

Obrascón Huarte Lain, S.A.

Financial Statements for the year ended
31 December 2017 and Directors' Report,
together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of Obrascón Huarte Lain, S.A.,

Report on the Financial Statements

Opinion

We have audited the financial statements of Obrascón Huarte Lain, S.A. (the Company), which comprise the balance sheet as at 31 December 2017, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2017, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

As indicated in Notes 9.4.1 and 18.1 to the accompanying financial statements, in March 2017 the Company formalised a multi-product finance facility in order to cater for the future needs arising from its business plan. The availability of this facility, which matures in 2018, is tied to compliance with a plan that included significant divestments that the Company had to perform prior to 2017 year-end. In the course of 2017 the initial agreement was novated in order to adapt the cash requirements to the Company's various activities. Also, after year-end, certain waivers were obtained from the banks with respect to the requirement to achieve financial ratios associated with the syndicated and multi-product financing arrangements. These waivers are tied to the obligation to repay both financing agreements once the divestment in progress has been formalised.

In this context, as indicated in Note 11 to the accompanying financial statements, in November the Company entered into an agreement to sell all the share capital of OHL Concesiones, S.A.U. (the parent of the Concessions Division), for approximately EUR 2,200 million, which included certain conditions precedent that had not yet been fulfilled at the date of this auditor's report. The Company's directors prepared these financial statements in accordance with the going concern basis of accounting, on the assumption that the Company's financial capacity and, consequently, the continuity of its operations will be guaranteed by the inflow of the funds arising from the aforementioned divestment.

Accordingly, at the present date, a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern and to realise its assets and settle its liabilities for the amounts and with the classification reflected in the accompanying financial statements, which depends on the fulfilment of the conditions precedent required for the effectiveness of the sale agreement mentioned above. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Recognition and measurement of investments in Group companies recognised as discontinued operations

Description

As a result of the agreement for the sale of all the share capital of OHL Concesiones, S.A.U., at 2017 year-end the Company recognised non-current assets classified as held for sale and discontinued operations, amounting to EUR 600 million, in the balance sheet.

The classification of non-current assets as held for sale and discontinued operations is a key matter in our audit, since it requires the directors to make judgements as to whether the requirements established by accounting regulations have been met, in particular those relating to the probability that the divestment will take place in the short term and the estimate of the recoverable amount of the assets.

Procedures applied in the audit

Our audit procedures included, among others, the obtainment and analysis of the evidence supporting the classification of these assets, checking the supporting records for the divestment decisions taken at the appropriate level of management, as well as the review of the agreement for the sale of all the share capital of OHL Concesiones, S.A.U. in order to adequately understand the conditions precedent included therein, the periods considered and their situation at the date of the audit opinion.

Also, we analysed the reasonableness of the estimates made by the directors in terms of the valuation of the investment, reviewing whether its carrying amount is consistent with the price agreed between the parties to the sale agreement.

Lastly, we evaluated whether the disclosures included in Note 11 to the accompanying financial statements in connection with this matter are in conformity with those required by the applicable accounting regulations.

Recognition of revenue from long-term contracts and amounts to be billed for work performed

Description

The Company uses the percentage of completion method to recognise revenue from long-term construction contracts.

This revenue recognition method was a key matter in our audit, since it affects the valuation of the amounts to be billed for work performed (ABWP), which at 31 December 2017 totalled EUR 604 million, and a very significant amount of total revenue, and requires Company management to make significant estimates relating mainly to the expected outcome of the contract, the amount of costs yet to be incurred, the measurement of the work completed in the period, and the probability of recovering the amounts of claims and modifications to the initial contract which, although not approved by the end customer, the Company considers it is likely to be entitled to receive, taking into account the status of the negotiations and the requirements of the applicable regulatory framework in this regard.

These judgements and estimates are made by the persons in charge of performing the construction work, are subsequently reviewed at the various levels of the organisation, and are submitted to controls designed to ensure the consistency and reasonableness of the criteria applied. In this connection, the construction project budgets, contract modifications and claims or damage caused affecting the judgements and estimates must be very closely monitored.

As indicated in Note 13, these judgements and estimates include most notably those associated with the Hospital de Sidra project, which has amounts to be billed for work performed, in dispute, of EUR 346 million.

Procedures applied in the audit

Our audit procedures included a detailed analysis of a selection of projects, based on qualitative and quantitative factors, in order to evaluate the reasonableness of the assumptions and hypotheses used by the Company. For this purpose, we held meetings with technical personnel of the Company and involved our internal infrastructure project specialists in order to evaluate, for certain significant projects, both the reasonableness of the assumptions and hypotheses used by the Company in updating the estimated costs, and the consistency of the stage of completion in relation to the actual units of work completed. We also reviewed the estimates made by the Company in 2016 with respect to the actual data for the contracts in 2017.

As regards the amounts to be billed for work performed, we analysed whether the recognition of revenue from work in progress that has not been approved by the end customer is appropriate in light of the applicable framework. To this end, and in order to obtain evidence about the recoverability of the collection rights arising from contract modifications and claims, we evaluated the evidence provided by management, including, inter alia, legal opinions and correspondence with customers. With respect to a selection of contracts based on qualitative and quantitative factors, we analysed the reasonableness of the most significant positions.

Lastly, we verified that the notes to the accompanying financial statements include the related disclosures required by the financial reporting framework. In this regard, the disclosures in Notes 4.11, 13 and 17.3.2 to the financial statements in connection with this matter are in conformity with those required by the applicable accounting regulations.

Other Information: Directors' Report

The other information comprises only the directors' report for 2017, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

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

- a) A specific level that applies to the non-financial information statement, as well as to certain information included in the Corporate Governance Report, as defined in Article 35.2-b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the directors' report, or, as the case may be, that the directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.
- b) A general level applicable to the other information included in the directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the financial statements, based on the knowledge of the Company obtained in the audit of those financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the directors' report includes a reference to the fact that the information described in section a) above is presented in the consolidated directors' report of the OHL Group, and that the other information in the directors' report is consistent with that contained in the financial statements for 2017 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit Committee of the Company for the Financial Statements

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

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

The audit and control committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

A further description of our responsibilities for the audit of the financial statements is included in Appendix I to this auditor's report. This description, which is on pages 7 and 8, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated 26 February 2018.

