**(481,493)**	**(159,438)**
4. Other cash flows from operating activities	(163,300)	(130,334)
Dividends received	4,580	156
Income tax recovered (paid)	(34,328)	(33,763)
Other amounts received (paid) relating to operating activities	(133,552)	(96,727)
B) CASH FLOWS FROM INVESTING ACTIVITIES (1+2+3)	**2,101,847**	**266,496**
1. Payments due to investment	**(87,808)**	**(59,610)**
Group companies, associates and business units	(29,708)	(5,331)
Property, plant and equipment, intangible assets and investment property	(38,293)	(50,712)
Other financial assets	(19,807)	(3,567)
2. Proceeds from disposal	**2,092,398**	**283,048**
Group companies, associates and business units	2,070,806	252,894
Property, plant and equipment, intangible assets and investment property	21,592	30,154
3. Other cash flows from investing activities	**97,257**	**43,058**
Interest received	12,257	10,758
Other proceeds/(payments) relating to investing activities	85,000	32,300
C) CASH FLOWS FROM FINANCING ACTIVITIES (1+2+3+4)	**(956,250)**	**(146,933)**
1. Proceeds and (payments) relating to equity instruments	**(309)**	**(2,040)**
Acquisition	(44,274)	(22,122)
Disposal	43,965	20,082
2. Proceeds and (payments) relating to financial liability instruments	**(802,130)**	**(104,025)**
Issue	52,493	197,776
Repayment	(854,623)	(301,801)
3. Dividends and returns on other equity instruments paid	**(99,867)**	-
4. Other cash flows from financing activities	**(53,944)**	**(40,868)**
Interest paid	(49,088)	(39,156)
Other amounts received (paid) relating to financing activities	(4,856)	(1,712)
D) EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**3,754**	**(3,491)**
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**391,349**	**(188,489)**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**434,210**	**630,791**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD (E+F)	**825,559**	**442,302**
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash on hand and at banks	812,277	406,496
Other financial assets	13,282	35,806
Bank overdrafts repayable on demand		
TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD	**825,559**	**442,302**

The accompanying Notes 1 to 27 are an integral part of the interim condensed consolidated financial statements as at 30 June 2018.
(*) Unaudited.
(**) Adjusted.

CASH FLOWS FROM DISCONTINUED OPERATIONS

A) Cash flows from operating activities	50,681	58,212
B) Cash flows from investing activities	(251,204)	530,144
C) Cash flows from financing activities	239,626	(434,501)
D) Net cash flows from discontinued operations (A+B+C)	**39,103**	**153,855**

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OBRASCÓN HUARTE LAIN, S.A. AND SUBSIDIARIES

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

1.- GENERAL INFORMATION

Name and registered office

Obrascón Huarte Lain, S.A., formerly Sociedad General de Obras y Construcciones Obrascón, S.A., (the Parent), was incorporated on 15 May 1911 and has its registered office in Madrid, at Paseo de la Castellana, 259 D.

Lines of business

The main business activities carried on by the companies composing the Obrascón Huarte Lain Group are as follows:

Engineering and Construction

Construction

Construction of all manner of civil engineering works and building construction for public and private sector customers, both in Spain and abroad.

Industrial

Industrial engineering, particularly complete industrial plants and systems, including the design, construction, maintenance and operation thereof and any other activity related to oil and gas, energy, solids engineering and fire safety systems.

Services

Servicing of properties and infrastructure maintenance for all types of properties, housing and offices.

Development

Development and operation of top quality mixed-use hotel-related real estate projects.

Development of Concessions

Following the OHL Group's significant divestment of its Concessions Division (see Note 12), the objectives set in the Group's Strategic Plan include the expansion of concession development activity through partnerships with financial investors and maximisation of the value of its greenfield projects. This activity is currently not reported separately because the amounts do not account for a significant proportion of the Group's revenue.

2.- BASIS OF PRESENTATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Basis of presentation

In conformity with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, all companies governed by the law of a European Union Member State and whose securities are admitted to trading on a regulated market of any Member State are required to prepare their consolidated financial statements for annual reporting periods commencing on or after 1 January 2005 in accordance with the International Financial Reporting Standards ("IFRSs”) previously adopted by the European Union.

The Group's consolidated financial statements for 2017 were prepared by the Parent's directors in accordance with International Financial Reporting Standards as adopted by the European Union, and the bases of consolidation, accounting policies and measurement bases described in Note 2.6 to those consolidated financial statements were applied in order to present fairly the Group's consolidated equity and consolidated financial position as at 31 December 2017 and its consolidated results, the changes in consolidated equity and its consolidated cash flows for the year then ended.

These interim condensed consolidated financial statements are presented in accordance with IAS 34, Interim Financial Reporting, and were prepared by the Group's directors on 24 September 2018 pursuant to Article 12 of Royal Decree 1362/2007.

As established in IAS 34, the interim consolidated financial report is intended only to provide an update on the latest complete set of annual consolidated financial statements prepared by the Group, focusing on new activities, events and circumstances occurring during the six-month period, and does not duplicate information previously reported in the consolidated financial statements for 2017. Consequently, to obtain a proper understanding of the information included in these interim condensed consolidated financial statements, they should be read together with the Group's consolidated financial statements for 2017.

The comparative information should be read in light of the consideration of the Concessions Division as a discontinued operation at 31 December 2017, which necessitated the application of IFRS 5, Non-Current Assets Classified as Held for Sale and Discontinued Operations, as explained in Note 12. Consequently, the financial information relating to the first half of 2017 was adjusted, the effects of which included most notably:

- In the interim condensed consolidated statement of profit or loss, the profit of the Concessions Division net of tax and before non-controlling interests was presented as a single line item under "Profit (Loss) for the Period from Discontinued Operations, Net of Tax".
- The interim condensed consolidated statement of cash flows.
- The information on the average number of employees.

International Financial Reporting Standards (IFRSs)

The accounting policies and methods used in preparing these interim condensed consolidated financial statements are the same as those used in the consolidated financial statements for 2017, except for the standards and interpretations detailed below, which came into force in the first six months of 2018.

The regulatory situation can be summarised as follows:

Effectiveness of new accounting standards

In the first six months of 2018 the following standards became effective and, where applicable, were used by the Group in preparing the interim condensed consolidated financial statements for the six-month period ended 30 June 2018.

New standards, amendments and interpretations: Approved for use in the European Union		Obligatory application in annual reporting periods beginning on or after:
IFRS 15, Revenue from Contracts with Customers and the related clarifications	New revenue recognition standard (supersedes IAS 18, IFRIC 15, IFRIC 18 and SIC-31).	1 January 2018
IFRS 9, Financial Instruments	Replaces the requirements in IAS 39 relating to the classification, measurement, recognition and derecognition of financial assets and financial liabilities, hedge accounting and impairment	
Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions	Limited amendments that clarify specific issues such as the effects of vesting conditions on cash-settled share-based payments, the classification of share-based payment transactions with a net settlement feature and certain issues relating to modifications of the type of share-based payment arrangement	
Amendments to IFRS 4, Insurance Contracts	Provide entities within the scope of IFRS 4 with the option of applying IFRS 9 (overlay approach) or the temporary exemption therefrom	
Amendments to IAS 40, Reclassification of Investment Property	The amendments clarify that transfers to, or from, investment property will only be possible when there is evidence of a change in use	
IFRS 1, First-time Adoption of International Financial Reporting Standards	Deletion of short-term exemptions (Annual improvements to IFRSs 2014–2016 Cycle)	
IAS 28, Investments in Associates and Joint Ventures	Clarification in relation to the option to measure at fair value	
IFRIC 22, Foreign Currency Transactions and Advance Consideration	This interpretation establishes "the date of the transaction" for the purpose of determining the exchange rate to use in transactions with advance consideration in a foreign currency	

Of the new standards that became effective, the most significant for the Group were as follows:

IFRS 15, Revenue from Contracts with Customers

The mandatory application of IFRS 15 for reporting periods beginning on or after 1 January 2018 entails, inter alia, the adoption of stricter criteria for revenue recognition, relating mainly to the probability of customer approval, as until 1 January 2018 revenue had been recognised when it was likely to be received, whereas under the new standard revenue will be recognised when it is highly probable that a significant reversal in the amount of revenue recognised will not occur.

The effect of the application of IFRS 15 on the financial statements at 1 January 2018 is as follows:

ASSETS	31/12/17	IFRS 15	Thousands of euros 01/01/18
Non-current assets	**1,665,253**	**(97,596)**	**1,567,657**
Intangible assets	231,448	-	231,448
Concession infrastructure	66,773	-	66,773
Property, plant and equipment	212,059	-	212,059
Investment property	73,284	-	73,284
Goodwill	12,515	-	12,515
Non-current financial assets	500,991	(97,596)	403,395
Investments accounted for using the equity method	303,127	-	303,127
Deferred tax assets	265,056	-	265,056
Current assets	**10,543,232**	**(346,558)**	**10,196,674**
Non-current assets classified as held for sale	8,023,590	-	8,023,590
Inventories	152,404	-	152,404
Trade and other receivables	1,736,175	(346,558)	1,389,617
Current financial assets	140,119	-	140,119
Current tax assets	17,330	-	17,330
Other current assets	39,404	-	39,404
Cash and cash equivalents	434,210	-	434,210
Total assets	**12,208,485**	**(444,154)**	**11,764,331**
EQUITY AND LIABILITIES			
Equity attributable to the Parent	**2,166,665**	**(444,154)**	**1,722,511**
Share capital	179,255	-	179,255
Reserves	1,999,486	(444,154)	1,555,332
Consolidated loss for the year attributable to the Parent	(12,076)	-	(12,076)
Non-controlling interests	**2,016,563**	**-**	**2,016,563**
Equity	**4,183,228**	**(444,154)**	**3,739,074**
Non-current liabilities	**1,124,122**	**-**	**1,124,122**
Bank borrowings and bonds	893,556	-	893,556
Deferred tax liabilities	139,493	-	139,493
Long-term provisions	50,122	-	50,122
Other non-current liabilities	40,951	-	40,951
Current liabilities	**6,901,135**	**-**	**6,901,135**
Liabilities associated with non-current assets classified as held for sale	4,141,724	-	4,141,724
Bank borrowings and bonds	680,679	-	680,679
Trade and other payables	1,595,330	-	1,595,330
Other current liabilities	483,402	-	483,402
Total equity and liabilities	**12,208,485**	**(444,154)**	**11,764,331**

This impact was concentrated in certain projects, in relation to the majority of which court or arbitration proceedings are under way, and for which, in view of their situation, it is not possible to meet the requirement of the new standard relating to high probability of a favourable decision. Specifically, it relates to the effect on:

- The contract for the design and construction of the Sidra Medical Research Center in Doha, Qatar, awarded by the Qatar Foundation for Education, Science and Community Development (QF), the termination of which is subject to arbitration proceedings filed with the International Chamber of Commerce in July 2014. As a result of the application of the new standard, net assets of approximately EUR 239.5 million associated with the project and yet to be recovered were derecognised, after taking into account the impairment loss of EUR 204.6 million already recognised on these assets.
- Other, smaller scale projects, including balances yet to be recovered from concessions in insolvency proceedings, amounting to EUR 64 million, and others arising from international projects subject to disputes, which together account for the remaining EUR 140.6 million.

The application of IFRS 15 eliminated the risk associated with legacy projects in the interim condensed consolidated balance sheet, and the OHL Group is continuing all actions aimed at recovering the above-mentioned amounts, since it considers that there are very firm legal grounds for obtaining these amounts from its customers, at which point they would be recognised as revenue and collected. The Group did not recognise any tax effect relating to the impact of the new standard.

Under IAS 11, the costs incurred in securing a contract were capitalised when it was considered probable that the contract would be obtained, and were recognised as an expense over the course of the project. This approach has been revised in IFRS 15; now, only incremental costs of obtaining a contract may be capitalised, i.e. costs incurred after a contract has been obtained. In relation to the foregoing, the costs of obtaining contracts not yet recognised as an expense at the date of initial application of IFRS 15 are not material.

IFRS 9, Financial Instruments

With the Group's current composition, an assessment was made of the repercussions of the new standard on classification and measurement, concluding that it does not have a significant impact on either the classification or measurement of the Group's financial assets and liabilities or on its hedge accounting.

Standards and interpretations issued but not yet in force

At the date of preparation of these interim condensed consolidated financial statements, the following standards and interpretations had been published by the IASB but had not yet come into force, either because their effective date is subsequent to the date of the interim condensed consolidated financial statements or because they had not yet been adopted by the European Union:

<table>
<tr><th colspan="2">New standards, amendments and interpretations:</th><th rowspan="2">Obligatory application in annual reporting periods beginning on or after:</th></tr>
<tr><th colspan="2">Approved for use in the European Union</th></tr>
<tr><td>IFRS 16, Leases</td><td>Supersedes IAS 17 and the related interpretations. The main change in the new standard is that it introduces a single lessee accounting model in which all leases will be recognised in the balance sheet</td><td rowspan="2">1 January 2019</td></tr>
<tr><td>Amendments to IFRS 9, Prepayment Features with Negative Compensation</td><td>They permit the measurement at amortised cost of certain financial instruments with prepayment features, which may be put back to the issuer before maturity for an amount lower than the unpaid amounts of principal and interest on the principal amount outstanding</td></tr>
</table>

IFRS 16, Leases

The Group is analysing the potential impact of applying IFRS 16, and believes that it will not be significant, given the immaterial amount of the operating leases that it has arranged (see Note 3.18 to the consolidated financial statements for 2017).

New standards, amendments and interpretations: Not yet approved for use in the European Union		Obligatory application in annual reporting periods beginning on or after:
IFRS 17, Insurance Contracts	Will supersede IFRS 4. It establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and is issued to ensure that entities provide relevant and reliable information that gives a basis for users of the information to assess the effect that insurance contracts have on the financial statements	1 January 2021
IFRIC 23, Uncertainty Over Income Tax Treatments	This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over whether the relevant taxation authority will accept a tax treatment used by an entity	1 January 2019
Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures	They clarify that IFRS 9 should be applied to long-term interests in an associate or joint venture to which the equity method is not applied	
Amendments to IAS 19, Plan Amendments, Curtailments and Settlements	Under the proposed amendments, when there is a change in a defined benefit plan (due to an amendment, curtailment or settlement), an entity is required to use updated assumptions in order to determine the current service cost and net interest for the remainder of the reporting period after the change in the plan	
Improvements to IFRSs 2015–2017 Cycle	Amendments to a series of standards	

All the accounting principles or measurement bases with a material effect on the interim condensed consolidated financial statements were applied in preparing them.

3.- USE OF ESTIMATES

The consolidated results and the determination of consolidated equity are sensitive to the accounting principles and policies, measurement bases and estimates used by the Parent's directors in preparing the interim condensed consolidated financial statements. The main accounting principles and policies and measurement bases used are indicated in Note 2 to the consolidated financial statements for 2017.

In the interim condensed consolidated financial statements, estimates were made by the senior executives of the Group and the Group companies, later ratified by the directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The impairment losses on certain assets.
- The useful life of the intangible assets and property, plant and equipment.
- The recognition of construction contract revenue and costs.
- The amount of certain provisions.

- The fair value of the assets acquired in business combinations and goodwill.
- The fair value of certain unquoted assets.
- The allocation of the cost of business combinations.
- The assessment of possible contingencies relating to occupational and tax risks, including the recoverability of tax assets.
- The income tax expense that, in accordance with IAS 34, is recognised in the interim periods on the basis of the best estimate of the weighted average annual income tax rate expected for the full financial year.
- Financial risk management.

Although the aforementioned estimates were made on the basis of the best information available at the reporting date on the events analysed, events that take place in the future might make it necessary to change these estimates in coming years. Changes in accounting estimates, if required, would be applied prospectively in accordance with IAS 8, recognising the effects of the change in estimates in the consolidated statement of profit or loss for the years affected.

In the six-month period ended 30 June 2018 there were no significant changes to the estimates made at 2017 year-end.

4.- SEASONALITY OF THE GROUP'S TRANSACTIONS

In view of the business activities in which the Group companies engage, their transactions are not substantially cyclical or seasonal in nature. Therefore, no specific disclosures are included in this connection in these explanatory notes to the interim condensed consolidated financial statements for the six-month period ended 30 June 2018.

5.- MATERIALITY

In determining the information to be disclosed on the various line items in the interim condensed consolidated financial statements or on other matters, in accordance with IAS 34, the Group took into consideration materiality with respect to the condensed consolidated financial statements for the first six months of 2018.

6.- PRINCIPAL RISKS AND UNCERTAINTIES FACED BY THE OHL GROUP

Risk management, as a strategic objective of the OHL Group, focuses on the implementation and maintenance of a reliable risk management system to be used as a management tool at all decision-making levels.

This system develops and implements a common set of processes, risk categories, and management tools and techniques in order to:

- Identify and manage risks at Group, Division and project level.
- Implement integrated reporting, enabling the identification and follow-up of key risks.
- Align levels of risk tolerance with Group aims.
- Improve risk-related information and communications.
- Improve risk-response decisions.
- Integrate risk management into the decision-making process.
- Reduce the Group's vulnerability to adverse events.
- Establish and maintain a risk-aware culture.

- Increase the confidence and assurance of the Board of Directors and of stakeholders that material risks are being managed and communicated on a timely basis.

The framework of the OHL Group's risk management process represents how the Group manages risk. Each functional area and Division is responsible for adopting and applying the framework and policies to the risk management it carries out in accordance with the following principles:

- Risk management is included in the main business processes such as planning or operational processes to ensure consistent risk analysis in decision-making.
- The OHL Group analyses and defines its ability to reduce, accept, share or avoid risks. This definition is aligned with and supports the Group's strategic and operational objectives and its declaration on risk tolerance.
- All the OHL Group's risks are identified, prioritised and evaluated, based on risk assessments and potential exposure, by appropriate personnel in the organisation.
- All OHL Group employees are responsible for risk management. Every employee must understand the risks involved within the scope of their responsibility and manage them within the tolerance limits established.
- Each functional area and Division is responsible for adopting and following the OHL Group Risk Management System. The risks identified are analysed in all Divisions and are added together to ensure the adoption of a coordinated response to the most common risks within the Group.
- OHL Group will conduct a formal risk assessment for each of its Divisions and for the Group as a whole at least once a year. These assessments must be carried out on a more regular basis for high-risk projects, activities, tasks and operating areas in order to keep up with the dynamic nature of the business.
- Each functional area and Division carries out periodic reviews of its risk listing in order to update the status of existing risks and to identify emerging risks.
- Each functional area and Division supports a culture of transparency, awareness-raising and open dialogue on risk. The OHL Group's Risk Management programme supports and helps facilitate regular debates on risk, corporate risk awareness and communication, and ongoing training on risk management.
- It is the responsibility of each Division to proactively disseminate information on significant current or potential risks in a timely manner, and to ensure that risk management information is provided to the corresponding Division management, the corporate risk management function or others as deemed appropriate.
- The OHL Group provides the necessary tools and resources to facilitate risk reporting, monitoring and measurement.

The OHL Group's risk management policy is reviewed annually to ensure that it remains in line with the interests of the Group and its stakeholders.

The OHL Group's Audit and Compliance Committee has the ultimate responsibility for ensuring that the commitments contained in the risk management policy are up to date and fulfilled on an ongoing basis.

The main risks that might affect the achievement of the Group's objectives are as follows:

6.1 Financial risk management

Financial risks affect mainly the obtainment of the necessary financing when required and at a reasonable cost and the maximisation of the available financial resources. The most significant financial risks are as follows:

- Interest rate risk.
- Foreign currency risk.
- Credit risk.
- Liquidity risk.

6.1.1 Interest rate risk

Interest rate fluctuations change the future flows from assets and liabilities tied to floating interest rates.

The Group finances its operations using fixed- or floating-rate financial products and, based on estimates of the trend in interest rates and of debt structure targets, it either performs hedging transactions by arranging derivatives to mitigate these risks, also conducting a sensitivity analysis in this connection, or it arranges fixed-rate financing.

Of the Group’s total gross debt at 30 June 2018, 6.2% had been hedged while 88.7% was bearing interest at a fixed rate.

A 0.5% increase in interest rates, excluding debt hedged with hedging instruments or bearing a fixed interest rate, would have an impact of EUR 193 thousand on the profit or loss attributable to the Parent in the Group's consolidated profit or loss.

6.1.2 Foreign currency risk

Foreign currency risk management is centralised at the Group and various hedging mechanisms are applied to minimise the impact of the changes in value of foreign currencies against the euro.

The foreign currency risks relate basically to:

- Debt denominated in foreign currencies.
- Payments to be made in international markets for the acquisition of procurements or non-current assets.
- Collections arising on projects tied to currencies other than the functional currency of the Parent or of the subsidiaries.
- Investments in foreign subsidiaries.

The Group arranges foreign currency derivatives and currency forwards to hedge significant future transactions and cash flows, in keeping with the acceptable risk limits.

Also, the net assets relating to net investments in foreign operations with a functional currency other than the euro are exposed to the risk of exchange rate fluctuations on the translation of the financial statements of these foreign operations on consolidation.

EUR (78,721) thousand were recognised in this connection under “Valuation Adjustments - Translation Differences” in the consolidated balance sheet as at 30 June 2018 (31 December 2017: EUR (730,641) thousand).

Non-current assets denominated in currencies other than the euro are financed in that same currency with a view to creating a natural hedge.

6.1.3 Credit risk

Credit risk is the probability that a counterparty to a contract does not meet its contractual obligations, giving rise to a loss.

The Group has adopted a policy of trading only with solvent third parties and obtaining sufficient guarantees to mitigate the risk of incurring losses in the event of non-compliance. The Group obtains information on its counterparty through independent company valuation agencies, other public sources of financial information or its own relationships with customers and third parties.