Engagement Period

The Annual General Meeting held on 9 May 2017 appointed us as auditors for a period of one year from the year ended 31 December 2016, i.e. for 2017.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the financial statements uninterrupted since the year ended 31 December 1988, taking into account the content of Article 17.8 of Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities.

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



Ignacio Alcaraz Elorrieta
Registered in ROAC under no. 20687

28 February 2018

Appendix I to our auditor's report

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We also provide the entity's audit and control committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the entity's audit and control committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

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

OBRASCÓN HUARTE LAIN, S.A.

Thousands of euros

Balance sheets as at 31 December 2017 and 2016

Assets	Note	31/12/17	31/12/16
Non-current assets			
Intangible assets	5		
Development expenditure		6,181	7,070
Patents, licences, trademarks and similar items		31	75
Computer software		5,314	6,596
Other intangible assets		6,021	-
		17,547	13,741
Property, plant and equipment	6		
Land and buildings		690	693
Machinery and plant		9,604	15,097
Other fixtures, tools and furniture		8,058	11,038
Investments in concessions		38	38
Other items of property, plant and equipment		10,499	10,686
Property, plant and equipment in the course of construction and advances		-	2,498
		28,889	40,050
Investment property	7		
Land		13	13
Buildings		900	916
		913	929
Non-current investments in Group companies and associates	9.3.1		
Equity instruments		700,509	1,162,413
Loans to companies		52,465	445,278
		752,974	1,607,691
Non-current financial assets			
Equity instruments	9.1	8	8
Loans to third parties	9.1	82,273	80,264
Debt securities	9.1	286	313
Other financial assets	9.1	104,159	142,816
		186,726	223,401
Deferred tax assets	20.5	72,727	70,866
TOTAL NON-CURRENT ASSETS		1,059,776	1,956,678
Current assets			
Non-current assets classified as held for sale	11	600,078	-
Inventories	12		
Raw materials and other supplies		18,549	21,770
Auxiliary shop projects and site installations		18,244	16,732
Advances to suppliers and subcontractors		25,664	33,134
		62,457	71,636
Trade and other receivables			
Trade receivables for sales and services	13	548,067	608,843
Trade receivables from Group companies	14.1	107,765	146,296
Trade receivables from associates	14.2	42,708	32,125
Sundry accounts receivable		25,423	18,961
Employee receivables		601	1,038
Current tax assets	20.1	19,523	26,367
Other accounts receivable from public authorities	20.1	27,836	36,705
		771,923	870,335
Current investments in Group companies and associates	9.3.2 & 9.3.3		
Loans to companies		1,226,537	1,494,347
Other financial assets		185,453	76,239
		1,411,990	1,570,586
Current financial assets			
Equity instruments	9.2	3	6,329
Loans to companies	9.2	5,033	11,446
Debt securities	9.2	23	808
Derivatives	9.2 & 10	39,703	158
Other financial assets	9.2	12,023	16,193
		56,785	34,934
Current prepayments and accrued income		27,105	24,611
Cash and cash equivalents	15		
Cash		125,193	277,276
Cash equivalents		12,313	9,772
		137,506	287,048
TOTAL CURRENT ASSETS		3,067,844	2,859,150
TOTAL ASSETS		4,127,620	4,815,828

Note: The accompanying Notes 1 to 27 are an integral part of the balance sheet as at 31 December 2017.

OBRASCÓN HUARTE LAIN, S.A.

Thousands of euros

Balance sheets as at 31 December 2017 and 2016

Equity and liabilities	Note	31/12/17	31/12/16
Equity			
SHAREHOLDERS' EQUITY			
Share capital			
Registered share capital	16.1	179,255	179,255
Share premium	16.3	1,265,300	1,265,300
Reserves			
Legal and bylaw reserves	16.2	11,969	11,969
Other reserves	16.4	67,989	67,710
(Treasury shares)	16.6	(48,638)	(46,145)
Prior years' losses		(743,195)	(317,536)
Loss for the year	3	(61,780)	(425,659)
Other equity instruments		-	-
TOTAL SHAREHOLDERS' EQUITY		670,900	734,894
VALUATION ADJUSTMENTS			
Available-for-sale financial assets		-	(2,755)
TOTAL VALUATION ADJUSTMENTS		-	(2,755)
GRANTS, DONATIONS AND LEGACIES RECEIVED	16.7	1,242	1,135
TOTAL EQUITY		672,142	733,274
Non-current liabilities			
Long-term provisions	17.1		
Other provisions		19,350	73,656
		19,350	73,656
Non-current payables			
Debt instruments and other marketable securities	18.1	883,385	881,127
Bank borrowings	18.1	4,926	248,712
Obligations under finance leases	8 & 18.1	-	11
Other financial liabilities	18.1	1,512	2,287
		889,823	1,132,137
Non-current payables to Group companies and associates	18.2	-	394,800
Deferred tax liabilities	20.6	6,063	10,435
TOTAL NON-CURRENT LIABILITIES		915,236	1,611,028
Current liabilities			
Short-term provisions	17.1	122,618	122,231
Current payables			
Debt instruments and other marketable securities	18.1	21,341	24,093
Bank borrowings	18.1	592,842	346,590
Obligations under finance leases	8 & 18.1	9	16
Derivatives	10 & 18.1	221	373
Other financial liabilities	18.1	7,360	9,619
		621,773	380,691
Current payables to Group companies and associates	18.2	978,235	1,079,435
Trade and other payables			
Payables for purchases and services		470,534	550,121
Notes payable		6,742	9,834
Trade payables to Group companies	19.2	73,398	106,231
Trade payables to associates	19.2	30,719	19,006
Remuneration payable		11,433	4,376
Current tax liabilities	20.1	17,254	17,162
Other accounts payable to public authorities	20.1	25,436	23,221
Customer advances	13	182,100	159,218
		817,616	889,169
TOTAL CURRENT LIABILITIES		2,540,242	2,471,526
TOTAL EQUITY AND LIABILITIES		4,127,620	4,815,828

Note: The accompanying Notes 1 to 27 are an integral part of the balance sheet as at 31 December 2017.