The detail of the net balances of the Group's financial assets exposed to credit risk at 30 June 2018 is as follows:

	Thousands of euros
Non-current financial assets	391,886
Trade and other receivables	1,649,436
Current financial assets	505,515
Cash and cash equivalents	825,559

Non-current financial assets

"Non-Current Financial Assets" includes loans to associates totalling EUR 48,480 thousand. The Group is aware of the solvency of its associates and does not expect any losses to arise in relation to these financial assets. No write-downs were recognised on these financial assets in the first six months of 2018.

Trade and other receivables

"Trade and Other Receivables" includes the balances of "Trade Receivables for Sales and Services", totalling EUR 1,393,883 thousand, of which 68.3% relates to public sector customers in relation to which the Group does not expect any losses to arise. In certain cases, the Group is entitled to charge interest. The remaining 31.7% relates to private sector customers, which, in general, have a high level of solvency.

Customers are assessed prior to entering into contracts. This assessment includes a solvency study. Over the course of the contract term, changes in debt are monitored on a constant basis and the recoverable amounts are reviewed, and write-downs are recognised whenever necessary.

6.1.4 Liquidity risk

This risk is managed by maintaining adequate levels of cash and marketable securities as well as by arranging and maintaining sufficient financing lines to cover all financing needs and to maintain at all times adequate levels of financial flexibility for the Group's activity.

In order to improve this liquidity position, the Group takes measures in relation to:

- Ongoing management of working capital and, particularly, of "Trade and Other Receivables".
- Optimisation of the financial position of all its companies through ongoing monitoring of cash projections.
- Management of the arrangement of financing lines in capital markets.

The Group presents the debt repayment schedule at 30 June 2018, with EUR 99,885 thousand maturing in 2018.

Worthy of note was the sale and transfer of all the share capital of OHL Concesiones, S.A.U. to IFM Global Infrastructure Fund, for which the Group received a net amount of EUR 1,991 million, which allowed it to repay substantially all the bank borrowings and redeem bonds totalling EUR 228 million, as well as to significantly improve its liquidity position.

The detail of the Group's liquidity position at 30 June 2018 is as follows:

- Current financial assets amounting to EUR 505,515 thousand.

  This includes a deposit of EUR 372,000 thousand, arranged to secure a reverse factoring arrangement of EUR 92,000 thousand and a guarantee facility of EUR 280,000 thousand that form part of the multi-product syndicated financing agreement (see Note 17).
- Cash and cash equivalents amounting to EUR 825,559 thousand.
- Drawable credit lines and discount facilities amounting to EUR 56,310 thousand.

6.2 Market risk

The OHL Group operates in diverse geographical markets and, accordingly, is subject to differing government regulations that can affect its activities and economic results.

The fact that its businesses are mostly located in countries with stable socio-economic and regulatory conditions (e.g. Europe and the US) minimises these risks.

Nevertheless, all the regulations that affect the Group's activities in each geographical market are monitored and, when necessary, appropriate measures are adopted to safeguard its businesses to the greatest extent possible.

6.3 Procurement risk

The OHL Group is exposed to the price risk of certain commodities, such as raw materials (e.g. bitumen, steel, etc.), which can affect the prices of the main supplies of the goods and services that the Group requires to carry on its operations. Delays can also occur in deliveries, and certain products may be more scarce in the geographic markets where the Group operates.

A detailed analysis of supply needs during the planning process of each project, along with the involvement of the Group's Purchasing Departments, minimises this risk.

6.4 Construction work/project performance risk

Delays or cost overruns may arise in the performance of the Group's construction work/projects as a result of certain of the aforementioned risks and technical problems that may arise. This may also give rise to claims against the Group's customers and litigation.

This can affect the Group's results, as was the case in the first six months of 2018 with the Industrial Division's projects.

The Group is continuing its policy of performing an exhaustive risk management analysis for each project, and is minimising performance costs through the close monitoring of each project and the adoption of all necessary measures to avoid a decline in margins.

6.5 Environmental risk

The OHL Group analyses environmental, geotechnical and archaeological risks in the tender phase, along with all the associated issues (significant or protected areas, water, soil, past activities in the soil, archaeology, etc.), and specifies the necessary preventive measures to be adopted during construction, operation and maintenance.

Additionally, the Group promotes a low-carbon circular economy through its activities, in line with the major global initiatives in this area, and incorporates in its strategy the responsible use of natural resources and the best practices in carbon footprint, water footprint and waste reduction.

Other risks than those indicated above may arise, which the Group, through the management process it has established, will identify, assess and address according to the significance of the risk in question for its businesses, ensuring that it has as little impact as possible on the Group's activities.

Risk management, as a strategic objective of the OHL Group, focuses on the implementation and maintenance of a reliable risk management system to be used as a management tool at all decision-making levels, as detailed in the integrated report for 2017.

In the second half of 2018 the Group will continue to monitor all the risks that may compromise its objectives, and at the end of 2018 will disclose both the potential risks and those that have actually arisen.

7.- CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows are inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

The interim condensed consolidated statement of cash flows is prepared using the indirect method, i.e. on the basis of the changes in the interim condensed consolidated statement of profit or loss and interim condensed consolidated balance sheet, and is presented with comparable figures for two periods.

This statement reflects changes in consolidated cash flows in the period, classifying them as:

- Cash flows from operating activities: the principal revenue-producing activities of the Group companies and other activities that are not investing or financing activities. Interest received and paid, gains or losses on the disposal of non-current assets, adjustments to profits generated by companies accounted for using the equity method and, in general, any results that do not generate cash flows are transferred out of "Cash Flows from Operating Activities" through "Other Adjustments to Loss".

  The detail of "Other Adjustments to Loss" is as follows:

	Thousands of euros	
	30/06/18	30/06/17
Changes in provisions and allowances	(12,071)	(1,184)
Financial loss	185,559	62,831
Result of companies accounted for using the equity method	71,040	9,862
Total	**244,528**	**71,509**

  Dividends received may be classified as cash flows from operating activities or investing activities. The Group chose to classify them as cash flows from operating activities.

- Cash flows from investing activities: those arising from the acquisition and disposal of non-current assets.

  Interest received may be classified as cash flows from operating activities or investing activities. The Group chose to classify it as cash flows from investing activities.

- Cash flows from financing activities: those arising from changes in borrowings, payment of the dividend, interest paid and changes in non-controlling interests.

  Interest paid may be classified as cash flows from operating activities or financing activities. The Group elected to classify interest paid as cash flows from financing activities.

8.- CHANGES IN THE COMPOSITION OF THE GROUP AND IN THE SCOPE OF CONSOLIDATION

Appendices I and II to the consolidated financial statements for the year ended 31 December 2017 provide relevant information on the Group companies that were fully consolidated at that date and on those accounted for using the equity method.

Changes in the composition of the Group

In the first six months of 2018 the most representative corporate transactions involving equity investments in other entities were as follows:

Sale of the Concessions Division

In April 2018 the Concessions Division, comprising 58 companies, of which 42 were fully consolidated and 16 were accounted for using the equity method, was sold. At 31 December 2017 these ownership interests had been recognised as assets and liabilities classified as held for sale and discontinued operations.

The disposal of the Concessions Division gave rise to a gain of EUR 47,550 thousand (see Note 12).

Sales of companies included in the Development Division

In April 2018 19 companies included in the Development Division were sold, of which 18 had been accounted for using the equity method.

The disposal of these companies gave rise to a loss of EUR 30,610 thousand (see Note 24).

Sale of ZPSV, a.s.

In June 2018 ZPSV, a.s. was sold.

The disposal of this company gave rise to a loss of EUR 3,066 thousand (see Note 24).

Changes in the scope of consolidation

The companies included in and excluded from the scope of consolidation in the first half of 2018 were as follows:

Inclusions	No. of companies
Full consolidation	-
Equity method	2
Total inclusions	**2**

Exclusions	No. of companies
Full consolidation	50
Equity method	37
Total exclusions	**87**

9.- DIVIDENDS PAID BY THE COMPANY AND EARNINGS PER SHARE

Dividend

On 30 May 2018, the Board of Directors of Obrascón Huarte Lain, S.A. resolved to distribute an interim dividend of EUR 0.348981 gross per share out of the profit for 2018, which was paid on 6 June 2018 and totalled EUR 99,867 thousand.

Earnings per share

	Thousands of euros	
	30/06/18	30/06/17
Weighted average number of shares outstanding	286,184,047	286,162,690
Consolidated loss for the period attributable to the Parent	(843,565)	(32,112)
Basic loss per share = diluted loss per share	**(2.95)**	**(0.11)**

Basic earnings per share

Basic earnings per share are calculated by dividing the net profit or loss attributable to the Parent by the weighted average number of ordinary shares outstanding during the period, excluding the average number of treasury shares held in the period.

Diluted earnings per share

Diluted earnings per share are calculated in a similar way to basic earnings per share; however, the weighted average number of shares outstanding is increased by share options, warrants and convertible debt.

At 30 June 2018 and 2017, there were no differences between the basic earnings per share and the diluted earnings per share as there were no share options, warrants or convertible debt at the OHL Group.

10.- CONCESSION INFRASTRUCTURE

Concession arrangements are arrangements between the concession grantor, which is generally a public sector entity, and the Group companies to provide services to the public through the operation of certain assets required for the provision of the service.

The concession right generally entails a monopoly on the provision of the service granted for a specified period of time, after which, in general, the concession assets required to provide the service have to be handed over to the concession grantor.

Revenue from performing the service may be received directly from the users or, sometimes, through the concession grantor itself. The prices for providing the service are usually regulated by the grantor.

These projects are generally financed with long-term borrowings without recourse to the shareholder, secured mainly by the cash flows generated by the concession operator companies and their assets, accounts and contractual rights. Since cash flows constitute the main security for the repayment of the borrowings, there are restrictions on the use of the funds by the shareholders until certain conditions have been met, which is assessed each year.

The Group's main fully consolidated concession operators at 30 June 2018 were as follows:

Operator	Description of concession	Country	%	Total projected investment (thousands of euros)	Remaining period (in years)
Marina Urola, S.A.	Marina	Spain	51.00	2,801	10
Sociedad Concesionaria Aguas de Navarra, S.A.	Navarra canal	Spain	65.00	89,475	27
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	Law courts	Chile	100.00	35	8

Under the concession arrangements, the concession operators are obliged to make investments totalling EUR 33,605 thousand, which must be made within a five-year period.

The breakdown of the carrying amount of “Concession Infrastructure” at 30 June 2018 is as follows:

Country and company	Thousands of euros		
	Intangible asset model	Financial asset model	Total
Spain			
Sociedad Concesionaria Aguas de Navarra, S.A. (1)	11,993	54,787	66,780
Marina Urola, S.A.	997	-	997
Other	37	-	37
Total	**13,027**	**54,787**	**67,814**

(1) Under construction.

Impairment losses on concession infrastructure

At the end of each reporting period or whenever there are indications of impairment, the Group tests the assets for impairment to determine whether their recoverable amount has been reduced to below their carrying amount.

Recoverable amount is the higher of fair value and value in use.

The Parent's directors consider that the tests are sensitive to their key assumptions, but that these indicators are within a reasonable degree of sensitivity, which meant that no impairment losses were identified in the first six months of 2018.

Generally, in order to calculate any possible impairment, the projected cash flows to be generated by the concessions are discounted. The main variables used for each concession are: the remaining term of each concession, forecast growth in activity, CPI growth and the tax rates of each country.

Based on the current information of the models, there are no indications of impairment and the investment will be recovered.

11.- JOINT ARRANGEMENTS

The detail of the investments accounted for using the equity method at 30 June 2018 and 31 December 2017 is as follows:

Companies	Thousands of euros	
	30/06/18	31/12/17
Joint ventures		
Altos de Ciudad de Mayakoba, S.A. de C.V.	1,960	1,359
Consorcio Conpax OHL Valko, S.A.	3,036	2,494
FHP Villas Lote 2, S.A. de C.V.	-	1,741
Fideicomiso Desarrollo OV CIB/2185	2,305	2,133
Health Montreal Collective CJV, L.P.	6,729	60,372
Nova Dársena Esportiva de Bara, S.A.	14,307	14,369
Novaterra Caribe, S.A.P.I. de C.V.	520	4,445
OHL Construction Canada and FCC Canada Limited Partnership	-	-
OHL FCC North Tunnels Canadá, Inc.	-	8,494
Proyecto CCC Empalme I, S.A.P.I. de C.V.	-	2,011
Rhatigan OHL Limited	2,732	1,066
Other	25	836
Associates		
Alse Park, S.L.	3,091	4,831
Arenales Solar PS, S.L.	19,534	19,400
Desarrollos RBK en la Riviera, S.A. de C.V.	-	2,460
E.M.V. Alcalá de Henares, S.A.	1,947	1,975
Golf de Mayakoba, S.A. de C.V.	-	5,535
Health Montreal Collective Limited Partnership	6,779	7,039
Hotel Hoyo Uno, S. de R.L. de C.V.	-	5,455
Islas de Mayakoba, S.A. de C.V.	-	16,072
Mayakoba Thai, S.A. de C.V.	-	13,214
Nuevo Hospital de Toledo, S.A.	4,735	915
Operadora Hotelera del Corredor de Mayakoba, S.A. de C.V.	-	8,705
Proyecto Canalejas Group, S.L.	46,654	46,221
57 Whitehall Holdings S.A.R.L.	95,163	69,808
Other	516	2,177
Total	**210,033**	**303,127**

Joint operations

The Group undertakes certain of its business activities by participating in contracts that are executed jointly with other non-Group venturers, mainly through unincorporated temporary joint ventures ("UTEs") and other similar entities, which are proportionately consolidated in the Group's consolidated financial statements.

There is no individual joint operation that is material with respect to the Group's assets, liabilities and results.

12.- NON-CURRENT ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

In accordance with IFRS 5, at 31 December 2017 "Non-Current Assets Classified as Held for Sale" and "Liabilities Associated with Non-Current Assets Classified as Held for Sale" included the assets and liabilities of the discontinued Concessions business, the sale of which took place in April 2018.

"Profit (Loss) for the Period from Discontinued Operations, Net of Tax" reflects the impacts on profit or loss, before non-controlling interests, of the disposal of the Concessions business.

The following table shows the aforementioned impacts, to which the non-controlling interests have been added up to the date of disposal, in order to show the total impact of the disposal of the Division on profit or loss in the period ended 30 June 2018.

	Thousands of euros
Revaluation losses	(549,868)
Gains on disposal	47,550
Profit after tax arising before the disposal	115,738
Total loss for the period from discontinued operations, net of tax	**(386,580)**
Profit from discontinued operations attributable to non-controlling interests	(71,618)
Total loss contributed	**(458,198)**

On 12 April 2018 the sale was completed and all the share capital of OHL Concesiones, S.A.U. was transferred to IFM Global Infrastructure Fund.

It should be noted that the sale agreement did not include the shares of Autopista Eje Aeropuerto Concesionaria Española, S.A. or Cercanías Móstoles Navalcarnero, S.A., companies in the Concessions Division. Both of these concessions are in liquidation and are recognised under "Non-Current Financial Assets - Investment Securities" on the asset side of the interim condensed consolidated balance sheet (see Note 13).

In addition to the gains arising from the sale of the Division, the Group transferred to profit or loss the amounts associated with the valuation adjustments (translation differences and remeasurement at fair value of the financial instruments) contributed by the disposed Concessions Division, which were recognised in the Group's consolidated equity and totalled EUR 540,545 thousand and EUR 9,323 thousand, respectively. This transfer relates to the reclassification of the aforementioned amounts from "Valuation Adjustments" to profit or loss, and did not have any effect on the Group's total consolidated equity.

The sale agreement valued OHL Concesiones, S.A.U. at EUR 2,775 million, resulting in net consideration, after adjustments relating to net borrowings, exchange rates and cash contributed to projects, of EUR 2,158 million. The gain arising on the disposal amounted to EUR 47,550 thousand.

The detail of the statement of profit or loss line items contributed by the Concessions Division, before non-controlling interests, is as follows:

STATEMENT OF PROFIT OR LOSS	Thousands of euros	
	March 2018	June 2017
Revenue	102,675	216,416
Other operating income	172,769	389,096
TOTAL INCOME	**275,444**	**605,512**
Procurements	(4,891)	(22,472)
Staff costs	(17,692)	(37,811)
Other operating expenses	(26,285)	(64,446)
Depreciation and amortisation charge	(5,237)	(15,916)
Changes in provisions and allowances	(216)	(2)
PROFIT FROM OPERATIONS	**221,123**	**464,865**
Finance income	11,063	24,955
Finance costs	(79,509)	(162,551)
Exchange differences	2,792	(3,836)
Net gains (losses) on remeasurement of financial instruments at fair value	84	(29,211)
Results of companies accounted for using the equity method	6,751	22,824
Net gains on disposals of financial instruments	1,077	21,778
PROFIT BEFORE TAX	**163,381**	**338,824**
Income tax	(47,643)	(91,064)
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS, NET OF TAX	**115,738**	**247,760**

13.- FINANCIAL ASSETS

Investment securities

The detail of “Investment Securities” at 30 June 2018 and 31 December 2017 is as follows:

	Thousands of euros			
	30/06/18		31/12/17	
	Non-current	Current	Non-current	Current
Held-to-maturity securities	294	48,732	1,143	46,657
Available-for-sale securities	63,892	3	207,970	3
Subtotal	**64,186**	**48,735**	**209,113**	**46,660**
Impairment losses	(3,931)	-	(148,049)	-
Total	**60,255**	**48,735**	**61,064**	**46,660**

The amounts of investment securities classified as current relate in full to securities maturing at over three months and at under twelve months.

“Impairment Losses” includes the estimated impairment losses that had to be recognised to write down the carrying amount of the investment securities to their fair value.

The investment securities classified as non-current under "Available-for-Sale Securities" included:

1) At 31 December 2017 “Available-for-Sale Securities” included EUR 108,480 thousand relating to the ownership interests in Aeropistas, S.L. and Autopista Eje Aeropuerto Concesionaria Española, S.A., which were written down in full. In 2018 this impairment loss and the related investment were transferred to profit or loss, thereby reducing the balances of "Investment Securities" and "Impairment Losses".

2) At 31 December 2017 "Available-for-Sale Securities" included EUR 95,549 thousand relating to the ownership interest in Cercanías Móstoles Navalcarnero, S.A., which were partially written down by EUR 35,638 thousand. In 2018 this impairment loss and the related investment were transferred to profit or loss, thereby reducing the balances of "Available-for-Sale Securities" and "Impairment Losses".. EUR 59,911 thousand had been recognised in this connection at 30 June 2018.

Other receivables and deposits and guarantees given

The detail is as follows:

	Thousands of euros			
	30/06/18		31/12/17	
	Non-current	Current	Non-current	Current
Other receivables	321,634	92,753	450,037	100,762
Deposits and guarantees given	14,302	377,436	123,798	6,106
Impairment losses and write-downs	(4,305)	(13,409)	(133,908)	(13,409)
Total, net	**331,631**	**456,780**	**439,927**	**93,459**

If the loans granted to other companies pose any collection risk an impairment loss is recognised.

All the initial amounts are increased by accrued interest receivable.

“Other Receivables” and “Deposits and Guarantees Given” included:

1) At 31 December 2017, “Non-Current Deposits and Guarantees Given” included EUR 97,596 thousand corresponding to the assets relating to a project for Qatar Foundation which arose from the litigation with this customer. As a result of the application of IFRS 15, on 1 January 2018 this amount was derecognised (see Note 2).

2) At 31 December 2017, "Other Receivables" under non-current assets included a participating loan of EUR 148,241 thousand relating to Aeropistas, S.L. and Autopista Eje Aeropuerto Concesionaria Española, S.A., for which an impairment loss of EUR 129,654 thousand had been recognised. In 2018 this impairment loss and the related investment were transferred to profit or loss, and the balance recognised at 30 June 2018 totalled EUR 18,587 thousand.

3) At 30 June 2018, "Other Receivables" under non-current assets included EUR 15,869 thousand relating to guarantees of Cercanías Móstoles Navalcarnero, S.A. unduly enforced by the Autonomous Community Government of Madrid, which the Group considers, based on the opinion of its legal advisers, to be recoverable in full.

4) At 30 June 2018, "Other Receivables" under non-current assets included EUR 125,879 thousand relating to the participating loan granted to Cercanías Móstoles Navalcarnero, S.A.

5) At 31 December 2017 "Non-Current Financial Assets - Other Receivables" included EUR 83,834 thousand relating to an account receivable from Grupo Villar Mir, S.A.U. as a result of

the termination of the agreement to purchase all the share capital of Pacadar, S.A. The reimbursement of the price paid is secured by a security interest in all the shares of Pacadar, S.A. and the account receivable bears annual interest at 5.0%

6) At 30 June 2018 "Current Financial Assets - Other Receivables" includes EUR 34,866 thousand relating to an account receivable from Pacadar, S.A., which bears annual interest at 5.0%.

7) At 30 June 2018 "Non-Current Financial Assets - Other Receivables" includes loans to associates amounting to EUR 48,480 thousand.

8) "Current Financial Assets - Deposits and Guarantees Given" includes a deposit of EUR 372,000 thousand securing a reverse factoring facility of EUR 92,000 thousand and the guarantee facility of EUR 280,000 thousand that form part of the multi-product syndicated financing agreement (see Note 17).

14.- INVENTORIES

No write-downs were recognised on the inventories in the interim condensed consolidated balance sheet for the six-month period ended 30 June 2018.

15.- TRADE RECEIVABLES FOR SALES AND SERVICES

The detail of "Trade Receivables for Sales and Services" at 30 June 2018 and 31 December 2017 is as follows:

	Thousands of euros	
	30/06/18	31/12/17
Trade receivables for sales and services		
Amounts to be billed for work or services performed	708,422	1,039,355
Progress billings receivable	557,934	528,268
Retentions	120,106	140,001
Trade notes receivable	7,421	2,783
Subtotal	**1,393,883**	**1,710,407**
Customer advances	(634,325)	(477,757)
Total net of advances	**759,558**	**1,232,650**
Write-downs and provisions	(91,524)	(299,625)
Total, net	**668,034**	**933,025**

At 30 June 2018, the balance of "Trade Receivables for Sales and Services" had been reduced by EUR 46,007 thousand (31 December 2017: EUR 40,838 thousand) relating to the accounts receivable from customers factored to banks. Since these factoring arrangements are without recourse in the event of non-payment, they are treated as a reduction of trade receivables.