OBRASCÓN HUARTE LAIN, S.A.

Thousands of euros

Statements of profit or loss for the years ended 31 December 2017 and 2016

	Note	2017	2016
Revenue:	22.1		
Sales		436,473	383,124
Sales at UTEs (based on % of ownership)		267,225	125,509
		703,698	508,633
Change in inventories of auxiliary shops and site facilities		1,512	148
In-house work on non-current assets		305	782
Procurements:	22.2		
Cost of construction materials and machinery spare parts used		(118,278)	(171,155)
Work performed by other companies		(331,825)	(425,329)
Inventory write-downs		-	691
Other operating income:			
Non-core and other current operating income		97,323	116,750
Income-related grants transferred to profit or loss		696	728
Staff costs:	22.3		
Wages, salaries and similar expenses		(215,378)	(216,595)
Employee benefit costs		(32,542)	(34,899)
Other operating expenses:			
Outside services		(198,107)	(235,919)
Taxes other than income tax		(7,036)	(10,228)
Losses on and write-down of trade receivables and changes in provisions for commercial transactions	22.4	467	39,383
Other current operating expenses	22.5	(2,435)	(117,011)
Depreciation and amortisation charge	5, 6 & 7	(18,270)	(30,143)
Excessive provisions	17.1	55,478	1,494
Impairment and gains or losses on disposals of non-current assets:			
Impairment and other losses	6 & 7	-	372
Gains or losses on disposals and other	5, 6 & 7	2,829	8,512
I. LOSS FROM OPERATIONS		(61,563)	(563,786)
Finance income:			
From investments in equity instruments:			
Group companies and associates	23.1	187,704	268,528
Third parties	22.6	2	2
From marketable securities and other financial instruments:			
Group companies and associates	23.1	71,588	64,799
Third parties	22.6	20,084	18,317
Finance costs:			
On debts to Group companies and associates	23.1	(61,376)	(53,560)
On debts to third parties	22.6	(75,237)	(69,107)
Interest cost relating to provisions	22.6	(351)	(463)
Change in fair value of financial instruments:			
Held-for-trading financial assets/liabilities and other	9.2	32,595	1,857
Exchange differences		(4,802)	7,555
Impairment and gains or losses on disposals of financial instruments:			
Impairment and other losses	22.7	(184,857)	(225,859)
Gains or losses on disposals and other	22.7	(45)	106,284
II. FINANCIAL PROFIT (LOSS)		(14,695)	118,353
III. LOSS BEFORE TAX (I+II)		(76,258)	(445,433)
Income tax	20.2	14,478	19,774
IV. LOSS FOR THE YEAR		(61,780)	(425,659)

Note: The accompanying Notes 1 to 27 are an integral part of the statement of profit or loss for 2017.

OBRASCÓN HUARTE LAIN, S.A.

Statements of changes in equity for the years ended 31 December 2017 and 2016

A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

	2017	2016
LOSS FOR THE YEAR (per statement of profit or loss)	(61,780)	(425,659)
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY:	(4,330)	(2,624)
Arising from revaluation of financial instruments:		
a) Available-for-sale financial assets	(6,326)	(3,674)
b) Other income/(expenses)	-	-
Arising from cash flow hedges	-	-
Grants, donations and legacies received	553	174
Arising from actuarial gains and losses and other adjustments	-	-
Other income and expenses recognised directly in equity	-	-
Tax effect	1,443	876
TRANSFERS TO PROFIT OR LOSS:	7,192	(332)
Arising from revaluation of financial instruments:		
a) Available-for-sale financial assets	9,999	-
b) Other income/(expenses)	-	-
Arising from cash flow hedges	-	-
Grants, donations and legacies received	(409)	(443)
Other income and expenses recognised directly in equity	-	-
Tax effect	(2,398)	111
TOTAL RECOGNISED INCOME/(EXPENSE)	(58,918)	(428,615)

Note: The accompanying Notes 1 to 27 are an integral part of the statement of changes in equity for 2017.

OBRASCÓN HUARTE LAIN, S.A.

Statements of changes in equity for the years ended 31 December 2017 and 2016

B) STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

	Shareholders' equity						Valuation adjustments	Grants, donations and legacies received	Total equity
	Share capital	Share premium	Reserves	(Treasury shares)	Prior years' losses	Loss for the year	Other equity instruments		
Ending balance at 31/12/15	179,255	1,265,300	85,952	(3,908)	(213,707)	(103,829)	7,496	1,336	1,217,895
Total recognised income/(expense)	-	-	-	-	-	(425,659)	-	(2,755)	(428,615)
Transactions with shareholders or owners	-	-	-	-	-	-	-	-	-
Capital increases/(reductions)	-	-	(231)	-	-	-	-	-	(231)
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	(13,719)	-	-	-	-	-	(13,719)
Treasury share transactions (net)	-	-	(417)	(42,237)	-	-	-	-	(42,654)
Increases/(decreases) due to business combinations	-	-	-	-	-	-	-	-	-
Other transactions with shareholders or owners	-	-	-	-	-	-	-	-	-
Other changes in equity	-	-	8,094	-	(103,829)	103,829	(7,496)	-	598
Ending balance at 31/12/16	179,255	1,265,300	79,679	(46,145)	(317,536)	(425,659)	-	1,135	733,274
Total recognised income/(expense)	-	-	-	-	-	(61,780)	-	2,755	(58,918)
Transactions with shareholders or owners	-	-	279	(2,493)	-	-	-	-	(2,214)
Capital increases/(reductions)	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-
Treasury share transactions (net)	-	-	279	(2,493)	-	-	-	-	(2,214)
Increases/(decreases) due to business combinations	-	-	-	-	-	-	-	-	-
Other transactions with shareholders or owners	-	-	-	-	-	-	-	-	-
Other changes in equity	-	-	-	-	(425,659)	425,659	-	-	-
Ending balance at 31/12/17	179,255	1,265,300	79,958	(48,638)	(743,195)	(61,780)	-	1,242	672,142

Note: The accompanying Notes 1 to 27 are an integral part of the statement of changes in equity for 2017.