The detail of "Trade Receivables for Sales and Services", by type of customer, is as follows:

	Thousands of euros	
	30/06/18	31/12/17
Spain	**322,560**	**391,275**
Public sector	**157,702**	**159,705**
Central government	35,077	31,939
Autonomous community governments	37,133	41,266
Local governments	42,520	38,429
Other agencies	42,972	48,071
Private sector	**164,858**	**231,570**
Abroad	**1,071,323**	**1,319,132**
Total	**1,393,883**	**1,710,407**

Of the balance of "Progress Billings Receivable" and "Trade Notes Receivable", totalling EUR 565,355 thousand, 62.3% (EUR 352,470 thousand) relate to the public sector and 37.7% (EUR 212,885 thousand) to the private sector.

The aging of this balance is as follows:

	Thousands of euros		
	Type of customer		
	Public sector	Private sector	Total
0 to 90 days	255,615	97,082	352,697
91 to 180 days	40,768	11,159	51,927
181 to 360 days	19,815	4,254	24,069
More than 360 days	36,272	100,390	136,662
Total	**352,470**	**212,885**	**565,355**

The Group included under "Trade Receivables for Sales and Services - Amounts to Be Billed for Work or Services Performed" the amount of claims under negotiation with customers or in dispute (either in court or in arbitration) that are expected to be obtained. The entry into force of IFRS 15 resulted in the adoption of stricter criteria for the recognition of revenue, particularly with regard to the probability of customer approval and, therefore, the revenue is only recognised when it is highly probable that a significant reversal in revenue will not occur.

In this regard, on 1 January 2018 EUR 346,558 thousand relating to "Trade and Other Receivables - Amounts to Be Billed for Work Performed" were derecognised with a charge to "Reserves" in connection with construction projects that are subject to litigation.

The Group has lodged claims with customers totalling approximately EUR 708,300 thousand in relation to projects in progress (31 December 2017: EUR 739,800 thousand).

In accordance with IFRS 15, the Group has not recognised any amount relating to these claims under "Trade Receivables for Sales and Services" (31 December 2017: EUR 402,000 thousand).

However, since the Group fully retains the legitimate right to collect all of the related amounts, it will continue to take all the actions required to recover them.

Of the total balance of provisions at 31 December 2017, EUR 204,680 thousand covered possible losses arising from claims recognised. The related amounts were charged to profit or loss as a result of the first-time application of IFRS 15.

The changes were as follows:

	Thousands of euros
Balance of provisions at 31 December 2017	**(299,625)**
Derecognition due to application of IFRS 15	204,680
Charge for the year/amounts used 2018	3,421
Balance of provisions at 30 June 2018	**(91,524)**

In order to determine the amount of the provisions for possible losses arising from balances recognised, estimates are made which take the following into account for each project on a case-by-case basis:

- The status of the negotiations with each customer.
- The technical assessment of the work performed and of the conformity thereof with the contract with the customer, performed by the project managers and taking into account, if appropriate, any expert reports.

For other provisions, mainly for doubtful debts, estimates are made considering any failure to meet payment obligations under the contracts and the probability of default, which are analysed for each contract and customer.

At each reporting date the information is updated to determine the recoverable amount.

16.- CASH AND CASH EQUIVALENTS

“Cash and Cash Equivalents”, which totalled EUR 825,559 thousand at 30 June 2018, relates to the Group's fully liquid assets and includes cash on hand and at banks and short-term bank deposits with an original maturity of three months or less. These balances are not restricted as to their use and are not subject to a risk of changes in value.

17.- FINANCIAL LIABILITIES

The detail of the Group's financial liabilities at 30 June 2018 and 31 December 2017 is as follows:

Financial liabilities:	Thousands of euros				
	30/06/18				
	Held-for-trading financial liabilities	Other financial liabilities at FV through PL	Accounts payable	Hedging derivatives	Total
Bank borrowings	-	-	14,570	-	14,570
Debt instruments and other marketable securities	-	-	658,307	-	658,307
Derivatives	-	-	-	196	196
Other financial liabilities	-	-	3,570	-	3,570
Non-current financial liabilities	**-**	**-**	**676,447**	**196**	**676,643**
Bank borrowings	-	-	79,187	-	79,187
Debt instruments and other marketable securities	-	-	20,698	-	20,698
Derivatives	-	471	-	1,505	1,976
Other financial liabilities	-	-	2,637	-	2,637
Current financial liabilities	**-**	**471**	**102,522**	**1,505**	**104,498**
Total		**471**	**778,969**	**1,701**	**781,141**

Financial liabilities:	Thousands of euros				
	31/12/17				
	Held-for-trading financial liabilities	Other financial liabilities at FV through PL	Accounts payable	Hedging derivatives	Total
Bank borrowings	-	-	10,171	-	10,171
Debt instruments and other marketable securities	-	-	883,385	-	883,385
Derivatives	-	-	-	414	414
Other financial liabilities	-	-	4,019	-	4,019
Non-current financial liabilities	**-**	**-**	**897,575**	**414**	**897,989**
Bank borrowings	-	-	659,338	-	659,338
Debt instruments and other marketable securities	-	-	21,341	-	21,341
Derivatives	-	269	-	1,565	1,834
Other financial liabilities	-	-	2,933	-	2,933
Current financial liabilities	**-**	**269**	**683,612**	**1,565**	**685,446**
Total	**-**	**269**	**1,581,187**	**1,979**	**1,583,435**

At 30 June 2018, the bank borrowings and debt instruments and other marketable securities amounted to EUR 772,762 thousand.

The related maturities are as follows:

	Thousands of euros						
	2018	2019	2020	2021	2022	Subsequent years	Total
Bank borrowings	**79,187**	**1,740**	**1,486**	**45**	**11,244**	**55**	**93,757**
Corporate bond issues	10,435	-	72,969	-	319,501	265,837	668,742
Other marketable securities	10,263	-	-	-	-	-	10,263
Total debt instruments and other marketable securities	**20,698**	**-**	**72,969**	**-**	**319,501**	**265,837**	**679,005**
Total bank borrowings and debt instruments and other marketable securities	**99,885**	**1,740**	**74,455**	**45**	**330,745**	**265,892**	**772,762**

Bank borrowings

The detail of the bank borrowings at 30 June 2018, by maturity, is as follows:

	Thousands of euros						
	2018	2019	2020	2021	2022	Subsequent years	Total
Mortgage loans	35	32	42	45	11,244	55	11,453
Progress billing and note discounting facilities	438	-	-	-	-	-	438
Loans and credit facilities	26,787	1,708	1,444	-	-	-	29,939
Total mortgage and other loans	**27,260**	**1,740**	**1,486**	**45**	**11,244**	**55**	**41,830**
Loans of concession operators	51,831	-	-	-	-	-	51,831
Total loans	**79,091**	**1,740**	**1,486**	**45**	**11,244**	**55**	**93,661**
Unmatured accrued interest payable	90	-	-	-	-	-	90
Unmatured accrued interest payable of concession operators	6	-	-	-	-	-	6
Total unmatured accrued interest payable	**96**	**-**	**-**	**-**	**-**	**-**	**96**
Total	**79,187**	**1,740**	**1,486**	**45**	**11,244**	**55**	**93,757**

At 30 June 2018, the bank borrowings hedged by interest rate derivatives represented 47.3% of the total (31 December 2017: 6.6%).

- Mortgage loans

  At 30 June 2018, certain items of property, plant and equipment amounting to EUR 508 thousand (31 December 2017: EUR 396 thousand) had been mortgaged as security for loans totalling EUR 158 thousand (31 December 2017: EUR 161 thousand).

  At 30 June 2018, certain items of investment property amounting to EUR 2,878 thousand (31 December 2017: EUR 3,218 thousand) had been mortgaged as security for loans totalling EUR 11,295 thousand (31 December 2017: EUR 5,212 thousand).

  These loans bear interest at market rates.

- Loans of concession operators

  At 30 June 2018, "Loans of Concession Operators" totalled EUR 51,837 thousand and related to the loan of Sociedad Concesionaria Aguas de Navarra, S.A., which bears annual interest of 3.35% and is classified at short term due to the failure to comply with the clauses of the loan agreement.

- Progress billing and note discounting facilities

	Thousands of euros	
	30/06/18	31/12/17
Limit	1,516	28,445
Amount drawn down	**438**	**3,438**
Undrawn balance	1,078	25,007

The amounts drawn down bore average interest at 1.85% in the first six months of 2018 (2017: 3.20%).

- Loans, credit facilities and loans of concession operators

	Thousands of euros	
	30/06/18	31/12/17
Limit	142,036	855,798
Amount drawn down	**86,804**	**665,800**
Undrawn balance	55,232	189,998

The amounts drawn down bore average interest at 2.88% in the first six months of 2018 (2017: 2.81%).

The most noteworthy loan transactions were as follows:

1) Syndicated loan

At 31 December 2017, the balance of this loan amounted to EUR 250,000 thousand In April 2018 this loan was repaid.

2) Multi-product syndicated financing

At 31 December 2017, the balance of this loan amounted to EUR 190,000 thousand. In April 2018 this loan was repaid.

At 30 June 2018, the Group had a deposit of EUR 372,000 thousand securing a reverse factoring facility of EUR 92,000 thousand and a guarantee facility of EUR 280,000 thousand, although in September a new agreement was reached to reduce the amount of this guarantee to EUR 140,000 thousand.

3) Loans of concession operators

At 30 June 2018, "Loans of Concession Operators" totalled EUR 51,837 thousand and related to the loan of Sociedad Concesionaria Aguas de Navarra, S.A., which bears interest at 3.35% and is classified at short term due to the failure to comply with the clauses of the loan agreement.

Debt instruments and other marketable securities

The detail of "Loans of Concession Operators" in the consolidated balance sheets as at 30 June 2018 and 31 December 2017 is as follows:

	Thousands of euros	
	30/06/18	31/12/17
Corporate bond issues (long-term)	658,307	883,385
Corporate bond issues (short-term)	10,435	14,646
Commercial paper issue (short-term)	10,263	6,695
Total	**679,005**	**904,726**

The detail, by maturity, of the corporate bonds and other marketable securities is as follows:

	Thousands of euros						
	2018	2019	2020	2021	2022	Subsequent years	Total
Corporate bond issues	10,435	-	72,969	-	319,501	265,837	668,742
Other marketable securities	10,263	-	-	-	-	-	10,263
Total	**20,698**	**-**	**72,969**	**-**	**319,501**	**265,837**	**679,005**

Corporate bond issues

Year of issue	Issuer	Thousands of euros		Year of final maturity	Issue currency	Market price (30/06/18)
		30/06/18	31/12/17			
2012	Obrascón Huarte Lain, S.A.	74,600	190,144	2020	Euro	100.716
2014	Obrascón Huarte Lain, S.A.	323,976	395,126	2022	Euro	99.413
2015	Obrascón Huarte Lain, S.A.	270,166	312,761	2023	Euro	100.542
Total		**668,742**	**898,031**			

"Corporate Bond Issues" includes the principal and the accrued interest payable at 30 June 2018 of the three long-term bond issues carried out by the Parent in Europe.

EUR 668,742 thousand had been recognised in this connection at 30 June 2018 (31 December 2017: EUR 898,031 thousand).

"Debt Instruments and Other Marketable Securities" includes the principal and the accrued interest payable at 30 June 2018 of the following bond issues:

As a result of the completion of the sale and transfer of all the share capital of OHL Concesiones, S.A.U., the Group notified the holders of the three bond issues that they had a put option exercisable until 12 May 2018.

The main changes in each of the three bond issues since their issuance, including the bondholders' exercise of the put option whereby the Group would redeem its bonds by paying 101% of the face value plus the accrued coupon, were as follows:

	Thousands of euros
March 2012 issue (maturity 2020)	**300,000**
Repurchase November 2015	(37,583)
Early redemption March 2016	(32,058)
Early redemption August 2016	(13,780)
Repurchase September 2016	(9,500)
Repurchase October 2016	(20,000)
Interest and other	3,065
Balance at 31 December 2017	**190,144**
Exercise of put option May 2018	(113,774)
Interest and other	(1,770)
Balance at 30 June 2018	**74,600**

	Thousands of euros
March 2014 issue (maturity 2022)	**400,000**
Repurchase September 2016	(5,500)
Interest and other	626
Balance at 31 December 2017	**395,126**
Exercise of put option May 2018	(71,481)
Interest and other	331
Balance at 30 June 2018	**323,976**

	Thousands of euros
March 2015 issue (maturity 2023)	**325,000**
Early redemption November 2015	(8,137)
Repurchase September 2016	(4,000)
Interest and other	(102)
Balance at 31 December 2017	**312,761**
Exercise of put option May 2018	(42,994)
Interest and other	399
Balance at 30 June 2018	**270,166**

In relation to these corporate bond issues, there is an obligation to achieve certain financial ratios at the end of each year, which were achieved in full at 31 December 2017.

The average interest rate on the bond issues was 5.57% during the first six months of 2018 (2017: 5.61%).

Other marketable securities

At 31 December 2017, the Parent had a commercial paper issue facility of up to EUR 500,000 thousand, the balance of which totalled EUR 6,695 thousand at that date. This commercial paper was redeemed in May 2018. The average interest rate on the commercial paper issue was 0.99% during the first six months of 2018 (2017: 1.62%).

Obligations under finance leases

The detail of the Group's obligations under finance leases at 30 June 2018 and 31 December 2017 is as follows:

	Thousands of euros	
	30/06/18	31/12/17
Under non-current liabilities	3,570	4,019
Under current liabilities	2,637	2,933
Total	**6,207**	**6,952**

The Group leases certain of its fixtures and equipment under finance leases. The average lease term is 42 months.

18.- EQUITY

Share capital

The changes in the share capital of the Parent in 2017 and in the period ended 30 June 2018 were as follows:

	Number of shares	Par value (Thousands of euros)
Number of shares and par value of share capital at 1 January 2017	298,758,998	179,255
Number of shares and par value of share capital at 31 December 2017	298,758,998	179,255
Capital reduction	12,210,709	(7,326)
Number of shares and par value of share capital at 30 June 2018	286,548,289	171,929

The shareholders at the Extraordinary General Meeting held on 9 January 2018 resolved to reduce the share capital by EUR 7,326 thousand by retiring 12,210,709 treasury shares of EUR 0.60 par value each, representing 4.087% of the share capital.

Following this capital reduction, the share capital of Obrascón Huarte Lain, S.A. stood at EUR 171,928,973.40, divided into 286,548,289 shares of EUR 0.60 par value each, all of the same class and series. The shares are listed on the Madrid and Barcelona Stock Exchanges and are traded on the Spanish Stock Market Interconnection System.

The detail of the companies with a direct or indirect ownership interest of 3% or more in the share capital of Obrascón Huarte Lain, S.A. at 30 June 2018 is as follows:

Company	%
Inmobiliaria Espacio, S.A.	38.322
Santander Asset Management	5.972
Société Générale	4.285
Deutsche Bank	4.243
Santander Small Caps	3.336

Share premium

	Thousands of euros
Balance at 1 January 2017	1,265,300
Balance at 31 December 2017	1,265,300
Balance at 30 June 2018	1,265,300

The Consolidated Spanish Limited Liability Companies Law expressly permits the use of the share premium account balance to increase the capital of the entities at which it is recognised and does not establish any specific restrictions as to its use.

Treasury shares

The changes in “Treasury Shares” during the first six months of 2018 were as follows:

	No. of shares	Thousands of euros
Balance at 1 January 2018	**12,531,939**	**48,638**
Purchases	11,144,581	44,274
Sales	(11,079,839)	(44,813)
Retirement	(12,210,709)	(47,020)
Balance at 30 June 2018	**385,972**	**1,079**

The retirement of treasury shares took place through a capital reduction approved by the shareholders at the Extraordinary General Meeting held on 9 January 2018, which gave rise to a capital reduction of EUR 7,326 thousand and a reduction in voluntary reserves of EUR 39,694 thousand.

Reserves and reserves of consolidated companies

The detail of the reserves in the consolidated balance sheets as at 30 June 2018 and 31 December 2017 is as follows:

	Thousands of euros	
	30/06/18	31/12/17
Restricted reserves of the Parent		
Legal reserve	11,969	11,969
Reserve for retired capital	11,182	3,856
Subtotal	**23,151**	**15,825**
Voluntary and consolidation reserves		
Attributable to the Parent	1,264,177	(707,018)
Attributable to the consolidated companies	(261,216)	2,225,326
Subtotal	**1,002,961**	**1,518,308**
Total	**1,026,112**	**1,534,133**

The main changes in "Reserves" in the first six months of 2018 were as follows:

- <u>Application of IFRS 15, Revenue from Contracts with Customers</u>

  As a result of the application of IFRS 15, Revenue from Contracts with Customers, on 1 January 2018 EUR 444,154 thousand were derecognised with a charge to "Reserves" (see Note 2).

- <u>Capital reduction through the retirement of treasury shares</u>

  As a result of the aforementioned retirement of treasury shares, "Reserves" were reduced by EUR 39,694 thousand.

- <u>Transfer of reserves attributable to the consolidated companies to reserves attributable to the Parent</u>

  As a result of the sale of the Concessions Division, the reserves attributable to the consolidated companies, amounting to EUR 2,532,117 thousand, were transferred to reserves attributed to the Parent.

Valuation adjustments

	Thousands of euros	
	30/06/18	31/12/17
Valuation adjustments relating to hedges	(9,583)	(20,668)
Translation differences	(78,721)	(730,641)
Total	**(88,304)**	**(751,309)**

Valuation adjustments increased due mainly to the sale of the Concessions Division, which as a result included the translation differences amounting to EUR (540,545) thousand and the adjustments to fair value of the derivatives associated with the Division amounting to EUR (9,323) thousand, which had previously been classified as valuation adjustments and, therefore, the net effect on equity was zero (see Note 12).

Legal reserve

Under the Consolidated Spanish Limited Liability Companies Law, a minimum of 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

Reserve for retired capital

The balance of “Reserve for Retired Capital” amounted to EUR 11,182 thousand at 30 June 2018 (31 December 2017: EUR 3,856 thousand), as a result of the capital reductions performed in 2018 amounting to EUR 7,326 thousand, in 2009 amounting to EUR 2,625 thousand and in 2006 amounting to EUR 1,231 thousand, through the retirement of treasury shares, and pursuant to current legislation safeguarding the guarantee provided by equity vis-à-vis third parties.

This reserve is restricted as to its use and may only be used if the same requirements as those stipulated for capital reductions are met, i.e. the shareholders at the Annual General Meeting must decide on its use.

Limitations on the distribution of dividends

Until the balance of development expenditure has been fully amortised, no dividends may be distributed unless the unrestricted reserves are at least equal to the amount of the unamortised balance of this heading. Consequently, at 30 June 2018 EUR 5,556 thousand of the Parent's "Share Premium" and "Other Reserves" were restricted.

Non-controlling interests

The balance of "Non-Controlling Interests" decreased by EUR 2,021,883 thousand due mainly to the sale of the Concessions Division (see Note 12). At 31 December 2017 this balance totalled EUR 2,014,267 thousand.

Dividend

The shareholders at the Annual General Meeting held on 26 June 2018 approved the proposed distribution of an interim dividend of EUR 0.348981 gross per share (totalling EUR 99,867 thousand) out of the profit for 2018, which was paid on 6 June 2018.

19.- LONG-TERM PROVISIONS

The detail of “Long-Term Provisions” in the consolidated balance sheet is as follows:

	Thousands of euros	
	30/06/18	31/12/17
Provisions for taxes	5,144	9,663
Provisions for litigation and third-party liability	29,802	40,214
Other provisions	245	245
Total	**35,191**	**50,122**

The provisions for litigation and third-party liability arise due to the obligations of an indeterminate amount, in respect of lawsuits and/or arbitral proceedings in progress and indemnity payments. These provisions include the portion recognised to cover the additional losses incurred by the companies accounted for using the equity method once the balance of "Investments Accounted for Using the Equity Method" has reached zero.

20.- TAX MATTERS

Income tax expense

The main line items affecting the quantification of the income tax expense are as follows (estimated amounts):

	Thousands of euros	
	30/06/18	30/06/17
Consolidated loss before tax	**(389,550)**	**(126,395)**
Result of companies accounted for using the equity method	71,040	9,862
Subtotal	**(318,510)**	**(116,533)**
Tax charge at 25%	**(79,628)**	**(29,133)**
Net impact of other permanent differences, tax credits, domestic tax rate differential and adjustments	81,060	18,452
Income tax (expense) benefit	**1,432**	**(10,681)**

This rate was calculated by eliminating the results of companies accounted for using the equity method and other items without any tax effect, and it must be taken into consideration that the Group does not recognise tax assets if it is not certain that they will be recovered.

Years open for review by the tax authorities

In general, the Group companies have all the tax returns filed for the taxes applicable to them open for review by the tax authorities the statute-of-limitations period for which has not elapsed.

In 2016 the Spanish tax authorities (AEAT) commenced general tax audits of 2011 to 2013 at the Parent in relation to Spanish income tax, VAT and personal income tax withholdings. These audits were completed in June 2018 and the tax assessments issued in relation to these taxes were not significant.

The possible tax audits of the coming years open for review by the tax authorities and the audits that are currently taking place could give rise to certain contingent tax liabilities that cannot be objectively quantified. However, the Parent's directors consider that those liabilities would not be material.

21.- CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets

There were no material contingent assets at 30 June 2018.

Contingent liabilities and guarantees

Guarantees provided to third parties

The contingent liabilities include the normal liability of construction companies for the performance and completion of the project contracts held by the Group companies and those arranged by the UTEs in which they have interests. The subsidiaries in Spain also have a secondary liability for the obligations of their subcontractors to the social security system with respect to their site employees. No losses are expected to be incurred by the Group in this connection.