OBRASCÓN HUARTE LAIN, S.A.

Thousands of euros

Statements of cash flows for the years ended 31 December 2017 and 2016

	2017	2016
A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3+4)	160,737	(279,274)
1. Loss before tax	(76,258)	(445,433)
2. Adjustments to loss	(23,962)	(74,436)
(+) Depreciation and amortisation charge	18,270	30,143
(+/-) Other adjustments to loss (net)	(42,232)	(104,579)
3. Changes in working capital	36,018	(506)
4. Other cash flows from operating activities:	224,939	241,101
(-) Interest paid	(136,547)	(124,463)
(+) Dividends received	187,706	268,530
(+) Interest received	83,998	83,116
(+/-) Income tax recovered	20,604	17,579
(+/-) Other amounts received/(paid) relating to operating activities	69,178	(3,661)
B) CASH FLOWS FROM INVESTING ACTIVITIES (1+2)	(328,811)	10,363
1. Payments due to investment:	(345,265)	(180,605)
(-) Group companies, associates and business units	(323,635)	(78,456)
(-) Property, plant and equipment, intangible assets and investment property	(20,880)	(3,586)
(-) Other financial assets	(750)	(98,563)
(-) Other assets	-	-
2. Proceeds from disposal:	16,454	190,968
(+) Group companies, associates and business units	2,498	171,112
(+) Property, plant and equipment, intangible assets and investment property	12,810	19,856
(+) Other financial assets	1,146	-
(+) Other assets	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES (1+2+3)	18,532	237,716
1. Proceeds and (payments) relating to equity instruments:	(1,733)	(42,481)
(+) Proceeds from issue	-	-
(-) Redemption	-	-
(-) Purchase	(63,937)	(155,566)
(+) Disposal	61,725	112,911
(+) Grants	479	174
2. Proceeds and (payments) relating to financial liability instruments	20,265	293,916
(+) Proceeds from issue	363,263	598,473
(-) Repayment and redemption	(342,998)	(304,557)
3. Dividends and returns on other equity instruments paid	-	(13,719)
D) EFFECT OF FOREIGN EXCHANGE RATE CHANGES	-	-
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	(149,542)	(31,195)
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	287,048	318,243
G) CASH AND CASH EQUIVALENTS AT END OF YEAR (E+F)	137,506	287,048

Note: The accompanying Notes 1 to 27 are an integral part of the statement of cash flows for 2017.



OBRASCÓN HUARTE LAIN, S.A.

2017 Separate Financial Statements
and Directors' Report

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

OBRASCÓN HUARTE LAIN, S.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1.- COMPANY ACTIVITIES

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

Its company object and its business activity is mainly the construction of all manner of civil engineering works and buildings for public agencies and private customers. In addition, its company object includes the provision of public and private services, the operation of administrative concessions and hotel complexes, and real estate development and the sale of property.

2.- BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Regulatory financial reporting framework applicable to the Company

These financial statements were formally prepared by the directors in accordance with the regulatory financial reporting framework applicable to the Company, which consists of:

- a) The Spanish Commercial Code and all other Spanish corporate law.
- b) The Spanish National Chart of Accounts approved by Royal Decree 1514/2007 and its industry adaptations.
- c) The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.
- d) All other applicable Spanish accounting legislation.

2.2 Fair presentation

The accompanying financial statements, which were obtained from the Company's accounting records and include the unincorporated temporary joint ventures (UTES) in which it has interests, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Company's equity, financial position, results of operations and cash flows for 2017. These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes. The financial statements for 2016 were approved by the shareholders at the Annual General Meeting held on 9 May 2017.

Since Obrascón Huarte Lain, S.A. is the head of a group of companies which form the Obrascón Huarte Lain Group, under current legislation it is obliged to prepare consolidated financial statements separately. The aforementioned consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs), in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002.

The 2017 consolidated financial statements of Obrascón Huarte Lain, S.A. and Subsidiaries, prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs), present consolidated attributable equity of EUR 2,166,665 thousand and consolidated assets and losses attributable to the Parent of EUR 12,208,485 thousand and EUR (12,076) thousand, respectively.

The consolidated financial statements of the Obrascón Huarte Lain Group for 2017, prepared by the directors, will also be submitted for approval by the shareholders at the Annual General Meeting. The consolidated financial statements for 2016 were approved by the shareholders at the Annual General Meeting held on 9 May 2017.

2.3 Non-obligatory accounting principles applied

No non-obligatory accounting principles were applied.

The directors formally prepared these financial statements taking into account all the obligatory accounting principles and standards with a significant effect hereon. All obligatory accounting principles were applied.

2.4 Key issues in relation to the measurement and estimation of uncertainty

In preparing the accompanying financial statements estimates were made by the Company's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The useful life of intangible assets and property, plant and equipment and impairment losses thereon (see Notes 4.1, 4.2 and 4.3).
- The assessment of possible impairment losses on certain assets (see Note 4.3).
- The recognition of construction contract revenue and costs (see Note 4.11).
- The amount of certain provisions (see Notes 4.12 and 17).
- The fair value of certain financial instruments (see Note 10).
- The assessment of possible contingencies relating to employment and tax risks (see Notes 4.13, 17.1 and 20.7).
- Financial risk management (see Note 9.4.1).