At 30 June 2018, the Group companies had provided EUR 3,494,587 thousand of guarantees to third parties (31 December 2017: EUR 3,672,965 thousand), of which, in accordance with standard practice in the industry, EUR 3,424,950 thousand (31 December 2017: EUR 3,550,465 thousand) related to completion bonds deposited with public authorities and private sector customers to guarantee proper performance of the project contracts, and the remainder to provisional guarantees for project bids.

The Group considers that, in connection with the construction projects subject to this type of guarantee, no circumstances have arisen that require a provision to be recognised.

The obligations assumed are the performance of the construction work or project in accordance with the prime contract entered into. Should the Group breach the terms and conditions envisaged in the contract and, accordingly, fail to perform the construction work or project, the customer would be entitled to enforce the guarantee provided, although it would have to evidence the Group's default.

The Group considers that it has been complying with the obligations assumed with its customers in relation to the performance of the construction work or projects awarded, which is the Group’s core business. Therefore, the Group considers the probability of defaulting on the contracts it performs and, consequently, of the performance bonds or guarantees provided being enforced, to be remote.

Joint and several personal financial guarantees

Also, certain Group companies had provided joint and several personal guarantees to various entities (mainly banks) as security for the credit facilities granted to other associates, which amounted to EUR 55,080 thousand at 30 June 2018 (31 December 2017: EUR 50,493 thousand).

The Parent's directors do not expect, as a result of the provision of these guarantees, any additional liabilities to arise that might affect the interim condensed consolidated financial statements as at 30 June 2018.

Guarantees for financial instruments

Certain Group companies have provided guarantees to various entities to secure derivatives granted to other associates, the amount of which at 30 June 2018 was EUR 2,259 thousand (31 December 2017: EUR 6,095 thousand).

The Parent's directors do not expect the collateral guarantees to pose a significant risk for the Group's liquidity.

Investment obligations

The concession operators are obliged, under the concession arrangements, to make certain investments (see Note 10).

These investments will be financed through loans granted to, capital increases at, and cash flows generated by, the concession operators. Given that these are estimates and neither the amounts to be received through the loans nor the cash flows to be generated by the concessions are fixed, the amount and the timing of the capital increases at the subsidiaries that the Group would have to subscribe is not certain.

Litigation

At 30 June 2018, certain lawsuits were in process involving the Parent and/or its subsidiaries as a result of the ordinary performance of their operations.

The Group's most significant litigation is as follows:

- In June 2008 and 2009 the concession operator **Autopista Eje Aeropuerto Concesionaria Española, S.A.U. (Eje Aeropuerto)** filed two claims (the latter refiled on 31 July 2013) against the Spanish Ministry of Public Works requesting that the economic feasibility of the concession be restored and that the concession arrangement be rendered null and void with the reimbursement of the amounts invested, respectively.

  At the reporting date the authorities had not handed down any decision on these requests.

  In order to compensate for the shortfall in traffic and the compulsory purchase cost overruns, in 2012, 2013, 2014, 2015, 2016 and 2017 the company claimed from the Ministry the approval and payment of the amounts earmarked in the compensation account and approval of the annual participating loans pursuant to Additional Provision Eight of Law 43/2010. At present, all the claims have been rejected by the corresponding courts.

  Also, at the reporting date a decision had yet to be handed down on the appeal filed by the concession operator in June 2014 at the Supreme Court against the alleged dismissals of the request for compensation filed by the concession operator for the performance of additional works.

  Also, in relation to the insolvency proceeding involving Autopista Eje Aeropuerto Concesionaria Española, S.A.U. and Aeropistas, S.L.U.:

  a) Petition for initiation of insolvency proceedings

     Autopista Eje Aeropuerto Concesionaria Española, S.A.U. was declared to be legally involved in an insolvency proceeding together with its sole shareholder, Aeropistas, S.L.U. in the court order of 12 December 2013 of the Madrid Commercial Court No. 2, which gave rise to the orders of Voluntary Insolvency Proceeding 863/13.

  b) The common phase of the insolvency proceeding

     On 19 May 2015, the insolvency managers submitted the lists of creditors in the final reports. With respect to Eje Aeropuerto, there were no changes to the inventory of assets and rights of the concession operator, and the total value remained at EUR 412.6 million, of which intangible assets accounted for EUR 396.1 million. Neither were amendments made to the list of creditors in the final reports or the inventory of assets and rights in the case of Aeropistas, with assets totalling EUR 336.6 million, comprising mainly investments in Group companies and equity instruments.

     On 31 July 2015, an order was issued to end the common phase and open the phase of arrangement, as both SEITTSA and the insolvent companies had submitted arrangement proposals.

  c) Opening and processing of the liquidation phase.

     The court order of 13 October 2015 rejected the arrangement proposals submitted and, consequently, ordered the commencement of the liquidation phase, with the legal effects that this entails, including, among others, and in accordance with case law of the Supreme Court's Chamber for Jurisdictional Conflicts, the termination of the concession arrangement.

  Lastly, with respect to the termination of the concession arrangement, the Ministry of Public Works initiated a proceeding (to be completed by the Spanish Cabinet) relating to the aforementioned termination, as a preliminary formality to the settlement of the arrangement.

At the reporting date, the Group had not yet received notification of the aforementioned decision of the Ministry of Public Works.

In parallel, the proceeding related to appeal for judicial review 210/2018 commenced at the Supreme Court. This appeal has no fixed amount, and will only contend whether the date of termination of the arrangement must be the date of the liquidation order (13/10/15) and whether, in this case, the State had three months from that date to settle the arrangement and, therefore, owes late-payment interest from then, as well as what the applicable interest rate would be. At present, in the appeal for judicial review the court has requested the submission of the administrative case file.

The commencement of the liquidation phase at the two companies led to their exclusion from consolidation from October 2015 onwards.

In this context, and with respect to the termination of the liquidation process of the investees, the Group's directors consider that in a base-case resolution scenario, which is inferior to the scenario requested by the companies' insolvency managers, the net investment recognised (EUR 19 million) would be recovered.

- The concession operator **Cercanías Móstoles Navalcarnero, S.A.**: on12 July 2016, Madrid Commercial Court No. 1 issued an interlocutory order granting permission to proceed in relation to the insolvency petition filed by the company and declared the voluntary insolvency thereof.

  On 16 August 2016, the initiation of the ordinary voluntary insolvency proceedings of Cercanías Móstoles Navalcarnero, S.A. was published in the Spanish Official State Gazette.

  On 15 March 2017, Madrid Commercial Court no. 1 ordered the liquidation of Cercanías Móstoles Navalcarnero, S.A., opening the liquidation phase, declaring the dissolution of the company, the removal of its directors and their substitution by the insolvency managers.

  Lastly, on 2 November 2017, Madrid Commercial Court no. 1 approved the company's liquidation plan within the aforementioned insolvency proceeding, which meant the continuation of the legal actions making it possible for the company to recover the Government Liability (RPA), as well as such items admissible under law, and the filing of such new appeals as required with the same purpose.

  On 8 March 2018, the Madrid High Court handed down a judgment on the appeal for judicial review whereby Cercanías Móstoles Navalcarnero, S.A. applied for the termination of the concession arrangement on grounds attributable to the Autonomous Community Government of Madrid. The judgment ruled against Cercanías Móstoles Navalcarnero, S.A. and, therefore, a cassation appeal was filed at the Supreme Court, which was granted leave for consideration on 25 April 2018.

  On 20 June 2017, as a result of the imposition of the penalty on the company, the Autonomous Community Government of Madrid enforced the guarantees that OHL, S.A. and OHL Concesiones, S.A.U. had provided to secure performance of their obligations under that company's concession arrangement. The enforced guarantees amounted to EUR 15,869,300.60 (EUR 12,696,240.48 from Banco Popular Español, S.A. and EUR 3,173,060.12 from Abanca Corporación Bancaria, S.A.). On 7 July 2017, subsequent to filing an appeal for judicial review, the High Court of Madrid resolved to stay the court proceeding due to a preliminary point of law until a decision had been handed down on the appeal for judicial review filed by the company requesting the termination of the concession arrangement.

  Also, on 21 July 2017 the concession operator was notified of the order issued by the Autonomous Community of Madrid's Regional Minister for Transport, Housing and Infrastructure declaring the termination of the concession arrangement, the attachment of the guarantee and the obligation to pay compensation for damage and losses to the grantor for an amount to be determined in the corresponding adversary process. The company lodged an administrative appeal against this order, which was dismissed by the Autonomous Community Government of Madrid on 10 October 2017 and, accordingly, on 5 December 2017 the company filed an appeal for judicial review against this decision.

Lastly, on 21 March 2018 the company's insolvency managers filed, in accordance with the approved liquidation plan, an appeal for judicial review against the Autonomous Community Government of Madrid at the Madrid High Court, in which it applied for the economic settlement of the arrangement since they considered it to be terminated on commencement of the liquidation phase of the insolvency proceeding.

In line with the situation described above, the Group considers that, based on opinions of its internal and external legal advisers, the concession arrangement supports the right to recover the net investments and the amounts contributed in the form of a loan to the company, with respect to which no provisions have been recognised.

- In 2014 the Parent reported that as a consequence of the **contract for the Design and Construction of the Sidra Medical Research Center (Doha, Qatar), Qatar Foundation for Education, Science and Community Development (QF)** and the joint venture (JV) between the company and Contrack Cyprus Ltda. (55% - 45%, respectively) had initiated arbitration proceedings on 30 July 2014, at the International Chamber of Commerce.

  At the end of 2015 a partial award was handed down on the existence or otherwise of an agreement to novate the construction contract, in relation to which the company reached the conclusion that although there was an agreement, it lacked certain formalities required under Qatari legislation for it to be considered legally enforceable by the parties.

  Subsequent to the aforementioned partial award, the arbitration process continued to consider the legality or illegality of the termination of the contract and the economic and financial consequences thereof. The amount of the claim is estimated to stand within a range of between EUR 270 million and EUR 376 million, with the inclusion of EUR 98 million relating to the incorrect enforcement of guarantees in both cases.

  At the reporting date, the proceeding was ongoing and no developments worthy of note had occurred.

- **OHL Construction Canada and Fomento de Construcciones y Contratas Canada Limited Partnership (owned 50% by OHL Canada and 50% by FCC Canada Limited Partnership), (OHL - FCC LLP)**, filed a court claim against the customer -the Toronto Transit Commission (TTC)- at the Ontario courts on 5 May 2014. OHL - FCC LLP claimed an amount estimated at CAD 205.0 million (EUR 138,654 thousand) in this proceeding, which may be modified in the course of the proceeding. TTC filed a defence and counterclaim for CAD 40.7 million (EUR 27,528 thousand). The proceeding is stayed by court order and will resume once OHL - FCC LLP issues to the customer the last invoice arising from the arrangement.

  In April 2018 an out-of-court settlement was reached in which, together with other handover agreements, the termination of the litigation was agreed; the court has not yet issued a decision in this connection.

  As a result of this out-of-court settlement, OHL - FCC LLP receives CAD 33.0 million (EUR 21,180 thousand), of which 50% -CAD 16,5 million (EUR 10,590 thousand)- corresponds to OHL; the aforementioned amount was recognised as income in the interim condensed consolidated statement of profit or loss under "Result of Companies Accounted for Using the Equity Method" (see Note 24.).

- On 7 February 2017, Rizzani de Eccher, SpA, Trevi, SpA and Obrascon Huarte Lain, S.A. initiated an arbitration proceeding to protect an investment against the State of Kuwait at the International Centre for Settlement of Investment Disputes (ICSID) in relation to the **"Construction, Completion and Maintenance of Roads, Overpasses, Sanitary and Storm Water Drains, as well as other Services for Jamal Abdul Nasser Street"** agreement. OHL holds a 50% ownership interest in the construction joint venture. This arbitration proceeding was initiated under the international treaties for the reciprocal protection of investments entered into by the State of Kuwait with Spain and Italy and as a result of the breach thereof by the State of Kuwait through its obstructive, abusive and arbitrary actions, to the detriment of the foreign investors, in the performance of that agreement.
  The joint venture submitted its claim quantifying the economic compensation to which the claimants are entitled in KWD 81,716,760 (EUR 231.5 million) or, alternatively,

KWD 67.676.108 (EUR 191.7 million), based on the assessment performed by external consultants.

- On 12 May 2017, **Judlau Contracting Inc.** (a US company fully owned by Obrascon Huarte Lain, S.A. through OHL USA Inc.) received a statement of claim from Welsbach Electric Corp. claiming from Judlau Contracting Inc. an amount initially estimated at USD 39.7 million (EUR 34,827 thousand). Welsbach Electric Corp. brought this claim as subcontractor of Judlau Contracting Inc. in the **"Construction of Part of Second Avenue Subway Route 132ª 72nd Street Station, Finishes, Mechanical, Electrical and Plumbing Systems, Ancillary Buildings and Entrances in the Borough of Manhattan "B" Division"** project. The litigation is being conducted at the courts of the city of New York (US). The court of first instance has ruled against Welsbach's claim.

- On 13 December 2017, Samsung C&T Corporation, Obrascon Huarte Lain, S.A. and Qatar Building Company filed a request for arbitration at the International Chamber of Commerce against Qatar Railways Company. The claim arose from the **"Design & Build Package 5 - Major Stations - Doha Metro Project"** agreement. OHL holds a 30% ownership interest in the construction joint venture. The joint venture claims an amount initially estimated at QAR 1,500 million (EUR 341.0 million).

- The Polish courts granted leave for consideration to the claim brought by Obrascon Huarte Lain, S.A. against the Polish company PGB, S.A. in which OHL sought from PGB PLN 191,518,336 (EUR 43.61 million) as a result of the liability of PGB as member of the construction consortium for the **Slowacckiego IV** project, in Gdansk (Poland).

  The proceeding is at the preliminary phase.

- **Cogeneración Complejo Pajaritos, SAPI de CV (SAPI)**, a company 50% owned by OHL Industrial, S.L.U. and Sener Ingeniería y Sistemas, S.A. de C.V., filed at the International Chamber of Commerce (ICC) in Mexico, a request for arbitration against **CYDSA S.A.B, de C.V. (CYDSA)** in relation to the performance of the **Coatzacoalcos II combined heat and power plant project**. The defendant, in turn, submitted an initial counterclaim. Once the respective lists of claims had been submitted by the two parties, the amounts claimed were specified. SAPI specified its initial application, requesting confirmation of the legality of the termination of the construction contract and the payment of USD 6.6 million (EUR 5.36 million) for invoices not paid by CYDSA. The latter submitted a counterclaim against SAPI, claiming a total amount of approximately USD 162 million (EUR 130.5 million) for various items.

  These arbitration proceedings are expected to conclude in 2019.

- **OHL Industrial, S.L.U.** filed a claim at the International Chamber of Commerce (ICC) of New York against **Energía Limpia de Guatemala, S.A. (ELGUA)** for a final total of USD 19.8 million (EUR 10.5 million) for costs incurred and a 455-day overrun of the deadline in the **Xacbal Delta Hydroelectric Facility** project, arising from access being blocked by indigenous communities and problems caused by the geological conditions of the land and changes in the location of certain key construction items.

  Also, ELGUA submitted a counterclaim for USD 27.0 million in connection with penalties (EUR 23.7 million).

  On 3 May 2018, a resolution in the arbitration proceeding was issued in favour of ELGUA, with a total negative impact for OHL Industrial, S.L.U., including interest, of USD 34.7 million (EUR 28.8 million), which were recognised in the first half of 2018.

In addition to the aforementioned litigation in which each Division is involved, the Group is involved in other minor lawsuits arising from the ordinary course of its operations, none of which are for a significant individual amount.

The Group has recognised sufficient provisions for the purpose of meeting any adverse economic effects that might arise.

The Parent's directors do not expect any significant additional liabilities to arise in connection with the litigation in progress that might affect the interim condensed consolidated financial statements as at 30 June 2018.

22.- RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions are deemed to be transactions with parties outside the Group but with which there are strong ties as defined in Ministry of Economy and Finance Order EHA/3050/2004, of 15 September, and in Spanish National Securities Market Commission (CNMV) Circular 1/2005, of 1 April.

The transactions performed by the Group with its related parties (significant shareholders, Board members and executives and other related parties) in the first six months of 2018 and 2017 are disclosed below. The terms and conditions of the transactions with related parties are equivalent to those in transactions performed on an arm's length basis.

	Thousands of euros				
	30/06/18				
RELATED PARTY TRANSACTIONS	**Significant shareholders**	**Directors and executives**	**Group employees, companies or entities**	**Other related parties**	**Total**
EXPENSES AND INCOME:					
Finance costs	-	-	-	-	
Management or professional service contracts	-	-	-	-	
Transfers of R&D and licensing agreements	-	-	-	-	
Leases	-	-	-	-	
Services received	4,792	-	-	-	4,792
Purchase of goods (finished goods and work in progress)	1,401	-	-	-	1,401
Write-downs on uncollectible or doubtful debts	-	-	-	-	
Losses on disposal or derecognition of assets	-	-	-	-	
Other expenses	-	-	-	-	
Total expenses	**6,193**	**-**	**-**	**-**	**6,193**
Finance income	3,332	-	-	-	3,332
Management or professional service contracts	-	-	-	-	
Transfers of R&D and licensing agreements	-	-	-	-	
Dividends received	-	-	-	-	
Leases	-	-	-	-	
Rendering of services	699	-	-	-	699
Sale of goods (finished goods and work in progress)	33,063	-	-	-	33,063
Gains on derecognition or disposal of assets	-	-	-	-	
Other income	-	-	-	-	
Total income	**37,094**	**-**	**-**	**-**	**37,094**

	Thousands of euros				
	30/06/18				
OTHER TRANSACTIONS	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
Purchase of property, plant and equipment, intangible assets and other assets	476	-	-	-	476
Financing agreements: loans and capital contributions	34,866	-	-	-	34,866
Finance leases (lessor)	-	-	-	-	-
Repayment or settlement of loans and leases (lessor)	-	-	-	-	-
Sale of property, plant and equipment, intangible assets and other assets	-	-	-	-	-
Financing agreements: loans and capital contributions	-	-	-	-	-
Finance leases (lessee)	-	-	-	-	-
Repayment or settlement of loans and leases (lessee)	542	-	-	-	542
Guarantees provided	19,259	-	-	-	19,259
Guarantees received	-	-	-	-	-
Obligations assumed	-	-	-	-	-
Obligations / Guarantees discharged	-	-	-	-	-
Dividends and other profits distributed	44,346	-	-	-	44,346
Other transactions	(34,866)	-	-	-	(34,866)

	Thousands of euros				
	30/06/17				
RELATED PARTY TRANSACTIONS	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
EXPENSES AND INCOME:					
Finance costs	126	-	-	-	126
Management or professional service contracts	-	-	-	-	-
Transfers of R&D and licensing agreements	-	-	-	-	-
Leases	-	-	-	-	-
Services received	3,252	-	-	-	3,252
Purchases of goods (finished goods and work in progress)	202	-	-	-	202
Write-downs of uncollectible or doubtful debts	-	-	-	-	-
Losses on disposal or derecognition of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	**3,580**	**-**	**-**	**-**	**3,580**
Finance income	2,667	-	-	-	2,667
Management or professional service contracts	-	-	-	-	-
Transfers of R&D and licensing agreements	-	-	-	-	-
Dividends received	-	-	-	-	-
Leases	-	-	-	-	-
Rendering of services	672	-	-	-	672
Sales of goods (finished goods and work in progress)	11,999	-	-	-	11,999
Gains on disposal or derecognition of assets	-	-	-	-	-
Other income	-	-	-	-	-
Total income	**15,338**	**-**	**-**	**-**	**15,338**

OTHER TRANSACTIONS	Thousands of euros 30/06/17 Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
Purchase of property, plant and equipment, intangible assets and other assets	8,667	-	-	-	8,667
Financing agreements: loans and capital contributions	-	-	-	-	-
Finance leases (lessor)	-	-	-	-	-
Repayment or settlement of loans and leases (lessor)	-	-	-	-	-
Sale of property, plant and equipment, intangible assets and other assets	1	-	-	-	1
Financing agreements: loans and capital contributions	-	-	-	-	-
Finance leases (lessee)	-	-	-	-	-
Repayment or settlement of loans and leases (lessee)	350	-	-	-	350
Guarantees provided	(5,415)	-	-	-	(5,415)
Guarantees received	-	-	-	-	-
Obligations assumed	-	-	-	-	-
Obligations / Guarantees discharged	-	-	-	-	-
Dividends and other profits distributed	-	-	-	-	-
Other transactions	-	-	-	-	-

The detail of the related party transactions in the first six months of 2018 is as follows:

Employer identification number	Related company		Group company	Thousands of euros
PT502473525	ADP-Fertilizantes, S.A.	Revenue	Avalora Tecnologías de la Información, S.A.	48
B86092145	Centro Canalejas Madrid, S.L.U.	Revenue	Obrascon Huarte Lain, Desarrollos, S.L.	960
B86092145	Centro Canalejas Madrid, S.L.U.	Revenue	Obrascon Huarte Lain, S.A.	22,694
B83962225	Espacio Living Homes, S.L.	Revenue	Obrascon Huarte Lain, S.A.	284
B87567160	Espacio Mallaeta, S.L.U.	Revenue	Obrascon Huarte Lain, S.A.	995
B87238689	Espacio-OHLD Proyectos Singulares, S.L.	Revenue	Avalora Tecnologías de la Información, S.A.	1
A87287223	Espacio Caleido, S.A.	Revenue	Obrascon Huarte Lain, S.A.	7,091
A80400351	Espacio Information Technology, S.A.U.	Revenue	Avalora Tecnologías de la Información, S.A.	400
A80420516	Ferroatlántica, S.A.U.	Revenue	OHL Industrial Mining & Cement, S.A.	8
A80420516	Ferroatlántica, S.A.U.	Revenue	Avalora Tecnologías de la Información, S.A.	10
FR33642005177	FerroPem, SAS	Revenue	Avalora Tecnologías de la Información, S.A.	2
A28165298	Fertiberia, S.A.	Revenue	Avalora Tecnologías de la Información, S.A.	28

Employer identification number	Related company		Group company	Thousands of euros
A28165298	Fertiberia, S.A.	Revenue	Comercial de Materiales de Incendio, S.L.	26
A28165298	Fertiberia, S.A.	Revenue	OHL Industrial Mining & Cement, S.A.	3
A28165298	Fertiberia, S.A.	Revenue	S.A. Trabajos y Obras	51
A28294718	Inmobiliaria Espacio, S.A.	Revenue	Avalora Tecnologías de la Información, S.A.	17
A28294718	Inmobiliaria Espacio, S.A.	Revenue	OHL Servicios - Ingesan, S.A.U.	1
A28032829	Padacar, S.A.U.	Revenue	Avalora Tecnologías de la Información, S.A.	3
A28032829	Padacar, S.A.U.	Revenue	OHL Servicios - Ingesan, S.A.U.	38
B82607839	Promociones y Propiedades Inmobiliaria Espacio, S.L.U.	Revenue	Avalora Tecnologías de la Información, S.A.	3
B82607839	Promociones y Propiedades Inmobiliaria Espacio, S.L.U.	Revenue	Obrascon Huarte Lain, S.A.	206
B84996362	Torre Espacio Gestión, S.L.U.	Revenue	OHL Servicios - Ingesan, S.A.U.	180
B85253888	Villar Mir Energía, S.L.U.	Revenue	OHL Servicios - Ingesan, S.A.U.	14
B86092145	Centro Canalejas Madrid, S.L.U.	Other operating income	Obrascon Huarte Lain, S.A.	15
A80400351	Espacio Information Technology, S.A.U.	Other operating income	Obrascon Huarte Lain, S.A.	34
A82500257	Grupo Villar Mir, S.A.U.	Other operating income	Obrascon Huarte Lain, S.A.	643
B87801668	Proyecto Canalejas Group, S.L.	Other operating income	Obrascon Huarte Lain, Desarrollos, S.L.	7
B86830536	Alse Park, S.L.	Finance income	Obrascon Huarte Lain, Desarrollos, S.L.	5
B86092145	Centro Canalejas Madrid, S.L.U.	Finance income	Obrascon Huarte Lain, Desarrollos, S.L.	506
A82500257	Grupo Villar Mir, S.A.U.	Finance income	Obrascon Huarte Lain, S.A.	2,062
A28294718	Inmobiliaria Espacio, S.A.	Finance income	Avalora Tecnologías de la Información, S.A.	66
A28032829	Pacadar, S.A.U.	Finance income	Obrascon Huarte Lain, S.A.	693
A28032829	Pacadar, S.A.U.	Procurements	Obrascon Huarte Lain, S.A.	70
A28032829	Padacar, S.A.U.	Procurements	Construcciones Adolfo Sobrino, S.A.	1,331
B86830536	Alse Park, S.L.	Other operating expenses	Obrascon Huarte Lain, S.A.	5
B83393066	Enérgya VM Gestión de Energía, S.L.U.	Other operating expenses	Agrupación Guinovart Obras y Servicios Hispania, S.A.	4
B83393066	Enérgya VM Gestión de Energía, S.L.U.	Other operating expenses	Asfaltos y Construcciones Elsan, S.A.	8

Employer identification number	Related company		Group company	Thousands of euros
B83393066	Enérgya VM Gestión de Energía, S.L.U.	Other operating expenses	Construcciones Adolfo Sobrino, S.A.	3
B83393066	Enérgya VM Gestión de Energía, S.L.U.	Other operating expenses	Obrascon Huarte Lain, S.A.	183
B83393066	Enérgya VM Gestión de Energía, S.L.U.	Other operating expenses	OHL Servicios - Ingesan, S.A.U.	3
A80400351	Espacio Information Technology, S.A.U.	Other operating expenses	Agrupación Guinovart Obras y Servicios Hispania,	13
A80400351	Espacio Information Technology, S.A.U.	Other operating expenses	Asfaltos y Construcciones Elsan, S.A.	10
A80400351	Espacio Information Technology, S.A.U.	Other operating expenses	Avalora Tecnologías de la Información, S.A.	1,775
A80400351	Espacio Information Technology, S.A.U.	Other operating expenses	Catalana de Seguretat i Comunicacions, S.L.	4
A80400351	Espacio Information Technology, S.A.U.	Other operating expenses	Chemtrol Proyectos y Sistemas, S.L.	7
A80400351	Espacio Information Technology, S.A.U.	Other operating expenses	Construcciones Adolfo Sobrino, S.A.	4
A80400351	Espacio Information Technology, S.A.U.	Other operating expenses	Constructora de Proyectos Viales de México, S.A. de C.V.	111
A80400351	Espacio Information Technology, S.A.U.	Other operating expenses	EyM Instalaciones, S.A.	5
A80400351	Espacio Information Technology, S.A.U.	Other operating expenses	Obrascon Huarte Lain, Desarrollos, S.L.	6
A80400351	Espacio Information Technology, S.A.U.	Other operating expenses	Obrascon Huarte Lain, S.A.	1,902
A80400351	Espacio Information Technology, S.A.U.	Other operating expenses	OHL Arabia, LLC	49
A80400351	Espacio Information Technology, S.A.U.	Other operating expenses	OHL Austral, S.A.	14
A80400351	Espacio Information Technology, S.A.U.	Other operating expenses	OHL Colombia, S.A.S.	113
A80400351	Espacio Information Technology, S.A.U.	Other operating expenses	OHL Industrial Mining & Cement, S.A.	2
A80400351	Espacio Information Technology, S.A.U.	Other operating expenses	OHL Industrial, S.L.	24
A80400351	Espacio Information Technology, S.A.U.	Other operating expenses	S.A. Trabajos y Obras	7
B82607839	Promociones y Propiedades Inmobiliarias Espacio, S.L.U.	Other operating expenses	Obrascon Huarte Lain, Desarrollos, S.L.	500
B84996362	Torre Espacio Gestión, S.L.U.	Other operating expenses	Obrascon Huarte Lain, S.A.	32
B86727500	Torre Espacio Restauración, S.L.U.	Other operating expenses	Obrascon Huarte Lain, Desarrollos, S.L.	2
B86727500	Torre Espacio Restauración, S.L.U.	Other operating expenses	Obrascon Huarte Lain, S.A.	6

Other transactions				
A80400351	Espacio Information Technology, S.A.U.	Acquisitions of intangible assets	Obrascon Huarte Lain, S.A.	398
A80400351	Espacio Information Technology, S.A.U.	Acquisitions of intangible assets	OHL Industrial, S.L.	78
A28032829	Pacadar, S.A.U.	Advances	Obrascon Huarte Lain, S.A.	(34,866)
A28032829	Pacadar, S.A.U.	Financing agreement: loans granted	Obrascon Huarte Lain, S.A.	34,866
B86830536	Alse Park, S.L.	Financing agreement: repayment of loan granted	Obrascon Huarte Lain, Desarrollos, S.L.	542
B86092145	Centro Canalejas Madrid, S.L.U.	Guarantees for construction work	Obrascon Huarte Lain, S.A.	999
A87287223	Espacio Caleido, S.A.	Guarantees for construction work	Obrascon Huarte Lain, S.A.	10,000
B86830536	Alse Park, S.L.	Financial guarantees	Obrascon Huarte Lain, S.A.	7,250
B86092145	Centro Canalejas Madrid, S.L.U.	Financial guarantees	Obrascon Huarte Lain, S.A.	1,000
B84996362	Torre Espacio Gestión, S.L.U.	Financial guarantees	OHL Servicios - Ingesan, S.A.U.	10
B86830536	Alse Park, S.L.	Dividends paid	Obrascon Huarte Lain, Desarrollos, S.L.	1,663
A82500257	Grupo Villar Mir, S.A.U.	Dividends paid	Obrascon Huarte Lain, S.A.	42,683

23.- REMUNERATION AND OTHER BENEFITS OF THE PARENT'S DIRECTORS AND SENIOR EXECUTIVES

Note 4.8. to the Group's consolidated financial statements for the year ended 31 December 2017 details the agreements relating to the remuneration and other benefits of the Parent's directors and senior executives.

Below is a summary of the most significant data relating to the remuneration and other benefits for the six-month periods ended 30 June 2018 and 2017:

DIRECTORS:	Thousands of euros	
	30/06/18	30/06/17
Type of remuneration:		
Fixed remuneration	1,499	484
Variable remuneration	18,000	528
Attendance fees	309	133
Bylaw-stipulated directors' emoluments	-	-
Transactions involving shares and/or other financial instruments	-	216
Other expenses	-	-
Total	**19,808**	**1,361**
Other benefits:		
Advances	-	300
Loans granted	-	-
Pension funds and plans: Contributions	-	132
Pension funds and plans: Obligations assumed	-	-
Life insurance premiums	7	5
Guarantees provided to the directors		-
EXECUTIVES:		
Total remuneration received by executives	**4,063**	**6,855**

The Extraordinary General Meeting held on 9 January 2018 resolved to approve extraordinary remuneration for the CEO Juan Osuna Gómez of EUR 18,000 thousand for his work and leadership in the sale of shares of OHL Concesiones, S.A.U. This remuneration was paid in the first half of 2018.

The Annual General Meeting held on 26 June 2018 approved Obrascón Huarte Lain, S.A.'s Directors' Remuneration Policy, proposed by the Board of Directors, in accordance with Article 529 novodecies of the Spanish Limited Liability Companies Law, for 2018 and the following three years. The most important matters addressed in that Policy are:

- **Remuneration of non-executive directors in their general function as directors**

  The non-executive directors will be entitled to receive remuneration for performance of their function as directors (excluding the remuneration that might apply for performance of their executive functions) This remuneration will consist of a fixed annual amount that will be determined by the General Meeting as a maximum amount to be allocated by the Board of Directors among all the non-executive directors.

  The Remuneration Policy will establish the objective factors on the basis of which, during its three-year term (unless a shorter term is established), the Maximum Annual Remuneration will be allocated to the directors in accordance with the functions and responsibilities assigned to each director.

  The Board of Directors will establish on an annual basis the amount of the Maximum Annual Remuneration corresponding to each of the factors defined in the Remuneration Policy to allocate the Maximum Annual Remuneration among its members.

- **Remuneration of the directors for performance of executive functions**

  Directors with executive functions will be entitled to receive the remuneration applicable for the performance of these functions.

  Where executive functions are assigned to a member of the Board of Directors by any means, it is necessary for an agreement between the director and the Company to be formalised, which must previously have been approved by the Board of Directors by means of the affirmative vote of two-thirds of its members.

This agreement will detail all the items for which the director may obtain remuneration due to the performance of executive functions. The director may not receive any remuneration for the performance of executive functions where the amounts or items are not provided for in this agreement.

- **Other remuneration systems**

  The non-executive or executive directors will be entitled to be remunerated through the delivery of shares or share options, or share-based payment, provided that the application of any of the remuneration systems is agreed previously by the General Meeting.

- **Remuneration policy and maximum annual remuneration of the directors**

  The Directors' Remuneration Policy will be approved by the General Meeting at least every three years and will comply, as appropriate, with the remuneration system provided for in the bylaws; the policy's content will be that required by the Spanish Limited Liability Companies Law.

  The Parent will take out a directors' third-party liability insurance policy for all its directors under the habitual terms and conditions, which will be proportionate to the Parent's circumstances.

24.- INCOME AND EXPENSES

Segment reporting

The Group considers that the segmentation that best represents it is that based on the various Business Divisions through which it operates.

In order to present more clearly the aggregates of each segment, those relating to the Corporate Division, which up to now had been presented as part of the productive segments, are presented separately. The data relating to June 2017 has been adjusted in this connection for comparison purposes.

The Divisions are presented as follows:

- Engineering and Construction
  - Construction
  - Industrial
  - Services
  - Corporate
- Development

The detail of revenue, by geographical area, at 30 June 2018 and 2017 is as follows:

	Thousands of euros	
	30/06/18	30/06/17
Spain	**370,678**	**374,827**
Exports:	**1,074,387**	**1,212,355**
European Union	118,878	112,402
OECD countries	773,832	901,075
Other countries	181,677	198,878
Total	**1,445,065**	**1,587,182**

	Thousands of euros	
	30/06/18	30/06/17
US and Canada	452,955	583,820
Mexico	114,098	144,947
Chile	66,808	81,536
Peru	71,585	46,908
Colombia	51,545	42,631
Spain	370,678	374,827
Central and Eastern Europe	118,988	112,347
Other countries	198,408	200,166
Total	**1,445,065**	**1,587,182**

The reconciliation of revenue by segment to consolidated revenue at 30 June 2018 and 2017 is as follows:

Segments	Thousands of euros					
	30/06/18			30/06/17		
	Revenue from non-Group customers	Inter-segment revenue	Total revenue	Revenue from non-Group customers	Inter-segment revenue	Total revenue
Engineering and Construction	**1,438,589**	**26,828**	**1,465,417**	**1,543,958**	**38,515**	**1,582,473**
- Construction	1,219,694	23,739	1,243,433	1,306,702	37,761	1,344,463
- Industrial	91,216	3,089	94,305	128,603	754	129,357
- Services	127,679	-	127,679	108,653	-	108,653
- Corporate	-	-	-	-	-	-
Development	**6,476**	**-**	**6,476**	**43,224**	**-**	**43,224**
Adjustments and eliminations to inter-segment revenue	-	(26,828)	(26,828)	-	(38,515)	(38,515)
Total	**1,445,065**	**-**	**1,445,065**	**1,587,182**	**-**	**1,587,182**

The detail, by segment, of the loss for the period before tax at 30 June 2018 and 2017 is as follows:

Segments	Thousands of euros	
	30/06/18	30/06/17
Engineering and Construction	**(280,758)**	**(93,373)**
- Construction	(102,376)	(30,736)
- Industrial	(38,182)	(22,456)
- Services	(2,647)	(1,899)
- Corporate	(137,553)	(38,282)
Development	**(53,059)**	**1,137**
Subtotal	**(333,817)**	**(92,236)**
+/. Unallocated losses	(55,733)	(34,159)
Total	**(389,550)**	**(126,395)**

The loss before tax of Corporate at 30 June 2018 included EUR (92,255) thousand relating to the change in fair value of the foreign currency hedge arranged to hedge the divestment of the Concessions Division.

Other operating income

At 30 June 2018, “Other Operating Income” amounted to EUR 64,616 thousand (30 June 2017: EUR 74,097 thousand).

Staff costs

“Staff Costs” in the first six months of 2018 amounted to EUR 413,317 thousand (first six months of 2017: EUR 445,584 thousand).

“Staff Costs” includes EUR 13,000 thousand that correspond to the collective redundancy procedure, whereby 140 job positions will be terminated and which expires on 31 December 2018.

Procurements

"Procurements" includes most notably the loss of EUR (27,639) thousand relating to the penalty imposed by the International Chamber of Commerce of New York in connection with the claim brought by OHL Industrial, S.L.U. against Energía Limpia de Guatemala, S.A. (see Note 21.).

Other operating expenses

The detail of "Other Operating Expenses" in the interim condensed consolidated statement of profit or loss is as follows:

	Thousands of euros	
	30/06/18	30/06/17
Outside services	180,651	182,368
Taxes other than income tax	8,744	9,950
Other current operating expenses	59,707	41,159
Total	**249,102**	**233,477**

Finance income

The detail of "Finance Income" in the interim condensed consolidated statement of profit or loss is as follows:

	Thousands of euros	
	30/06/18	30/06/17
Interest income from other companies	12,257	10,758
Income from equity investments	-	-
Total	**12,257**	**10,758**

Finance costs

The detail of "Finance Costs" in the interim condensed consolidated statement of profit or loss is as follows:

	Thousands of euros	
	30/06/18	30/06/17
On the financing of current transactions	47,984	37,704
On finance leases and deferred purchases of non-current assets	31	100
Total	**48,015**	**37,804**

Main divestments

The impact on the various line items of the interim condensed consolidated statement of profit or loss of the divestments performed at the companies in the period ended 30 June 2018 is detailed below.

	Thousands of euros		
	Development companies	ZPSV, a.s.	Total
Selling price	**63,032**	**44,331**	**107,363**
Impact on profit or loss			
Loss from operations	(3,532)	-	(3,532)
Exchange differences	-	3,961	3,961
Changes in fair value of financial instruments	(7,187)	-	(7,187)
Impairment and gains or losses on disposals of financial instruments	(30,610)	(3,066)	(33,676)
Net of tax	-	-	
Income tax	(1,626)	-	(1,626)
Total impact on profit or loss	**(42,955)**	**895**	**(42,060)**

Mention should also be made of the sale of the Concessions Division (see Note 12).

Exchange differences (gains and losses)

The exchange differences at 30 June 2018 amounted to a net loss of EUR (17,187) thousand and arose mainly due to transactions performed in Canadian dollars and Mexican pesos.

Net losses on remeasurement of financial instruments at fair value

At 30 June 2018, the net losses on the remeasurement of financial instruments at fair value amounted to EUR (96,780) thousand and arose mainly as a result of the change in fair value of the foreign currency hedge arranged to hedge the divestment of the Concessions Division, which amounted to EUR (92,255) thousand.

Result of companies accounted for using the equity method

At 30 June 2018, “Result of Companies Accounted for Using the Equity Method” amounted to EUR (71,040) thousand, the detail being as follows:

	30/06/18
Joint ventures	
Altos de Ciudad de Mayakoba, S.A. de C.V.	(30)
Consorcio Conpax OHL Valko, S.A.	2,454
FHP Villas Lote 2	(698)
Fideicomiso Desarrollo OV CIB/2185	99
Health Montreal Collective CJV, L.P.	(76,732)
La Ceiba DCM	(136)
Mayakoba Country	185
Nova Dársena Esportiva de Bara, S.A.	(62)
Novaterra Caribe, S.A.P.I. de C.V.	1,451
OHL Construction Canada and FCC Canada Limited Partnership	12,313
OHL FCC North Tunnels Canada, Inc.	(1,675)
Proyecto CCC Empalme I, S.A.P.I. de C.V.	(7,809)
Rhatigan OHL Limited	1,666
Other	28
Associates	
AIE Torrécamara	2
Alse Park, S.L.	(78)
Arenales Solar PS, S.L.	(1,400)
E.M.V. Alcalá de Henares, S.A.	(28)
Espacio OHLD	(128)
Health Montreal Collective Limited Partnership	(76)
Hospital de Burgos, S.A.	(559)
Navarra Gestión	(20)
Nuevo Hospital de Toledo, S.A.	332
Ovalovna	20
Canalejas, S.L.	(136)
57 Whitehall Holdings S.A.R.L.	(27)
Other	4
Total	**(71,040)**

Mention should be made of the losses of EUR (76,732) thousand recognised by Health Montreal Collective CJV L.P. due to the cost overruns incurred in the project due to defects in the start-up of the Centre Hospitalier de L´Université de Montreal (CHUM).

Impairment and gains or losses on disposals of financial instruments

At 30 June 2018, "Impairment and Gains or Losses on Disposals of Financial Instruments" amounted to EUR (35,834) thousand, and included most notably:

- The sale in May 2018 of 19 companies in the Development Division for a selling price of EUR 63,032 thousand, which gave rise to a loss of EUR (30,610) thousand.

- The sale in June 2018 of ZPSV, a.s. for EUR 44,331 thousand, which gave rise to a loss of EUR (3,066) thousand.

Profit (Loss) for the period from discontinued operations, net of tax

Relates to the sale of the Concessions Division (see Note 12).

25.- EMPLOYEES

The average number of employees at 30 June 2018 and 2017 was as follows:

Average headcount	30/06/18	30/06/17
Men	12,782	13,629
Women	8,329	7,934
Total	**21,111**	**21,563**

The average number of employees, by category, at 30 June 2018 and 2017 was as follows:

Professional category	Average number of employees	
	30/06/18	30/06/17
Executives	426	518
Middle managers	1,629	1,859
Other line personnel	2,942	2,848
Clerical staff	1,231	1,450
Manual workers	14,883	14,888
Total	**21,111**	**21,563**
Permanent employees	12,810	13,162
Temporary employees	8,301	8,401
Total	**21,111**	**21,563**

26.- EVENTS AFTER THE REPORTING PERIOD

On 13 August 2018, OHL Desarrollos, S.L.U., a wholly owned subsidiary of Obrascón Huarte Lain, S.A., entered into a purchase agreement with Grupo Villar Mir, S.A.U. whereby it purchased from the latter all the shares it held in the share capital of Proyecto Canalejas Group, S.L. (representing 32.5% of its share capital) for a price consisting of a fixed amount of EUR 50 million, with the possibility of the price increasing by a maximum of an additional EUR 10 million, based on the possible capital gains generated in the subsequent sale of the aforementioned shares.

The transaction includes the purchase of the collection rights relating to the loans granted by Grupo Villar Mir, S.A.U. in relation to Proyecto Canalejas amounting to EUR 9.8 million.

27.- EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

OBRASCÓN HUARTE LAIN, S.A. AND SUBSIDIARIES

INTERIM DIRECTORS' REPORT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

1. PERFORMANCE OF THE GROUP

The most noteworthy event of the first six months of 2018 was the completion, on 12 April 2018, of the **sale and transfer of all the share capital of OHL Concesiones, S.A.U.** (OHL Concesiones) to IFM Global Infrastructure Fund (IFM). This transaction served to simplify the Group's business structure, significantly reduce its borrowings and substantially improve its liquidity profile.

On completion of the transaction, the Group received a net amount of approximately EUR 1,991.0 million, which made it possible to:

i. Repay, in April, substantially all of the bank borrowings amounting to EUR 701.7 million;

ii. Redeem, on 21 May 2018, bonds of EUR 228.3 million (25% of the outstanding total amount) in response the exercise by the bondholders of the put option that they had held as a result of the closure of the transaction with IFM;

iii. Distribute, on 6 June 2018, an interim dividend for 2018 amounting to EUR 100 million (EUR 0.348981 per share); and

iv. Increase, with all the remaining balance, the Group's available cash balance, which enabled the Group to report, for the first time in its history, a negative net recourse borrowings figure, i.e. a positive net cash figure.