Although these estimates were made on the basis of the best information available at 2017 year-end on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

3.- PROPOSED ALLOCATION OF LOSS

The allocation of the loss for 2017 that the directors of Obrascón Huarte Lain, S.A. will propose for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of euros
2017 loss	(61,780)
Allocation:	
To prior years' losses	(61,780)

4.- ACCOUNTING POLICIES

The principal accounting policies used by the Company in preparing its financial statements in accordance with the Spanish National Chart of Accounts (2007) and the adaptation for construction companies of the former Spanish National Chart of Accounts (1990), which remains

in force in relation to all matters which do not contravene the provisions of the new Spanish National Chart of Accounts, were as follows:

4.1 Intangible assets

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

Spanish Audit Law 22/2015, of 20 July, introduced certain changes to the Spanish Commercial Code (Article 39.4) that affect intangible assets and goodwill. The new wording establishes that intangible assets are assets with finite useful lives and that when the useful lives of these assets cannot be reliably estimated they are amortised over a ten-year period, unless any other legal or regulatory provision establishes a different period. These amendments will be applied to financial statements for the reporting periods commencing on or after 1 January 2016.

Also, Royal Decree 602/2016, of 2 December, amending the Spanish National Chart of Accounts, was published on 17 December 2016 in order for the aforementioned amendments to the Spanish Commercial Code to be implemented through secondary legislation.

At 31 December 2016, the impact of these amendments on the Company's financial statements was not material.

All of the Company's intangible assets have a finite useful life.

Development expenditure

The Company capitalises the development expenditure which it incurs during the year when the following conditions are met:

- It is specifically itemised by project and the related costs can be clearly identified.
- There are sound reasons to foresee the technical success and economic and commercial profitability of the related projects.

Assets thus generated are amortised on a straight-line basis over their years of useful life (over a maximum period of five years).

If there are doubts as to the technical success or economic profitability of the related project, the amounts capitalised are recognised directly in profit or loss.

Intellectual property

"Intellectual Property" includes the costs incurred in obtaining intellectual property or the right to use the related items, such as invention patents, utility model certificates, industrial designs and introduction patents, among others.

Intellectual property is measured at acquisition or production cost, based on the development expenditure incurred and capitalised (provided there is a successful outcome), and filed in the appropriate register (accordingly, the intellectual property registration and formalisation costs are added). Research expenditure is not included under any circumstances.

These assets are amortised on a straight-line basis over the related years of useful life, in accordance with the related protection period.

Computer software

"Computer Software" includes mainly the costs incurred in the installation and acquisition of computer software, which is amortised on a straight-line basis over a maximum period of four years.

4.2 Property, plant and equipment

Property, plant and equipment are measured at acquisition cost (revalued in accordance with the applicable legislation including Royal Decree-Law 7/1996), less any related accumulated depreciation and impairment losses, as described in Note 4.3.

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Upkeep and maintenance expenses are expensed currently.

In-house work on non-current assets is measured at accumulated cost (external costs plus in-house costs, determined on the basis of in-house materials consumption, direct labour and general manufacturing costs).

The Company depreciates its property, plant and equipment by the straight-line method over the years of estimated useful life of the related assets.

The years of estimated useful life for each group of items of property, plant and equipment are as follows:

	Years of estimated useful life
Buildings	25-50
Machinery and plant	8-16
Other fixtures, tools and furniture	10
Other items of property, plant and equipment	3-5

Investments in concessions are depreciated on a straight-line basis over the term of the concession.

4.3 Impairment of intangible assets and property, plant and equipment

The Company reviews the carrying amount of its intangible assets and property, plant and equipment to compare it with the recoverable amount in order to determine if there are any impairment losses.

Recoverable amount is the higher of:

- Fair value:
The price that would be agreed upon by two independent parties, less costs to sell and
- Value in use:
Estimated present value of the expected future cash flows.

If the recoverable amount of an asset is lower than its carrying amount, an impairment loss is recognised.

When an impairment loss subsequently reverses, income is recorded up to the amount of the impairment loss previously recognised.

4.4 Investment property

“Investment Property” in the balance sheet reflects the values of the land, buildings and other structures held either to earn rentals or for capital appreciation.

Investment property is measured as described in Note 4.2 on property, plant and equipment.

4.5 Non-current assets classified as held for sale

Assets are classified under “Non-Current Assets Classified as Held for Sale” if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The asset must be available for immediate sale, subject to the usual terms and conditions of sale, and the sale must be highly probable. The sale is considered to be highly probable when there is a plan to sell the assets and an active programme to locate a buyer and complete the plan has been initiated. Also, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are carried at the lower of carrying amount and fair value less costs to sell.

4.6 Leases

Leases are classified as finance leases whenever it is deduced that from the terms of the lease substantially all the risks and rewards of ownership of the leased asset are assumed. All other leases are classified as operating leases.

Finance leases

In finance leases in which the Company acts as the lessee, the cost of the leased assets is presented in the balance sheet, based on the nature of the leased asset, and, simultaneously, a liability is recognised for the same amount. This amount is the lower of the fair value of the leased asset and the present value, at the inception of the lease, of the agreed minimum lease payments, including the price of the purchase option when it is reasonably certain that it will be exercised. The minimum lease payments do not include contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor. The total finance charges arising under the lease are allocated to the statement of profit or loss for the year in which they are incurred using the effective interest method. Contingent rent is recognised as an expense for the period in which it is incurred.

Leased assets are depreciated, based on their nature, using similar criteria to those applied to the items of property, plant and equipment that are owned.

Operating leases

Operating leases are deemed to be those in which the lessor grants the lessee the right to use an asset for a specified period of time and, therefore, they are leases for rights of use that do not transfer the risks and rewards incidental to ownership of an asset and are accounted for on the basis of the contractual nature of each transaction.

Expenses resulting from operating leases are charged to income in the year in which they are incurred. A payment or prepayment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

4.7 Financial instruments

4.7.1. Financial assets

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

- a) Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

Initial recognition

Loans and receivables are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

Subsequent measurement

Loans and receivables are measured at amortised cost.

- b) Held-to-maturity investments: debt securities with fixed maturity and determinable payments that are traded in an active market and which the Company has the positive intention and ability to hold to the date of maturity.

Initial recognition

Held-to-maturity investments are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

Subsequent measurement

Held-to-maturity investments are measured at amortised cost.