With this transaction, the Group significantly reduced and simplified its gross borrowings structure, resulting in an excellent liquidity situation of EUR 1,326.9 million at 30 June 2018, with which to address a new stage aimed at recovering profitability and generating recurring organic cash flow in its main activities, based on a healthy and diversified backlog and the launch of a strict overhead reduction plan.

The main aggregates in the interim condensed consolidated statement of profit or loss are shown in the following table:

	1H18	1H17*	Var. (%)
Sales	**1,445.1**	**1,587.2**	**-9.0%**
EBITDA	**-113.2**	**-14.8**	**n.s.**
% of sales	-7.8%	-0.9%	
Adjusted for:			
Xacbal	-27.7	-	
CRP cost and other	-28.0	-34.2	
Adjusted EBITDA	**-57.5**	**19.4**	**n.a.**
% of sales	-4.0%	1.2%	
Attributable net result	**-843.6**	**-32.1**	**n.s.**
% of sales	-58.4%	-2.2%	
Adjusted for:			
Impact of sale of OHL Concesiones	-550.5	106.0	
Net revaluation losses	*-549.9*	-	
Gain on disposal of OHL Concesiones	*47.6*	-	
Result attributable to to OHL Concesiones	*44.1*	*106.0*	
Fx hedge	*-92.3*	-	
Xacbal, CRP cost and other	-56.8	-34.2	
CHUM loss	-76.7	-	
Asset rotation profit or loss	-42.1	31.6	
Adjusted atributable net loss	**-117.5**	**-135.5**	**13.3%**
% of sales	-8.1%	-8.5%	

Mn euros.
* Adjusted.

At operating level, the interim condensed consolidated statement of profit or loss for the first half of 2018 presents **"Revenue"** of EUR 1,445.1 million, 9.0% down from the same period in 2017, affected mainly by a lower level of Construction and Industrial activity and a lower contribution from the Mayakobá companies as a result of their sale in April 2017.

"**Net Loss Attributable to the Parent**" amounted to EUR -843.6 million, and is affected by significant transactions and non-recurring items that should be adjusted in order to make the two periods comparable in like-for-like terms and present more fairly the performance of the Group's operating activities. The items and amounts considered in order to arrive at the **adjusted net loss attributable to the Parent** were as follows:

1. The **sale of OHL Concesiones** had a total net impact of **EUR -505.5 million on the "Loss Attributable to the Parent" for the first half of 2018**, the detail of which, by line item, is as follows:

   I. "**Profit or Loss from Discontinued Operations, Net of Tax**" includes the following items:

      - Pursuant to IAS 21, when an asset is disposed of (in this case, OHL Concesiones), the cumulative balance of "**Translation Differences**" in equity generated up to that date by the assets disposed of must be **transferred to profit or loss**, where the cumulative effect since inception of the changes in foreign exchange rates on the consolidated value of those assets is reflected (in this case EUR -549.9 million), with a charge or credit, as applicable, to equity, so that the **net impact** of this change **on equity is zero**. Consequently, EUR -549.9 million were charged to the interim condensed consolidated statement of profit or loss for the first half of 2018 and EUR +549.9 million were credited to "Shareholders' Equity", with a **net effect on equity of zero**.

      - The **net gain generated** by the sale, which amounted to EUR 47.6 million.

- The **net profit contributed by OHL Concesiones up to the sale**, amounting to EUR 115.7 million, and which after deducting the **"Profit Attributable to Non-Controlling Interests"**, amounting to EUR 71.6 million, totalled EUR 44.1 million.

II. In relation to the **foreign currency hedge** that was arranged to cover the foreign currency risk associated with the **sale of OHL Concesiones to IFM**, the **financial loss** for the first half of 2018 includes a charge of EUR -92.3 million, which relates to the difference between: (i) the market value (*mark-to-market*) of the hedge at 31/12/17 (which amounted to EUR +39.7 million in OHL's favour); and (ii) the final cash payment made by OHL to settle this hedge (which amounted to EUR -52.6 million) and which represents the ultimate actual cost of the hedge.

2. The negative outcome of the claim filed in relation to the Xacbal Delta hydroelectric plant project (EUR -28.8 million), and collective redundancy procedure (CRP) and other costs amounting to EUR -28.0 million.

3. After successfully completing the provisional delivery of, and making available, Phase I of the CHUM project hospital, various incidents arose in the hospital's subsequent start-up and entry into operation effected by the customer -the remediation of which is the responsibility of the construction company JV-, which have meant that additional losses of EUR -76.7 million had to be charged in full to profit or loss in the first half of 2018, corresponding to cost overruns incurred and yet to be incurred in order to rectify the problems identified and successfully complete the final acceptance of the project and bring the warranty period to an end. Having assigned the full project contract corresponding to Phase II of the project to a local contractor in 2017, OHL no longer has any construction work yet to be completed in relation to this project.

4. Net losses of EUR -42.1 million relating to the sale of ownership interests in the hotels and other minor subsidiaries of Mayakobá, and the sale of ZPSV.

The adjusted net loss attributable to the Parent, therefore, would amount to EUR -117.5 million at 30 June 2018, which in comparable terms is similar to the EUR -135.5 million recognised in the same period of 2017. In order to present more clearly the EBITDA performance of the Businesses, which was previously affected by the allocation to them of the Corporation's EBITDA (mainly overheads), the Group decided to present the EBITDA of each Division/Business separately and show the EBITDA of Corporate as a separate figure. For this purpose, the figures for June 2017 were adjusted to make them comparable with those of this period.

EBITDA in the first half of 2018 was EUR -113.2 million, due mainly to the following factors:

I. Construction reported EBITDA of practically zero, due mainly to delays in projects and the lower margins recognised in certain projects in progress, and Industrial recognised negative EBITDA due to the adverse performance of the EPC and other contracts.

II. Corporate's costs are far above those set as targets because they do not yet reflect the savings measures put in place at the end of the first half of the year, which will become increasingly visible in the second half of the year and in 2019.

III. The impact of EUR -27.7 million in connection with the claim filed in relation to the Xacbal Delta hydroelectric plant project which, due to its non-recurring nature, is excluded from the Industrial Division's EBITDA in order to achieve a better comparison in like-for-like terms.

IV. The costs recognised in relation to the OHL, S.A. collective redundancy procedure (CRP) and others costs totalling EUR -28.0 million.

Following the adjustment of the two latter effects, the adjusted EBITDA for the period would amount to EUR -57.5 million, compared with EUR 19.4 million for the same period of 2017.

It should be noted that the **short-term construction backlog** amounted to EUR 5,582.1 million in the first half of 2018, i.e., 26.6 months of sales, representing a healthy backlog which is diversified geographically and in terms project size.

New contracts in the first half of 2018 amounted to EUR 1,237.2 million, led by Europe and the US, including most notably the award of the modernisation of the Sudomerice-Votice railway line in the Czech Republic, for EUR 172.2 million, improvements to the ESI-33 station in New York, for EUR 100.0 million, the rehabilitation of the riverside in New York, for EUR 83.8 million, and Torre Caleido in Madrid, for EUR 78.9 million.

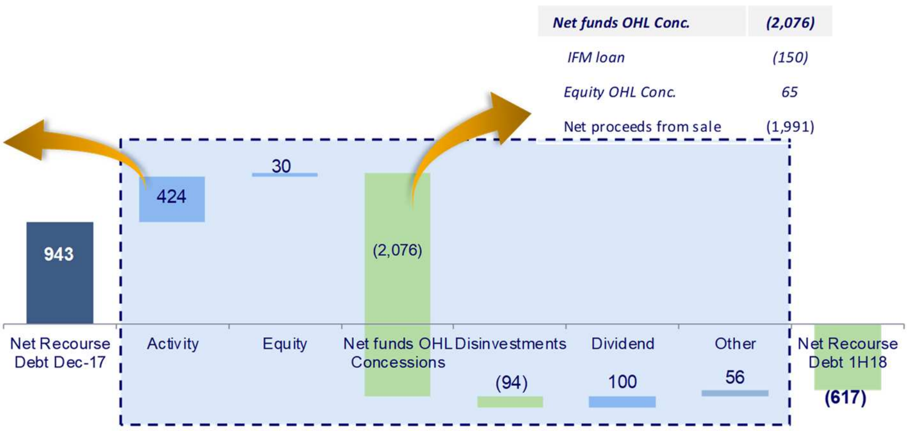
In the **financial area**, the following matters should be noted:

- The **significant reduction of net recourse borrowings**, driven by the proceeds from the sale of OHL Concesiones and the use of those funds, which enabled the Group to report, for the first time in its history, a negative net recourse borrowings figure, i.e. a positive net cash figure.

Mn €

	1H18	1H17	Var.
Construction	272	135	137
Legacy	*49*	*35*	*14*
Regular & Str.	*223*	*100*	*123*
Industrial[1]	63	62	n.a.
Services	11	2	9
Development	5	8	(3)
Corporate	72	86	-14
Total	**424**	**293**	**130**

(1) Including EUR 42 million relating to the payment of penalties corresponding to the Xacbal hydroelectric power plant.



The net recourse borrowings at 30 June amounted to EUR -617.2 million, representing a significant reduction of EUR 1,560.7 million in the first half of the year, due mainly to:

- The **net funds contributed by the sale of OHL Concesiones** for a total of EUR 2,076.0 million, including:

  i) the additional loan received from IFM in February for an amount of EUR 150.0 million, which was subsequently discounted from the price collected on completion of the sale of OHL Concesiones.

  ii) the equity contributions to OHL Concesiones projects prior to the closure of the transaction, amounting to EUR -65.0 million, made in the first quarter of the year;

  iii) net funds of EUR 1,991.0 million received on the date of the conclusion of the sale of OHL Concesiones, net of the related transaction costs, which were partially used for: (i) the repayment of EUR 701.7 million of bank borrowings; and (ii) the redemption of bonds amounting to EUR 228.3 million.

- The net funds received from the following **divestments**: (i) the non-controlling interests in the Mayakobá hotels amounting to EUR 58.9 million; and (ii) the sale of the Czech sleeper factory ZPSV for EUR 35.2 million.

The following should be noted with regard to cash outflows:

i. **Ordinary operations** gave rise to an outflow of EUR 423.5 million in the first half of the year, affected by the typical seasonality of the business, and including: (i) cash outflows of EUR 49.0 million in relation to legacy projects (in line with the estimated amount for 2018 as a whole); and (ii) cash flows of EUR 23.8 million used in the Central Xacbal hydroelectric plant project.

ii. The **investment** of EUR 30.3 million relates mainly to equity contributed to the Old War Office project of OHL Desarrollos.

iii. The payment of an **interim dividend** to remunerate shareholders for up to a maximum of EUR 99.5 million.

iv. The settlement of the **foreign currency hedge** arranged for the sale of OHL Concesiones to IFM, which gave rise to the payment of EUR 52.6 million.

- **The excellent liquidity position**, amounting to EUR 1,326.9 million, which places OHL in an exceptional position to be able to carry out its new Business Plan with guarantees of success, having repaid its bank borrowings and distributed an interim dividend to its shareholders.

  Pursuant to the terms and conditions of the novation entered into on 11 April to perform the sale of OHL Concesiones to IFM, this amount includes EUR 372.0 million which are deposited to secure the multi-product syndicated financing, although in September a new agreement was entered into to reduce the amount of this guarantee to EUR 140.0 million.

- **Net recourse debt** was reduced by 53% with respect to the same period of 2017 as a result of the sale of OHL Concesiones.

  On 12 April 2018, the Company informed the holders of the three series of bonds (maturing in 2020, 2022 and 2023) issued by the Company and listed on the London Stock Exchange, the total outstanding amount of which was EUR 894.5 million, that they had had a put option exercisable for a period of 30 days (until 12 May 2018), whereby OHL would have to redeem the bonds held by them by paying 101% of their nominal value plus the accrued coupon.

  On 12 May 2018, the Company received confirmation from the **bondholders that they had decided to exercise their put option** for a total amount of EUR 228.3 million, distributed as follows:

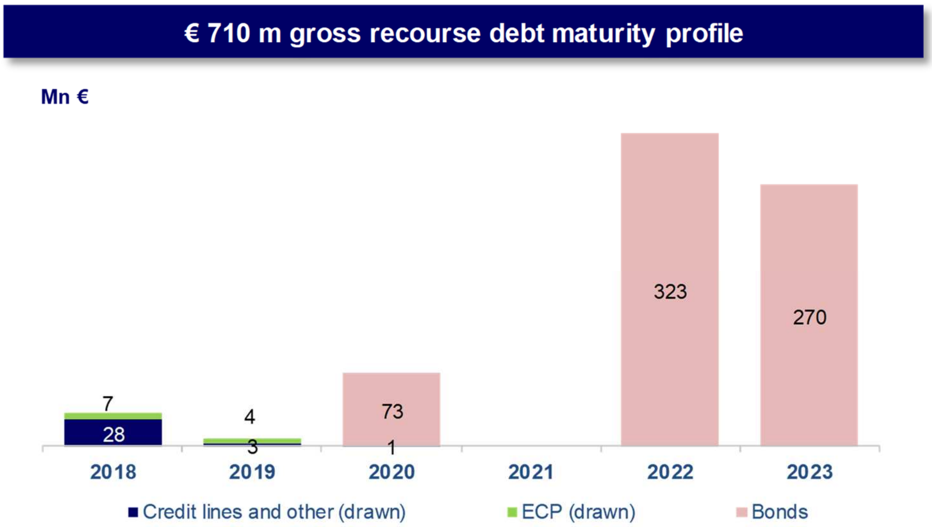
Maturity	Outstanding amount	Put accepted	Final amount
2020	187.1	113.8	73.3
2022	394.5	71.5	323.0
2023	312.9	43,0	269.9
Total bonds	**894.5**	**228.3**	**666.2**

Mn euros

The Company redeemed the bonds on 21 May 2018, following which OHL held a total amount of EUR 666.2 million in outstanding bond issues at 30 June 2018.

In relation to the **recourse bank borrowings,** in April bank borrowings of EUR 701.7 million were repaid, as a result of which the total recourse bank borrowings were reduced to EUR 43.6 million at 30 June 2018.

Consequently, the gross recourse borrowings at 30 June 2018 amounted to EUR 709.7 million, with the following **maturity profile**:



As regards the **asset rotation process**, the following divestments were made in the first half of 2018:

I. On 26 April the sale of the non-controlling interests in the hotel companies and of a portion of the land of the **Mayakobá** complex was completed for a price of EUR 63.0 million, of which EUR 58.9 million were collected and the remainder has been deferred. The total loss on the transaction was EUR -43.0 million.

II. On 27 June the **ZPSV** sleeper factory in the Czech Republic was sold for a total price of CZK 1,134.0 million (EUR 44.3 million). The net cash contributed for this divestment amounted to EUR 35.2 million and the total net gain on the transaction was EUR 0.9 million.

In relation to the **collective redundancy procedure (CRP)** of 8 June, following the legally-established consultation period an agreement was entered into with the workers' representatives whereby 140 employment contracts were terminated and 36 outplacements were arranged, with an estimated total cost of EUR 13.0 million, which was recognised in full in the first half of the year. Once completed, it is estimated that this CRP will give rise to total cost savings of EUR 12.2 million per year.

2. MOST SIGNIFICANT FIGURES.

Main figures	1H18	1H17*	Var. (%)
Sales	**1,445.1**	**1,587.2**	**-9.0%**
EBITDA	**-113.2**	**-14.8**	**n.s.**
% of aales	-7.8%	-0.9%	
Adjueted EBITDA	**-57.5**	**19.4**	**n.s.**
% of sales	-4.0%	1.2%	
EBIT	**-132.9**	**-53.7**	**n.s.**
% of sales	-9.2%	-3.4%	
Attributable net loss	**-843.6**	**-32.1**	**n.s.**
% of sales	-58.4%	-2.0%	
Adjusted atributable net loss	**-117.5**	**-135.5**	**13.3%**
% of sales	-8.1%	-8.5%	

Mn euros

Breakdown of sales and EBITDA	1H18	1H17*	Var. (%)
Sales	**1,445.1**	**1,587.2**	**-9.0%**
Construction	1,219.7	1,306.7	-6.7%
Industrial	91.2	128.6	-29.1%
Services	127.7	108.7	17.5%
Engineering & Construction	**1,438.6**	**1,544.0**	**-6.8%**
% of total	99.6%	97.3%	
Development	**6.5**	**43.2**	**-85.0%**
% of sales	0.4%	2.7%	
EBITDA	**-113.2**	**-14.8**	**n.s.**
Construction	-0.3	42.3	n.a.
Industrial	-27.6	-17.9	54.2%
Services	-0.7	0.3	n.a.
Corporate	-18.7	-11.8	n.s.
Engineering & Construction	**-47.3**	**12.9**	**n.a.**
% of total	41.8%	-87.2%	
Development	**-10.2**	**6.5**	**n.a.**
% of total	9.0%	-43.9%	
CRP cost and other	**-55.7**	**-34.2**	**62.9%**
Adjusted EBITDA	**-57.5**	**19.4**	**n.s.**

Mn euros

Net debt	1H18	2017	Var. (%)
Net recourse debt	-617.2	943.5	n.a.
Net non-recourse debt	58.9	56.4	4.4%
Total net debt	**-558.3**	**999.9**	**-155.8%**

Mn euros

Backlog	1H18	2017	Var. (%)
Short-term	6,200.4	6,236.2	-0.6%
Long-term	221.7	224.5	-1.2%

Mn euros

Human resources	1H18	2017	Var. (%)
Permanent employees	11,883	12,658	-6.1%
Temporary employees	8,562	8,313	3.0%
Total	**20,445**	**20,971**	**-2.5%**

Mn euros.
* Adjusted.

3.- PERFORMANCE BY DIVISION

OHL CONCESIONES

At 30 June 2018, the Concessions activities are presented as discontinued in the Group's interim condensed consolidated financial statements, and the figures for the first half of 2017 were adjusted for comparison purposes. This transaction also gave rise to a change in the scale of the Group's main aggregates.

The transaction excluded the sale of the two OHL concessions in liquidation (Móstoles - Navalcarnero and Eje Aeropuerto), for which OHL will be entitled to the future collection of all compensation received arising from these liquidation processes.

ENGINEERING AND CONSTRUCTION

Principales Magnitudes	1S18	1S17*	Var. (%)
Ventas	**1.438,6**	**1.544,0**	**-6,8%**
EBITDA	**-47,3**	**12,9**	**n.a.**
% s/ Ventas	-3,3%	0,8%	
EBIT	**-66,9**	**-23,5**	**n.s.**
% s/ Ventas	-4,7%	-1,5%	

Mn Euros

* Re expresado

The Engineering and Construction Division accounted for 99.6% of the Group's sales, with sales of EUR 1,438.6 million, which represents a decrease of 6.8% with respect to the first half of 2017.

EBITDA in the first half of 2018 was EUR -47.3 million, compared with EUR 12.9 million in the same period of 2017.

The EBITDA of Corporate amounted to EUR -18.7 million, compared with EUR -11.8 million in the same period of 2017, due to the fact that the latter figure includes revenue from billings for services provided and other items which did not arise in 2018. Accordingly, in comparable terms it should be noted that Corporate overheads are similar in the two periods, and it is envisaged that the cost reduction measures adopted will begin to take effect in the second half of 2018.

Performance, by activity segment, is as follows:

CONSTRUCTION

Main figures	1H18	1H17*	Var. (%)
Sales	**1,219.7**	**1,306.7**	**-6.7%**
EBITDA	**-0.3**	**42.3**	**n.a.**
% of sales	0.0%	3.2%	
EBIT	**-17.4**	**11.3**	**n.a.**
% of sales	-1.4%	0.9%	

Mn euros.

* Adjusted.

Construction, with sales amounting to EUR 1,219.7 million, accounts for 84.7% of Engineering and Construction sales and 84.4% of the Group's total sales.

The volume of business decreased by -6.7% with respect to 2017. This decrease was due mainly to the delay in starting work on the concessions in Latin America, as well as the fact that work has only just begun on the major projects in North America.

Legacy projects represented sales of EUR 145.5 million (11.9% of the Construction total), with EBITDA of practically zero. The cash outflows of the legacy projects amounted to EUR 49.0 million in the first half of 2018.

Construction EBITDA was practically zero in the first half of 2018 (compared with 3.2% in the same period in 2017), affected mainly by the convergence, in the lower volume of sales, of various factors such as: (i) the still limited contribution of the major projects at initial stage in the US; (ii) the limited activity of the concessions projects in Latin America; (iii) the effect of the existing overheads which are excessive and are in the midst of a cost reduction process; and (iv) the adjustment to more conservative margins in certain projects.

As a result of the foregoing, the gross margin at project level (i.e. before business overheads) in the first half of 2018 represented 4.5% of sales (compared with 6.6% recognised in the first half of 2017), although it is expected that these margins will gradually approach the average level of the current backlog (around 7-8%) while the projects of larger size and margins, as well as the Latam concessions, achieve a quicker rate of execution.

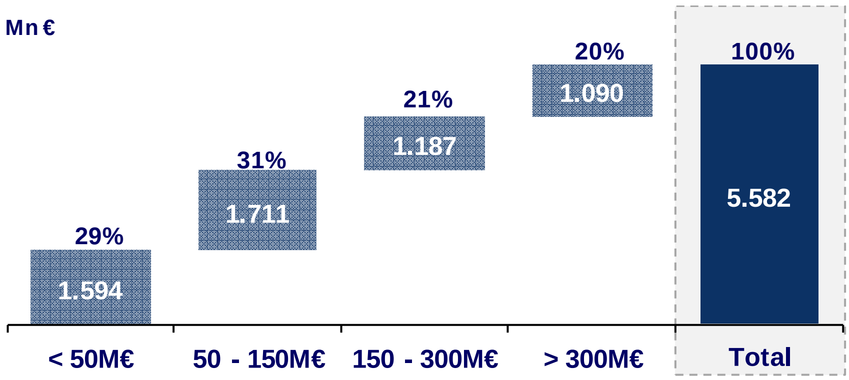
The drive behind the Construction overhead reduction measures (as in the other Divisions and Corporate) will become increasingly visible from the second half of 2018 and especially in 2019.