- c) Equity investments in Group companies and associates: Group companies are deemed to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence.

Initial recognition

Equity investments in Group companies and associates are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs. In the case of equity investments in Group companies affording control over the subsidiary, since 1 January 2010 the fees paid to legal advisers and other professionals relating to the acquisition of the investment have been recognised directly in profit or loss.

Subsequent measurement

Equity investments in Group companies and associates are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill).

- d) Available-for-sale financial assets: these include debt securities and equity instruments of other companies that are not classified in any of the aforementioned categories.

Initial recognition

Available-for-sale financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

Subsequent measurement

Available-for-sale financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or it is determined that it has become (permanently) impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net profit or loss for the year. In this regard, (permanent) impairment is deemed to exist if the market value of the asset has fallen by more than 40% over a period of 18 months without the value having recovered.

At least at each reporting date the Company tests financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the statement of profit or loss.

In particular, the Company calculates valuation adjustments relating to trade and other receivables by recognising impairment on balances of a certain age or on those affected by circumstances that justify a valuation adjustment such as customer disputes and litigation, even when the Company continues to take measures to recover the amounts in full.

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

However, the Company does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received, in transfers of financial assets in which substantially all the risks and rewards of ownership are retained, such as in the case of note and bill discounting, recourse factoring, sales of financial assets subject to an agreement to buy them back at a fixed price or at the selling price plus a lender's return and the securitisation of financial assets in which the transferor retains a subordinated interest or any other kind of guarantee that absorbs substantially all the expected losses.

4.7.2. Financial liabilities

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

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

Financial liability instruments are measured at fair value.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

4.7.3. Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments issued by the Company are recognised in equity at the proceeds received, net of issue costs.

Treasury shares acquired by the Company during the year are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in profit or loss.

4.7.4. Derivative financial instruments and hedges

In order to mitigate the economic effects of exchange rate fluctuations to which the Company is exposed as a result of its business activities, the Company uses derivative financial instruments, such as foreign currency hedges and equity swaps.

The foreign currency hedges are future exchange commitments, on the basis of which the Company and banks agree to exchange currencies in the future. In relation to the equity swap tied to the Company's share price, the commitment is to pay or receive the result of the change in the share price with respect to the reference price and to pay a floating interest rate.

When the Company arranges a derivative, it does not do so with the intention of settling it early or of trading with it. The Company does not use derivatives for speculative purposes, but rather to mitigate the economic effects of exchange rate fluctuations arising from its foreign trade and financing activities.

Derivatives are recognised on the balance sheet at their fair value in the same way as any other financial assets or liabilities. Only certain derivatives can be considered to qualify for hedge accounting.

As in the case of other financial assets and liabilities, recognition of the fair value of a derivative gives rise to a change in equity when the derivative is considered to qualify for hedge accounting. The change in equity is recognised under "Valuation Adjustments". When the derivative is not considered to qualify for hedge accounting it is recognised directly in profit or loss. The value of a derivative takes into consideration the assessment of credit risk or the risk of counterparty default, which leads to a reduction in the value of the related asset or liability.

The requirements that must be met for a derivative to qualify for hedge accounting are as follows:

- The underlying in relation to which the derivative is arranged to mitigate the economic effects that might arise therefrom as a result of fluctuations in exchange rates, interest rates or both simultaneously must initially be identified.
- When the derivative is arranged, the reason for which it was arranged must be appropriately documented and the hedged risk must be identified.
- It must be demonstrated that the hedge is effective from the date of the arrangement of the derivative to the date of its settlement, i.e. that it meets the objective initially defined. In order to assess this, the effectiveness of the hedge is tested.

In order for derivatives to qualify for hedge accounting, the cumulative balances of "Equity" are transferred to the statement of profit or loss when, and to the extent that, the gains or losses on the hedged risk of the underlying also start to be reflected in the statement of profit or loss.

When the derivative does not qualify for hedge accounting, or the Company voluntarily decides not to apply hedge accounting, changes in fair value are recognised in profit or loss.

4.8 Inventories

Inventories are measured at the lower of acquisition or production cost and net realisable value.

The Company recognises the appropriate write-downs as an expense in the statement of profit or loss when the net realisable value of the inventories is lower than acquisition or production cost.

4.9 Foreign currency transactions

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be "foreign currency transactions" and are recognised by applying the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. Any resulting gains or losses are recognised directly in the statement of profit or loss in the year in which they arise.

4.10 Income tax

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

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

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

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

At 31 December 2017, the Company was head of the Obrascón Huarte Lain consolidated tax group.

4.11 Revenue and expense recognition

In the construction industry, revenue is calculated using the stage of completion method whereby, in construction projects from which a final profit is expected, the outcome is calculated by applying to the expected profit the percentage resulting from comparison of the actual costs incurred up to that date with the projected total costs through completion of the project.

An expected loss on a construction contract is recognised as an expense immediately.

In accordance with standard practice, the estimates used to calculate the stage of completion include the possible effect on the outcome of projects of the margin on certain contract modifications, change orders, addenda and settlements which are being processed, and which the Company considers to be reasonably realisable.

Also, claims are included in contract revenue, only when negotiations have reached an advanced stage and the customer's acceptance is likely or when there are favourable technical and legal reports supporting this recognition.

When the claims are in litigation (judicial or arbitral), no additional revenue is recognised until they have been settled. The Company periodically performs a recoverability analysis of the amounts recognised based on the progress of the negotiations, recognising where applicable the necessary provisions to adjust the balances to their recoverable amount.

"Amounts to Be Billed for Work Performed" represents the difference between the amount of the completed work recognised, including the adjustment to the margin recognised by application of the stage of completion, and the amount of billed completed work through the balance sheet date.

If the amount of production from inception is lower than the amount billed, the difference is recognised under "Customer Advances" on the liability side of the balance sheet.

Late-payment interest which could accrue under the contracts due to delays in the collection of billings or invoices is recognised when it is probable that it will be received and when the amount thereof can be reliably measured, and is recognised as finance income.

The estimated site clearance costs and the expenses which may arise from completion of a project until its definitive settlement are accrued over the construction period on the basis of production volumes, and are recognised under "Short-Term Provisions" on the liability side of the balance sheet. Other expenses are recognised on an accrual basis.

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

4.12 Provisions

The Company's financial statements include all the material provisions with respect to which it is considered that it is highly probable that the obligation covered by them will have to be settled (see Note 17.1). Contingent liabilities are not recognised in the financial statements, but rather are disclosed (see Note 17.3).

Provisions are classified as current or non-current based on the estimated period of time for meeting the obligations covered by them.

The most significant provisions are as follows:

Provision for taxes

This is an estimate of tax debts, the exact amount of which cannot be determined or whose date of payment is uncertain since this depends on whether certain conditions are met.

Provisions for litigation and third-party liability

These provisions are recognised in order to cater for the possible adverse economic effects that might arise from the litigation and claims against the Company arising from the ordinary course of its operations.

Provision for investees

The purpose of this provision is to cover the losses that the Company would have to bear in the event of the disposal or dissolution of Group companies or associates that have an equity deficit and no unrealised gains.

Provision for project completion

This provision is intended to cover the expenses arising from completion of a project until its definitive settlement. The estimated costs in this connection are accrued over the construction period on the basis of production volumes.

Provision for management and other fees

This provision relates to the amount incurred for project management and inspection fees, laboratory, layout and other fees payable at the balance sheet date. The amounts of these fees are established in the related project specifications and in current legislation. The estimated costs in this connection are accrued over the construction period on the basis of production volumes.

Other provisions

This relates to prepayment of expenses such as guarantees and insurance and provisions for third-party liability and construction project costs and losses.

4.13 Termination benefits

In accordance with the various collective labour agreements in force, the Company is required to pay termination benefits to employees terminated under certain conditions.

“Short-Term Provisions” on the liability side of the balance sheet includes a provision for the liability incurred in this connection for temporary site employees, based on the average remuneration rate and the average years of service (see Note 17.1).

On 4 May 2017, the Company and the workers' representatives ratified a collective redundancy procedure effective until 31 December 2017 which involved the termination of 335 jobs (see Note 22.3).

Termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision is taken. The accompanying financial statements do not include material provisions in this connection since no situations of this nature had arisen at the date of these financial statements.

4.14 Environmental assets, liabilities and activities

Environmental activities are those the main purpose of which is to prevent, reduce or redress damage to the environment.

The Company's main activity is construction. Most construction contracts include an environmental impact assessment and the performance of work to conserve, maintain and restore the environment.

The Company does not consider environmental assets and expenses to be those related to the aforementioned provision of services since they are performed for third parties. However, environmental claims and obligations are included regardless of whether or not they arise from the Company's own operations or operations performed for third parties.

Investments relating to environmental activities are measured at acquisition cost and capitalised as an addition to non-current assets in the year in which they are made.

Environmental protection and enhancement expenses are recognised in the statement of profit or loss in the year in which they are incurred, regardless of when the resulting monetary or financial flow arises.

Provisions for probable or certain third-party liability, litigation in process and outstanding environmental indemnity payments or obligations of undetermined amount not covered by the insurance policies taken out are recorded when the liability or obligation giving rise to the indemnity or payment arises.

4.15 Grants, donations and legacies received

The Company accounts for grants, donations and legacies received as follows:

- a) Non-refundable grants, donations and legacies related to assets: these are measured at the fair value of the amount or the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss. Until they are recognised in profit or loss, they are presented net of their tax effect, in equity.
- b) Refundable grants: while they are refundable, they are recognised as a liability.
- c) Grants related to income: grants related to income are credited to income when granted, unless their purpose is to finance losses from operations in future years, in which case they are allocated to income in those years.

If grants are received to finance specific expenses, they are allocated to income as the related expenses are incurred.

4.16 Joint arrangements

A joint arrangement is an economic activity in which joint control is exercised by two or more physical or legal persons (venturers), which occurs when there is a bylaw or contractual arrangement whereby the venturers agree to share the management of the financial and operating policies and, therefore, strategic decisions require the unanimous consent of all of the venturers.

Joint ventures may occur through the incorporation of a company, an actual joint venture, or through the constitution of joint property entities or UTEs, i.e. joint arrangements.

As is customary in the construction industry, certain construction projects are performed through the grouping of several companies as a UTE.

The main UTEs in which the Company participated at 31 December 2017 are detailed in Appendix I to these notes to the financial statements.

The outcome of construction work performed at UTEs is recognised by the same method as that applied by the Company for its own construction projects, as explained in Note 4.11.

The expenses incurred on behalf of, and other services provided to, the UTEs are recognised when the expense is incurred or the service provided. These amounts are recognised under "Non-Core and Other Current Operating Income" in the statement of profit or loss.

In accordance with recognition and measurement standard 20 of the Spanish National Chart of Accounts, the financial statements reflect the effect of the proportionate consolidation of the UTEs in which the Company holds ownership interests at year-end, through the inclusion of its share therein in the various statement of profit or loss and balance sheet headings. These balances, when material, are shown in the following Notes. In addition, the proportional part corresponding to the Company of the related items of the UTEs are included in the statement of changes in equity and the statement of cash flows.

4.17 Current/Non-current classification

Current assets are assets associated with the normal operating cycle, which in general is considered to be one year. Other assets which are expected to mature, be disposed of or be realised within twelve months from the end of the reporting period, financial assets held for trading, except for financial derivatives that will be settled in a period exceeding one year, and cash and cash equivalents are also deemed to be current assets. Assets that do not meet these requirements are classified as non-current assets.

Similarly, current liabilities are liabilities associated with the normal operating cycle, financial liabilities held for trading, except for financial derivatives that will be settled in a period exceeding one year; and, in general, all obligations that will mature or be extinguished at short term. All other liabilities are classified as non-current liabilities.