The short-term construction backlog at 30 June 2018 amounted to EUR 5,582.1 million, representing 26.6 months of sales, similar to that at 31 December 2017, which guarantees the future growth of this activity and demonstrates its capacity for replenishment. The backlog has a balanced profile both geographically and in terms of the size of the construction projects, with 94.0% coming from the main regions of activity (including most notably 38.5% from the US and 28.6% from Latin America), and with 19.5% of the projects exceeding EUR 300 million.

The geographical distribution of the short-term construction backlog is as follows:

	06/30/18
Home markets	**94.0%**
USA	38.5%
Latin America	28.6%
Spain	19.7%
Czech Rep. and Eastern Europe	7.1%
Other	**6.0%**

Based on the size of the construction project, the distribution of the backlog is as follows:



Of the total construction backlog, 21.8% corresponds to construction projects to be performed for concessions. The current backlog of the ten principal contracts at 30 June 2018 is as follows:

	Country	2018
Project I-405	USA	548.2
Vespucio Oriente toll road	Chile	330.0
New York Canarsie tunnel rehabilitation	USA	239.7
Atizapán-Atlacomulco toll road	Mexico	238.6
Curicó Hospital	Chile	186.2
Valparaiso Port	Chile	176.3
Modernisation of the Sudomerice-Votice railway line	Czech Rep.	170.7
Río Magdalena toll road	Colombia	128.9
LAV Oslo-Ski (Follo Line Project)	Norway	124.0
D1 Hubová-Ivachnová toll road	Slovakia	122.1
10 largest projects in backlog		**2,264.8**

Mn euros.

The diversification of the backlog by type of project should be noted, where 48.6% corresponds to roads, 21.0% to railways, 17.1% to building construction and 13.3% to other activities. New contracts in the first half of 2018 amounted to EUR 1,237.2 million, with 46.1% of the projects located in the US. The book to bill ratio stands at 1.0x.

The new awards in 2018 include most notably:

	Country	2018
Modernisation of the Sudomerice-Votice railway line	Czech Rep.	172.2
New York A-36622 ESI-33 station improvement	USA	100.0
Rehabilitation of riverside	USA	83.8
Torre Caleido	Spain	78.9
LAV Angiorza platform	Spain	77.6
Florida Salmon Farm	USA	61.9
California Newhope - Placencia	USA	48.1
LAV Zaragoza - Pamplona	Spain	46.1
Illinois IDOT item 117 - i55 al weber	USA	39.0
Total main awards		**707.6**
Other		529.6
Total awards		**1,237.2**

Mn euros.

INDUSTRIAL

Main figures	1H18	1H17	Var. (%)
Sales	**91.2**	**128.6**	**-29.1%**
EBITDA	**-27.6**	**-17.9**	**-54.2%**
% of sales	-30.3%	-13.9%	
EBIT	**-28.5**	**-19.3**	**-47.7%**
% of sales	-31.3%	-15.0%	

Mn euros.

The Industrial Division recorded sales of EUR 91.2 million in the first half of 2018, which represents a decrease of -29.1% with respect to the same period of 2017, mainly as a result of: (i) the reduction of scale entailed by the strategic decision to discontinue the Oil&Gas EPCs segment; and (ii) the lower rate of execution of certain projects and the completion of others.

EBITDA amounted to EUR -27.6 million, affected mainly by the negative margins that are being generated in the final stages of certain projects already in progress (as a result, mainly, of cases of cost overruns related to delays in delivery dates), and by the high overheads of this activity, which are still being reduced.

These margins do not include the negative impact in the first half of 2018 of the unfavourable arbitral award in relation to the Xacbal project, amounting to EUR -27.7 million.

The Industrial backlog at 30 June 2018 amounted to EUR 250.8 million, and includes: (i) EUR 97.8 million (39%) of the Cementos Molins plant in Colombia (which will foreseeably be completed in 2019); (ii) EUR 124.0 million (49%) of operation and maintenance (O&M), fire safety, solar PV power and equipment projects (with stable and low-risk margins); and (iii) EUR 29 million (only 12% of the total) of the EPC contracts yet to be completed.

SERVICES

Main figures	1H18	1H17	Var. (%)
Sales	**127.7**	**108.7**	**17.5%**
EBITDA	**-0.7**	**0.3**	**n.a.**
% of sales	-0.5%	0.3%	
EBIT	**-2.5**	**-1.4**	**-78.6%**
% of sales	-2.0%	-1.3%	

Mn euros.

Sales of this Division amounted to EUR 127.7 million, with growth of +17.5%, thanks mainly to the positive performance of the Facilities segment (cleaning, maintenance and energy efficiency) at national level, as well as greater activity in urban and home help services.

The Services business (which is the smallest in size of the three that compose the Engineering and Construction Division) obtained an EBITDA margin of -0.5% of sales, reflecting the highly competitive environment of a very mature industry. Certain delays in the initial phase of project contracts also contributed to this slight negative margin.

The backlog at 30 June 2018 totalled EUR 367.6 million, with new contracts totalling EUR 139.4 million, the most noteworthy at national level being awards such as the cleaning of Metro Madrid Line 10, green zones in Torrejón de Ardoz and street lighting in León.

DEVELOPMENT

Main figures	1H18	1H17	Var. (%)
Sales	**6.5**	**43.2**	**-85.0%**
EBITDA	**-10.2**	**6.5**	**n.a.**
% of sales	-156.9%	15.0%	
EBIT	**-10.3**	**4.0**	**n.a.**
% of sales	-158.5%	9.3%	

Mn euros.

The aggregates of OHL Desarrollos underwent a significant change in scale following the sale of Mayakobá assets in April 2017 (loss of control) and, therefore, are not comparable because most of its subsidiaries began to be accounted for using the equity method following that sale. Accordingly, in the first half of 2018 OHL Desarrollos presented sales of EUR 6.5 million, down by -85.0% with respect to the same period in 2017.

EBITDA amounted to EUR -10.2 million, due to a combination of the high central overheads of this Division and the lower (or inexistent) EBITDA contribution from the various projects of this Division when they started to be accounted for using the equity method.

The main projects in this Division are as follows:

- **Mayakobá**

  On 26 April the sale of the remaining ownership interests held by the Group in the hotel companies (49.0% in Golf El Camaleón, 43.3% in the Banyan Tree hotel, 9.0% in the Andaz hotel, 9.8% in the Fairmont hotel and 20.0% in the Rosewood hotel) was completed, together with that of a portion of the land of the complex and of other minor subsidiaries for a total amount of EUR 50.5 million, as was the transfer of collection rights amounting to EUR 12.5 million, which generated a net loss of EUR -43.0 million. The net cash generated amounted to EUR 58.9 million.

- **Ciudad Mayakobá**

  Worthy of note is the sound evolution of the projects being carried out in Ciudad Mayakobá, which have continued to advance with an excellent pace of sales and development, reaching between 90%-95% of inventory sales up for sale, as well as the international recognition and awards achieved (the project has been presented as a development model at the Habitat III congress, organised by the UN). This project had a carrying amount of EUR 149.8 million at 30 June 2018.

  Negotiations are ongoing for the sale these assets, which is expected to be completed at the end of 2018.

- **Canalejas**

  At 30 June 2018, the OHL Group held a non-controlling interest of 17.5% in the project, with a carrying amount of EUR 69.4 million. The project is currently at the construction phase and certain areas of the complex continued to be marketed in 2018, and it is envisaged that it will be completed in 2019.

  On 13 August 2018, OHL Desarrollos announced the acquisition of Grupo Villar Mir, S.A.U.'s entire ownership interest of 32.5% in the share capital of Proyecto Canalejas for a total fixed price of EUR 50 million, which could potentially be adjusted upwards (earn-out) to a maximum of an additional EUR 10 million based on the gains that may be generated from the possible subsequent sale of the aforementioned ownership interests. The transaction also includes the acquisition by OHL Desarrollos of the collection rights relating to the loans granted by Grupo Villar Mir, S.A.U. to the project and other receivables from it totalling EUR 9.8 million.

- **Old War Office**

  The emblematic *Old War Office* project in London, in which OHL Desarrollos holds a 49% ownership interest, has successfully completed the licensing phase and construction has recently started. This ownership interest had a carrying amount of EUR 104.0 million at 30 June 2018.

The assets of this Division had a total carrying amount of EUR 323.2 million at 30 June 2018.

4. FINANCIAL STATEMENTS (unaudited figures)

As a result of the sale of all the shares of OHL Concesiones, this business is presented as a discontinued operation in the interim condensed consolidated statement of profit or loss for the first half of 2018, and the interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of cash flows for the first half of 2017 were adjusted.

Presented below is the consolidated statement of profit or loss, not including the effects of the aforementioned non-recurring transactions, in order to make the two periods comparable.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Previous 1H18	Sale of OHL Concesiones	CRP, Xacbal and other	CHUM	Sale of OHLD & ZPSV	1H18	1H17*	Var. (%)
Revenue	**1,445.1**					**1,445.1**	**1,587.2**	**-9.0%**
Other operating income	64.6					64.6	74.1	-12.8%
Total operating income	**1,509.7**	**0.0**	**0.0**	**0.0**	**0.0**	**1,509.7**	**1,661.3**	**-9.1%**
% of sales	104.5%					104.5%	104.7%	
Operating expenses	-1,165.8		-40.2		-3.6	-1,209.6	-1,229.2	-1.6%
Staff costs	-397.8		-15.5			-413.3	-445.7	-7.3%
EBITDA	**-53.9**	**0.0**	**-55.7**	**0.0**	**-3.6**	**-113.2**	**-13.6**	**n.s.**
% of sales	-3.7%					-7.8%	-0.9%	
Depreciation and amortisation charge	-31.8					-31.8	-40.1	-20.7%
Changes in provisions and allowances	12.1					12.1	0.0	n.s.
EBIT	**-73.6**	**0.0**	**-55.7**	**0.0**	**-3.6**	**-132.9**	**-53.7**	**n.s.**
% of sales	-5.1%					-9.2%	-3.4%	
Finance income	12.3					12.3	10.8	13.9%
Finance costs	-46.9		-1.1			-48.0	-37.8	27.0%
Change in fair value of financial instruments	2.7	-92.3			-7.2	-96.8	-5.8	n.s.
Exchange differences	-21.2				4.0	-17.2	-28.7	-40.1%
Impairment and gains or losses on disposals of financial instruments	-2.2				-33.7	-35.9	-1.3	n.s.
Financial loss	**-55.3**	**-92.3**	**-1.1**	**0.0**	**-36.9**	**-185.6**	**-62.8**	**195.5%**
Result of companies accounted for using the equity method	5.6			-76.7		-71.1	-9.9	n.s.
Loss from continuing operations before tax	**-123.3**	**-92.3**	**-56.8**	**-76.7**	**-40.5**	**-389.6**	**-126.4**	**n.s.**
% of sales	-8.5%					-27.0%	-8.0%	
Income tax	3.0				-1.6	1.4	-10.7	n.a.
Loss for the period from continuing operations	**-120.3**	**-92.3**	**-56.8**	**-76.7**	**-42.1**	**-388.2**	**-137.1**	**183.2%**
% of sales	-8.3%					-26.9%	-8.6%	
Gain on disposal		47.6				47.6		
Net revaluation losses **		-549.9				-549.9		
Profit contributed up to the sale		115.7				115.7		
Profit or loss from discontinued operations, net of tax	**0.0**	**-386.6**	**0.0**	**0.0**	**0.0**	**-386.6**	**247.8**	**n.a**
Profit or loss for the year	**-120.3**	**-478.9**	**-56.8**	**-76.7**	**-42.1**	**-774.8**	**110.7**	**n.a.**
% of sales	-8.3%					-53.6%	7.0%	
Profit or loss attributable to non-controlling interests	2.8					2.8	-1.0	n.a.
Profit from discontinued operations attributable to non-controlling interest	0.0	-71.6				-71.6	-141.8	-49.5%
Loss attributable to the Parent	**-117.5**	**-550.5**	**-56.8**	**-76.7**	**-42.1**	**-843.6**	**-32.1**	**n.s.**
% o/ Sales	-8.1%					-58.4%	-2.0%	

Mn euros.
* Adjusted.
** €-549.9 This result is offset by a credit entry in reserves with zero effect on net assets.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The Group's **revenue** in the first half of 2018 amounted to EUR 1,445.1 million, down 9.0% from that recognised in the same period of 2017, due largely to the decrease in Engineering and Construction activity.

In the first half of 2018 74.3% of revenue was generated outside Spain, as compared with 76.4% in the same period of 2017.

As regards the distribution of sales by geographical area, the US and Canada represent 31.3% of the total, Spain 25.7%, Central and Eastern Europe 8.2%, Mexico 7.9% and Chile 4.6%.

Total operating income amounted to EUR 1,509.7 million, a drop of 9.1% with respect to the first six months of 2017.

EBITDA totalled EUR -113.2 million, -7.8% of revenue, affected very negatively by the Construction and Industrial margins and the high overheads of Corporate. EBITDA was also affected by the imposition of penalties in relation to the Xacbal project, amounting to EUR -27.6 million, and by the costs of the collective redundancy procedure and other costs amounting to EUR -17.8 million.

EBIT amounted to EUR -132.9 million, compared with EUR -53.7 million in the same period of 2017.

The net amount of **"Finance Income" and "Finance Costs"** was EUR -35.7 million, as compared with EUR -27.0 million in the first half of 2017, and included most notably the higher finance cost arising from the restructuring finance costs and fees relating to the redemption of bonds by the Group as a result of the put option exercised by the bondholders following the divestment of OHL Concesiones.

"**Changes in Fair Value of Financial Instruments**" amounted to EUR -96.8 million, representing a negative difference of EUR -91.0 million with respect to the same period of 2017, due mainly to the effect of the change of EUR -92.3 million in the fair value of the foreign currency hedge arranged to hedge the divestment of OHL Concesiones.

"**Exchange differences**" amounted to EUR -17.2 million, an improvement of EUR 11.5 million with respect to those recognised in the first half of 2017.

Set forth below is a detail of the total gains and losses from the divestments of Desarrollos and ZPSV companies recognised in various line items in the consolidated statement of profit or loss.

	Subsidiaries of Desarrollos	Z.P.S.V. A.S.	Total
Seling price	**63.0**	**44.3**	**107.3**
Impact on P&L			
EBIT	(3.5)	-	(3.5)
Exchange differences	-	4.0	4.0
Changes in fair value of financial instruments	(7.2)	-	(7.2)
Impairment losses and gains of losses on disposals of fin. Instr.	(30.6)	(3.1)	(33.7)
Income tax	(1.6)	-	(1.6)
Total impact on P&L	**(43.0)**	**0.9**	**(42.1)**

“**Impairment and Gains or Losses on Disposals of Financial Instruments**” totalled EUR -35.9 million, including most notably:

- The loss of EUR -30.6 million on the sale of 19 Desarrollos companies.
- The loss of EUR -3.1 million on the sale of ZPSV.

“**Result of Companies Accounted for Using the Equity Method**” totalled EUR -71.1 million and includes most notably the loss of EUR -76.7 million incurred in the Centre Hospitalier de L´Université de Montreal (CHUM) project, due to the cost overruns recognised as a result of failings in the launch of the first phase of the project.

The “**Loss Before Tax**” amounted to EUR -389.6 million.

“**Income Tax**” totalled EUR 1.4 million, and the effective tax rate was similar to that of the first half of 2017.

This rate was calculated by eliminating the results of companies accounted for using the equity method and other items with no tax effect, and it must be taken into consideration that the Group does not recognise tax assets if it is not certain that they will be recovered.

“Loss for the Year from Continuing Operations” stood at EUR -388.2 million, compared with EUR -137.1 million in the first half of 2017, affected by:

- Operating losses.
- Costs relating to the CRP, the penalties imposed in connection with the Xacbal project and other costs.
- Financial losses, which reflect the negative impact of the derivatives associated with the divestment of the Concessions Division and the losses on the disposals of the Mayakobá and ZPSV companies.
- The negative impact of the losses incurred on the Centre Hospitalier de L´Université de Montreal (CHUM) project.

“Profit (**Loss) for the Year from Discontinued Operations Net of Tax**” relates to the Concessions activity, the detail being as follows:

Gain on disposal	(549.9)
Net revaluation losses	47.6
Profit after tax contributed up to the sale	115.7
Loss after tax from discontinued operations	**(386.6)**

Mn euros.

Worthy of note are the revaluation losses which, pursuant to IAS 21, included the translation differences amounting to EUR -540.6 thousand and the revaluation of derivatives totalling EUR -9.3 thousand (already included in equity). **This total loss of EUR -549.9 thousand relates to a change for accounting purposes that is offset by an improvement of EUR 549.9 thousand in “Valuation Adjustments” in the interim condensed consolidated balance sheet, leaving equity unaffected.**

The sale agreement valued OHL Concesiones, S.A.U. at EUR 2,775 million, resulting in net consideration, after adjustments relating to net borrowings, exchange rates and cash contributed to projects, of EUR 2,158 million. The net gain generated by the disposal was EUR 47.6 thousand.

Also included is the profit after tax generated by the Concessions Division up to the sale, which amounted to EUR 115.7 million.

"**Profit Attributable to Non-Controlling Interests**" amounted to EUR 68.8 million, of which EUR 71.6 million relate to the results generated by the discontinued operations of the Concessions Division in the first quarter of 2018.

All of the foregoing had an impact of EUR -550.5 million on the interim condensed consolidated statement of profit or loss as a result of this entire transaction.

The profits and losses from continuing and discontinued operations resulted in a "**Loss Attributable to the Parent**" of EUR -843.6 million.

CONSOLIDATED BALANCE SHEET

	06/30/18	12/31/17	Var. (%)
Non-current assets	**1,468.2**	**1,665.3**	**-11.8%**
Intangible assets	254.5	243.9	4.3%
Concession infrastructure	67.8	66.8	1.5%
Property, plant and equipment	170.8	212.1	-19.5%
Investment property	86.4	73.3	17.9%
Investments accounted for using the equity method	210.0	303.1	-30.7%
Non-current financial assets	378.9	501.0	-24.4%
Deferred tax assets	299.8	265.1	13.1%
Current assets	**3,214.9**	**10,543.2**	**-69.5%**
Non-current assets classified as held for sale and discontinued operations	0.0	8,023.6	n.a.
Inventories	164.5	152.4	7.9%
Trade and other receivables	1,664.2	1,753.5	-5.1%
Other current financial assets	505.5	140.1	260.8%
Other current assets	55.2	39.4	40.1%
Cash and cash equivalents	825.5	434.2	90.1%
Total assets	**4,683.1**	**12,208.5**	**-61.6%**
Equity	**1,425.2**	**4,183.3**	**-65.9%**
Shareholder's equity	**1,518.8**	**2,918.0**	**-48.0%**
Share capital	171.9	179.3	-4.1%
Share premium	1,265.3	1,265.3	0.0%
Reserves	1,025.1	1,485.5	-31.0%
Loss for the period attributable to the Parent	-843.6	-12.1	n.s.
Interim dividend	-99.9	0.0	n.a.
Valuation adjustments	**-88.3**	**-751.3**	**-88.2%**
Total equity attributable to the Parent	**1,430.5**	**2,166.7**	**-34.0%**
Non-controlling interests	**-5.3**	**2,016.6**	**n.a.**
Non-current liabilities	**911.2**	**1,124.1**	**-18.9%**
Grants	2.0	2.2	-9.1%
Long-term provisions	35.2	50.1	-29.7%
Non-current financial debt (*)	672.8	893.5	-24.7%
Other non-current financial liabilities	3.8	4.4	-13.6%
Deferred tax liabilities	163.3	139.5	17.1%
Other non-current liabilities	34.1	34.4	-0.9%
Current liabilities	**2,346.7**	**6,901.1**	**-66.0%**
Liabilities associated with non-current assets classified as held for sale and discontinued operations	0.0	4,141.7	n.a.
Short-term provisions	226.0	225.4	0.3%
Current financial debt (*)	99.9	680.7	-85.3%
Other current financial liablilities	4.6	4.7	-2.1%
Trade and other payables	1,764.5	1,614.9	9.3%
Other current liabilities	251.7	233.7	7.7%
Total equity and liabilities	**4,683.1**	**12,208.5**	**-61.6%**

* Including bank borrowings and bonds.
Mn euros.

Application of IFRS 15, Revenue from Contracts with Customers

The consolidated balance sheet as at 30 June 2018 was affected by the application of IFRS 15.

The mandatory application of IFRS 15 for reporting periods beginning on or after 1 January 2018 entails the adoption of stricter criteria for revenue recognition, relating mainly to the probability of customer approval, as until 1 January 2018 revenue was recognised when it was likely to be received, whereas under the new standard revenue will be recognised when it is highly probable that a significant reversal in the amount of revenue recognised will not occur.

In this connection, on 1 January 2018 EUR 444.2 million were derecognised with a charge to "Reserves", with no tax effect, resulting in a EUR 97.6 million reduction in "Non-Current Assets" and a EUR 346.6 million reduction in "Trade and Other Receivables - Amounts to be Billed For Work Performed", arising from Construction projects involved in litigation and/or under negotiation with customers.

The most significant projects to which this new standard has been applied are:

- The Design and Construction of the Sidra Medical Research Centre (Doha, Qatar), Qatar Foundation for Education, Science and Community Development (QF) project, which is subject to arbitration proceedings initiated on 30 July 2014 at the International Chamber of Commerce. Assets amounting to EUR 239.5 million were derecognised in connection with this contract.

- Other balances of "Amounts to be Billed for Work Performed" of the following companies: Autopista Eje Aeropuerto Concesionaria Española, S.A.U., Cercanías Móstoles Navalcarnero, S.A., Viaducto Kuwait, FF.CC. Annaba, Marmaray and other minor companies.

The application of IFRS 15 completely eliminated the risk associated with legacy projects in the interim condensed consolidated balance sheet, and the OHL Group is continuing all actions aimed at recovering the above-mentioned amounts, since it considers that there are very firm legal grounds for obtaining these amounts from its customers, at which point this new revenue would be recognised.

Changes in the consolidated balance sheet

The detail of the main headings in the interim condensed consolidated balance sheet as at 30 June 2018 and of the changes therein with respect to 31 December 2017 is as follows:

"**Concession Infrastructure**": this line item includes all of the Group's concession infrastructure.

The balance at 30 June 2018 amounted to EUR 67.8 million and relates mainly to Sociedad Concesionaria Aguas de Navarra, S.A., contributing a balance of EUR 66.8 million.

"**Investments Accounted for Using the Equity Method**": the balance of EUR 210.0 million represents a decrease of EUR 93.1 million with respect to 31 December 2017, due mainly to the losses in the first six months of 2018 recognised by Health Montreal Collective CJV L.P. incurred in the Centre Hospitalier de L´Université de Montreal (CHUM) project amounting to EUR 76.7 million.

The main investments recognised under "Investments Accounted for Using the Equity Method" include the Canalejas and Old War Office projects.

"**Non-Current Financial Assets**" amounts to EUR 378.9 million and represents a decrease of EUR 122.1 million, due mainly to the derecognition, as a result of the application of IFRS 15, with a charge to reserves on 1 January 2018, of assets of Sidra Hospital (Qatar) amounting to EUR 97.6 million.

“Non-Current Assets Classified as Held for Sale” and “Liabilities Associated with Non-Current Assets Classified as Held for Sale”: at 31 December 2017, these line items related to the assets and liabilities of the companies in the Concessions Division, which were sold on 12 April 2018.

“**Trade and Other Receivables**”: at 30 June 2018, the balance of this line item amounted to EUR 1,664.2 million, representing 35.5% of the total assets and a decrease of EUR 89.3 million with respect to 31 December 2017.

Progress billings receivable and amounts to be billed for work performed represent 78.3% of the total “Trade and Other Receivables” balance and amounted to EUR 1,302.3 million (5.2 months of sales), as compared with EUR 1,410.8 million at 31 December 2017 (5.4 months of sales).

The effect of the aforementioned application of IFRS 15 contributed to this decrease.

The EUR 46.1 million decrease in the balance of “Trade and Other Receivables” (31 December 2017: EUR 40.8 million) was attributable to trade receivables factored without recourse.

“**Equity Attributable to the Parent**” amounted to EUR 1,430.5 million, which represents 29.9% of total assets and a decrease of EUR 736.2 million with respect to 31 December 2017, due to the net effect of:

- A EUR -460.4 million reduction in reserves, of which EUR -444.2 million were due to the application of IFRS 15 and EUR -16.2 million were due to other factors.

- The decrease arising from the attributable loss for the first half of 2018, which amounted to EUR -843.6 million.

- The decrease of EUR -99.9 million arising from the interim dividend paid out of the profit for 2018, which was paid on 6 July 2018.

- The increase in valuation adjustments amounting to EUR 663.0 million, of which EUR 102.0 million arose from the translation of financial statements in foreign currency, EUR 549.9 million arose from the transfer to profit or loss of the Concession Division translation differences, due to its sale, and EUR 11.1 million arose from the remeasurement of financial instruments.

- The capital reduction of EUR 7.4 million and the EUR 39.7 million decrease in reserves caused by the retirement of treasury shares.

- The increase of EUR 47.0 million arising from decrease in the backlog. At 30 June 2018, 385,972 treasury shares with a value of EUR 1.1 million were held.

Non-Controlling Interests at 30 June 2018 amounted to EUR -5.3 million.

This balance was EUR -2,021.9 million lower than at 31 December 2017 due to the net effect of:

- The increase of EUR 68.8 million as a result of the profit for the first six months of 2018 attributable to non-controlling interests.

- The increase of EUR 661.7 million arising from the translation of the financial statements in foreign currency.

- The decrease of EUR -6.3 million due to the effect of the remeasurement of financial instruments.

- The decrease of EUR -2,741.4 million arising from the aforementioned sale of the Concessions Division.

- The decrease of EUR 4.7 million relating to other changes in the scope of consolidation.

Financial debt: the comparison of the debt at 30 June 2018 with the figure at 31 December 2017 is as follows:

Gross debt [1]	06/30/18	%	12/31/17	%	Var. (%)
Recourse debt	709.7	91.8%	1,517.0	96.4%	-53.2%
Non-recourse debt	63.0	8.2%	57.2	3.6%	10.1%
Total	**772.7**		**1,574.2**		**-50.9%**

Mn euros.

(1) The gross borrowings group together the non-current and current debt items, which include both bank borrowings and bonds.

Net debt [2]	06/30/18	%	12/31/17	%	Var. (%)
Recourse net debt	-617.2	110.5%	943.5	94.4%	n.a.
Non-recourse net debt	58.9	-10.5%	56.4	5.6%	4.4%
Total	**-558.3**		**999.9**		**n.a.**

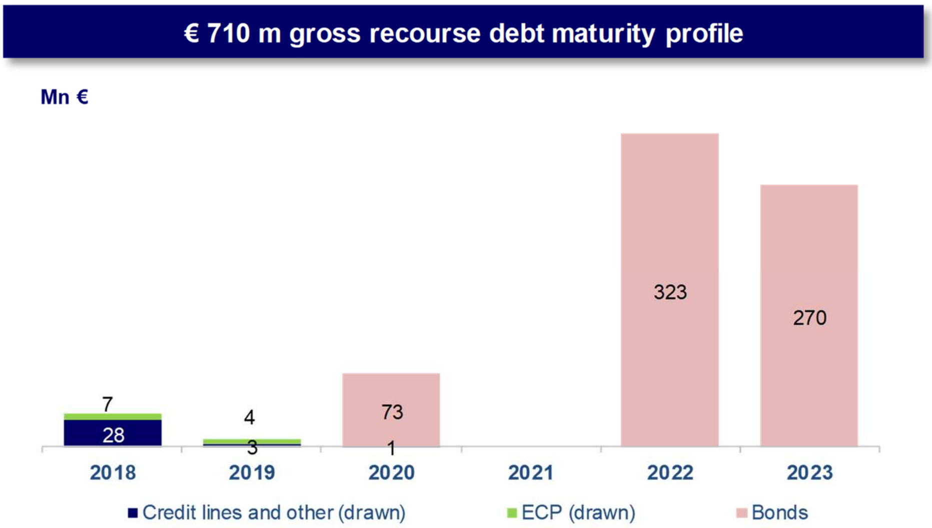
Mn euros.

(2) The net borrowings comprise the gross borrowings minus other financial assets and cash and cash equivalents.

The gross recourse borrowings amounted to EUR 709.7 million at 30 June 2018, a decrease from the figure at 31 December 2017, due to:

- The repayment of EUR 701.7 million of the syndicated loan, credit facilities and other payables.
- The amount redeemed of the bonds maturing in 2020, 2022 and 2023 for a total amount of EUR 228.3 million, redeemed on 21 May 2018. Following this redemption, the outstanding balance of the bonds was EUR 666.2 million.

The detail of the maturity of the Group's gross recourse borrowings is as follows:



The net recourse debt amounted to EUR -617.2 million, a reduction of EUR -1,560.7 million with respect to 31 December 2017, as a result of the proceeds from the sale of the Concessions Division.

"**Current Financial Assets**" amounted to EUR 505.5 million at 30 June 2018, including a restricted deposit of EUR 375.2 million of which EUR 372.0 million are securing the multi-product syndicated financing.

The detail of the recourse liquidity position at 30 June 2018 and 31 December 2017 is as follows:

Recourse liquidity	06/30/18	12/31/17
Bonds	666.2	894.5
Euro Commercial Paper	10.3	6.7
Syndicated facility	-	250.0
Credit lines and other	56.0	540.7
Availability with recourse	**732.5**	**1,691.9**
Gross recourse debt	**709.7**	**1,517.0**
Recourse financing available	22.8	174.9
Cash and current financial assets	1,326.9	573.6
Recourse liquidity available	**1,349.7**	**748.5**

Mn euros.

The Group's drawable recourse funds amounted to EUR 732.5 million. The Group's liquidity, measured as cash and cash equivalents, amounted to EUR 1,326.9 million.

87.1% of the total gross bank borrowings falls due at long term and the remaining 12.9% matures at short term.

The gross non-recourse bank borrowings amounted to EUR 63.0 million, representing a mere 8.2% of total gross borrowings.

CASH FLOW

This section provides an additional breakdown, based on internal criteria established by the Group for the purposes of analysing its business, which in certain cases depart from the provisions of IAS 7.

	1H18	1H17
EBITDA	**(113.2)**	**(14.8)**
Adjustments	**(198.0)**	**(95.8)**
Financial loss	(149.7)	(61.5)
Result of companies accounted for using the equity method	(71.0)	(9.9)
Net loss on disposals of financial instruments	(35.8)	(1.3)
Taxes	1.4	(10.7)
OHL Concesiones gain	47.6	-
Changes in provisions and others	9.5	(12.4)
Cash flows from operating activities	**(311.2)**	**(110.6)**
Changes in working capital	**(147.0)**	**(212.3)**
Trade and other receivables	(187.0)	(95.3)
Trade and other payables	144.2	(176.9)
Other changes in working capital	(104.2)	59.9
Cash flows from operating activities	**(458.2)**	**(322.9)**
Cash flows from investing activities	**2,016.4**	**250.8**
Non-controlling interests	(7.6)	(27.8)
Other	1,939.0	241.1
Discontinued operations	85.0	37.5
Change in net non-recourse debt	**2.5**	**65.1**
Change in net recourse debt	**(1,560.7)**	**7.0**
Cash flows from financing activities	**(1,558.2)**	**72.1**

Mn euros.

EBITDA amounted to EUR -113.2 million, down 147.8 million with respect to the same period of 2017.

The **adjustments to the loss** amounted to EUR -198.0 million and included mainly financial losses.

The **cash flows from operations** amounted to EUR -311.2 million.

The "**Changes in Working Capital**" amounted to a negative figure of EUR -147.0 million.

All these changes were the reason for the drop in **"Cash Flows from Operating Activities"**, which amounted to EUR -458.2 million, similar to the amount recognised in the same period of 2017, and both amounts were affected by the typical seasonality of the Group's businesses.

"**Cash Flows from Investing Activities**", which amounted to EUR 2,016.4 million, consists mainly of non-controlling interests, changes in equity and non-current assets and liabilities and profit or loss from the discontinued OHL Concesiones operations, the net effect of which was EUR 85.0 million.

"**Cash Flows from Financing Activities**" amounted to EUR -1,558.2 million, relating to an increase of EUR 2.5 million in the Group's net non-recourse borrowings and an increase of EUR -1,560.7 million in its net recourse borrowings.

5.- BACKLOG

At 30 June 2018, the Group's backlog amounted to EUR 6,422.1 million, similar to the backlog at 31 December 2017.

96.5% of the total backlog related to short-term projects, with long-term projects accounting for the other 3.5%

The short-term backlog amounted to EUR 6,200.4 million, which represents approximately 24.7 months of sales and is similar to the short-term backlog at 31 December 2017.

Construction accounts for 90.0% of the total short-term backlog.

The long-term backlog amounted to EUR 221.7 million, which is similar to the long-term backlog at 31 December 2017.

	06/30/18	%	12/31/17	%	Var. (%)
Short-term	**6,200.4**		**6,236.2**		**-0.6%**
Construction	5,582.1	90.0%	5,568.3	89.3%	0.2%
Industrial	250.8	4.0%	312.1	5.0%	-19.6%
Services	367.5	5.9%	355.8	5.7%	3.3%
Long-term	**221.7**		**224.5**		**-1.2%**
Construction	221.7	100.0%	224.5	100.0%	-1.2%
Total	**6,422.1**		**6,460.7**		**-0.6%**

Mn euros.

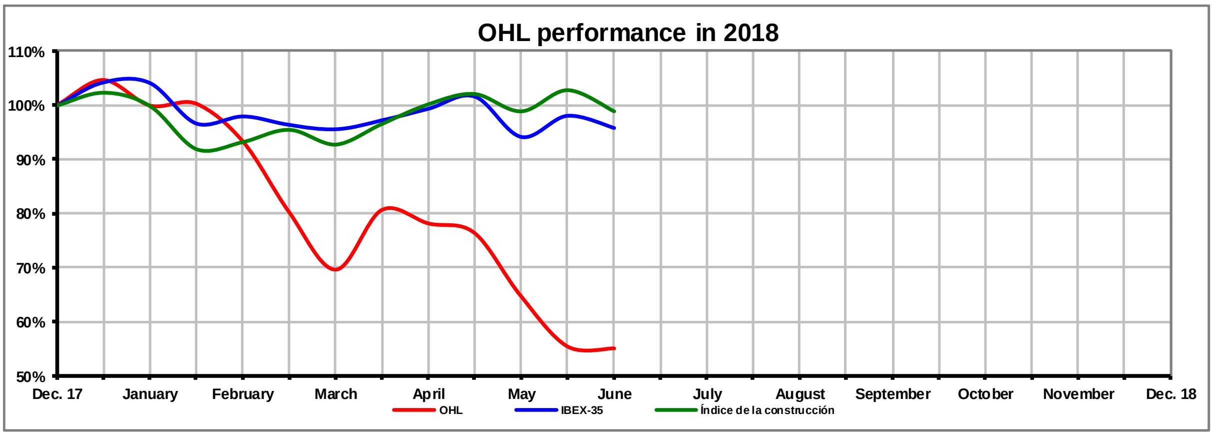
6.- STOCK MARKET INFORMATION

At 30 June 2018, the share capital amounted to EUR 171,928,973.40, represented by 286,548,289 ordinary shares (following the capital reduction performed in February 2018) of EUR 0.60 par value each, all of the same class and series, with a market price of EUR 2.74 per share, representing a fall in stock market price of -45.0% in the year.

In the first half of 2018 a total of 355,887,175 shares were traded on the stock market (124.2% of the total shares admitted for trading) with an average daily volume of 2,824,501 shares.

At 30 June 2018, OHL held a total of 385,972 treasury shares, equal to 0.13% of the Company's current share capital.

	06/30/18
Closing price	2.74
OHL YtD performance	-45.0%
Number of shares	286,548,289
Market capitalisation (Mn euros)	785.4
Ibex 35 YtD performance	-4.2%
Construction Index YtD performance	-1.1%



The most relevant data on the bonds issued by OHL are as follows:

Issuer	Maturity	Coupon	Amount	Price	YtM
OHL S.A.	March 2020	7.625%	73	100.716%	7.160%
OHL S.A.	March 2022	4.750%	323	99.413%	4.923%
OHL S.A.	March 2023	5.500%	270	100.542%	5.366%

7.- DEVELOPMENT

In the first six months of 2018 the Group invested EUR 107 thousand in development projects and incurred expenditure of EUR 1.3 million. Also, EUR 32.2 million relating to research and development projects had been capitalised to “Other Intangible Assets” in the interim condensed consolidated balance sheet as at 30 June 2018.

8.- EFFECTIVE RISK MANAGEMENT

Risk management is a strategic priority for the OHL Group.

Through advanced analysis and control systems, it aims to minimise exposure to such risks, ensure compliance with the profitability targets of each project and that the new contracting is in line with the risk control parameters set by the managing bodies.

For information on the main risks and uncertainties faced by the OHL Group, see Note 6 to the interim condensed consolidated financial statements for the six-month period ended 30 June 2018.

9.- ALTERNATIVE PERFORMANCE MEASURES

The OHL Group presents its results in accordance with International Financial Reporting Standards (IFRSs) and also uses certain Alternative Performance Measures (APMs) that facilitate a better understanding and comparability of the financial information. In order to comply with the guidelines of the European Securities and Markets Authority (ESMA), we hereby disclose the following:

EBITDA: the profit or loss from operations before the depreciation and amortisation charge and changes in provisions and allowances.

Reconciliation:

	Thousands of euros	
	June 2018	June 2017
Loss from operations	(132,951)	(53,702)
(-) Depreciation and amortisation charge	31,813	40,097
(+/-) Changes in provisions and allowances	(12,071)	(1,183)
Total gross loss from operations	**(113,209)**	**(14,788)**

Use: aggregate indicating profit or loss from operations. This is used by analysts and investors to measure operating performance and relate it to indebtedness.

Comparison: comparative amounts for different periods are presented.

Consistency: the criterion used to calculate EBITDA is the same as that used in the previous year.

Recourse EBITDA: Total EBITDA, including interest income and excluding certain losses arising from other expenses, in certain cases with no effect on cash, less the EBITDA and finance income of the project companies, and including, where applicable, dividends paid to the Parent by the project companies.

Use: aggregate used to calculate contractual clauses.

Comparison: comparative amounts for different periods are presented.

Consistency: the criterion used to calculate recourse EBITDA is the same as that used in the previous year.

Project companies: companies for whose debt there is no recourse to the Parent OHL, S.A.

EBIT: calculated on the basis of the following line items in the interim condensed consolidated statement of profit or loss: “Revenue”, “Other Operating Income”, Procurements”, “Operating "Expenses”, “Staff Costs”, “Depreciation and Amortisation Charge” and “Changes in Provisions and Allowances”.

Reconciliation:

	Thousands of euros	
	June 2018	June 2017
Revenue	1,445,065	1,587,182
Other operating income	64,616	63,221
Procurements	(960,471)	(997,048)
Staff costs	(413,317)	(445,584)
Other operating expenses	(249,102)	(222,559)
Depreciation and amortisation charge	(31,813)	(40,097)
Changes in provisions and allowances	12,071	1,183
Total loss from operations	**(132,951)**	**(53,702)**

Use: aggregate indicating profit or loss from operations.

Comparison: comparative amounts for different periods are presented.

Consistency: the criterion used to calculate EBIT is the same as that used in the previous year.

Gross borrowings: groups together the balances of the "Non-Current Liabilities - Debt Instruments and Other Marketable Securities", "Non-Current Liabilities - Bank Borrowings", "Current Liabilities - Debt Instruments and Other Marketable Securities" and "Current Liabilities - Bank Borrowings" headings on the liability side of the interim condensed consolidated balance sheet, including bank borrowings and bonds.

Reconciliation:

	Thousands of euros	
	June 2018	June 2017
Debt instruments and other marketable securities (non-current)	658,307	883,385
Non-current bank borrowings	14,570	10,171
Debt instruments and other marketable securities (current)	20,698	21,341
Current bank borrowings	79,187	659,338
Total gross borrowings	**772,762**	**1,574,235**

Use: gross borrowings are used as an indicator of solvency.

Comparison: comparative amounts for different periods are presented.

Consistency: the criterion used to calculate gross borrowings is the same as that used in the previous year.

Net borrowings: made up of gross borrowings less “Other Current Assets” and “Cash and Cash Equivalents” on the asset side of the interim condensed consolidated balance sheet.

Reconciliation:

	Thousands of euros	
	June 2018	June 2017
Gross borrowings	772,762	1,574,235
(-) Other current financial assets	(505,515)	(140,119)
(-) Cash and cash equivalents	(825,559)	(434,210)
Total net borrowings	**(558,312)**	**999,906**

Use: net borrowings are used to measure the level of indebtedness and to determine the financial structure.

Comparison: comparative amounts for different periods are presented.

Consistency: the criterion used to calculate net borrowings is the same as that used in the previous year.

Non-recourse borrowings (gross or net): the borrowings (gross or net) of the project companies.

Use: non-recourse borrowings (gross or net) are used to measure the level of indebtedness without recourse to the Parent of the Group.

Comparison: comparative amounts for different periods are presented.

Consistency: the criterion used to calculate non-recourse borrowings (gross or net) is the same as that used in the previous year.

Recourse borrowings (gross or net): total borrowings (gross or net) less non-recourse borrowings (gross or net).

Use: recourse borrowings (gross or net) are used to measure the level of indebtedness with recourse to the Parent of the Group.

Comparison: comparative amounts for different periods are presented.

Consistency: the criterion used to calculate recourse borrowings (gross or net) is the same as that used in the previous year.

Backlog: short- and long-term unearned revenue from contracts awarded. Once they have been formalised, these contracts are included in the backlog.

- **Short-term backlog:** represents the estimated unearned Construction, Industrial and Services revenue, and also includes expected revenue from changes in contracts or additional work estimated on the basis of the percentage of completion of the projects.
- **Long-term backlog:** represents the estimated future revenue of the concessions, over the concession term, based on the financial plan of each concession and including assumptions concerning changes in the exchange rates between the euro and other currencies, inflation, prices and tolls.

Use: an indicator of future revenue.

Comparison: comparative amounts for different periods are presented.

Consistency: the criterion used to calculate the backlog is the same as that used in the previous year.

Market capitalisation: number of shares at the end of the period multiplied by the share price at the end of the period.

	June 2018	June 2017
Number of shares at end of period	286,548,289	298,758,998
Market price at end of period	2.74	3.14
Market capitalisation (thousands of euros)	**785,400**	**937,800**

Use: indicates the value of the Company on the stock exchange on which its shares are listed.

Comparison: comparative amounts for different periods are presented.

Consistency: the criterion used to calculate the market capitalisation is the same as that used in the previous year.

Earnings per share (EPS): profit or loss attributable to the Parent divided by the average number of shares in the period.

Reconciliation:

	Thousands of euros	
	June 2018	June 2017
Loss attributable to the Parent	(843,565)	(32,112)
Average number of shares	286,184,047	286,162,690
Earnings per share (euros)	**(2.95)**	**(0.11)**

Use: an indicator of EPS.

Comparison and consistency: comparative amounts are presented for different periods and the criterion used to calculate the earnings per share is the same as that used in the previous year.

PER: share price at the end of the period divided by the earnings per share for the last twelve months.

The above financial indicators and alternative performance measures (APMs), the use of which facilitates a better understanding of the financial information, are calculated by applying the principles of consistency and uniformity, which allows comparability between periods..