4.18 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 statement of cash flows, which was prepared using the indirect method, reflects the changes in cash flows in the year, classifying them as:

- Operating activities: the principal revenue-producing activities of the Company and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Company that are not operating activities.

5.- INTANGIBLE ASSETS

The changes in "Intangible Assets" in the balance sheet in 2017 and 2016 were as follows:

2017

	Thousands of euros					
	Beginning balance	Additions or charge for the year	Disposals or reductions	Exchange differences	Transfers	Ending balance
Development expenditure:						
Cost	19,782	213	(300)	-	(3)	19,692
Accumulated amortisation	(12,712)	(799)	-	-	-	(13,511)
	7,070	(586)	(300)	-	(3)	6,181
Computer software:						
Cost	20,959	1,308	(136)	(50)	179	22,260
Accumulated amortisation	(14,363)	(2,736)	113	40	-	(16,946)
	6,596	(1,428)	(23)	(10)	179	5,314
Patents, licences and trademarks						
Cost	299	-	(144)	-	3	158
Accumulated amortisation	(224)	(47)	144	-	-	(127)
	75	(47)	-	-	3	31
Other intangible assets in progress						
Cost	-	6,200	-	-	(179)	6,021
	-	6,200	-	-	(179)	6,021
Total:						
Cost	41,040	7,721	(580)	(50)	-	48,131
Accumulated amortisation	(27,299)	(3,582)	257	40	-	(30,584)
Total intangible assets	13,741	4,139	(323)	(10)	-	17,547

2016

	Thousands of euros					
	Beginning balance	Additions or charge for the year	Disposals or reductions	Exchange differences	Transfers	Ending balance
Development expenditure:						
Cost	19,339	783	-	-	(340)	19,782
Accumulated amortisation	(11,772)	(940)	-	-	-	(12,712)
	7,567	(157)	-	-	(340)	7,070
Computer software:						
Cost	17,511	3,556	(412)	(6)	310	20,959
Accumulated amortisation	(12,208)	(2,532)	369	8	-	(14,363)
	5,303	1,024	(43)	2	310	6,596
Other intangible assets:						
Cost	244	55	-	-	-	299
Accumulated amortisation	(192)	(32)	-	-	-	(224)
	52	23	-	-	-	75
Total:						
Cost	37,094	4,394	(412)	(6)	(30)	41,040
Accumulated amortisation	(24,172)	(3,504)	369	8	-	(27,299)
Total intangible assets	12,922	890	(43)	2	(30)	13,741

The additions in 2017 recognised under "Development Expenditure" relate to the performance of eleven projects.

The additions in 2017 recognised under "Other Intangible Assets in Progress" relate to investments in software development projects aimed at improving the Company's management and IT systems.

The net loss on disposal of intangible asset items in 2017 amounted to EUR 306 thousand (2016: net loss of EUR 37 thousand).

At 31 December 2017, the cost and accumulated amortisation included EUR 635 thousand and EUR 549 thousand, respectively, related to UTEs (31 December 2016: EUR 681 thousand and EUR 583 thousand, respectively).

At 31 December 2017, the cost and accumulated amortisation of intangible assets located abroad amounted to EUR 784 thousand and EUR 649 thousand, respectively (31 December 2016: EUR 820 thousand and EUR 670 thousand, respectively).

At 31 December 2017, fully amortised intangible assets in use amounted to EUR 22,688 thousand (31 December 2016: EUR 19,330 thousand).

In 2017 the Company received Government grants amounting to EUR 603 thousand earmarked for various R&D projects (2016: EUR 174 thousand) (see Note 16.7). At the end of 2017 EUR 4,454 thousand had been capitalised in connection with these projects.

6.- PROPERTY, PLANT AND EQUIPMENT

The changes in "Property, Plant and Equipment" in the balance sheet in 2017 and 2016 were as follows:

2017

	Thousands of euros					
	Beginning balance	Additions or charge for the year	Disposals or reductions	Exchange differences	Transfers	Ending balance
Land and buildings:						
Cost	797	-	-	-	-	797
Accumulated depreciation	(104)	(3)	-	-	-	(107)
	693	(3)	-	-	-	690
Machinery and plant:						
Cost	102,089	525	(12,084)	(3,097)	3,515	90,948
Accumulated depreciation	(86,992)	(6,425)	9,672	2,352	49	(81,344)
	15,097	(5,900)	(2,412)	(745)	3,564	9,604
Other fixtures, tools and furniture:						
Cost	72,035	1,756	(3,909)	(6,914)	(1,418)	61,550
Accumulated depreciation	(57,609)	(3,922)	3,985	5,701	1,309	(50,536)
Impairment	(3,388)	-	-	432	-	(2,956)
	11,038	(2,166)	76	(781)	(109)	8,058
Investments in concessions:						
Cost	119	-	-	-	-	119
Accumulated depreciation	(13)	-	-	-	-	(13)
Impairment	(68)	-	-	-	-	(68)
	38	-	-	-	-	38
Other items of property, plant and equipment:						
Cost	36,616	6,038	(3,164)	(2,741)	340	37,089
Accumulated depreciation	(25,783)	(4,322)	2,923	2,078	(1,358)	(26,462)
Impairment	(147)	-	-	19	-	(128)
	10,686	1,716	(241)	(644)	(1,018)	10,499
Property, plant and equipment in the course of construction and advances:						
Cost	2,498	-	(61)	-	(2,437)	-
	2,498	-	(61)	-	(2,437)	-
Total:						
Cost	214,154	8,319	(19,218)	(12,752)	-	190,503
Accumulated depreciation	(170,501)	(14,672)	16,580	10,131	-	(158,462)
Impairment	(3,603)	-	-	451	-	(3,152)
Total property, plant and equipment	40,050	(6,353)	(2,638)	(2,170)	-	28,889

	Thousands of euros					
	Beginning balance	Additions or charge for the year	Disposals or reductions	Exchange differences	Transfers	Ending balance
Land and buildings:						
Cost	20,608	-	(19,811)	-	-	797
Accumulated depreciation	(6,315)	(20)	6,231	-	-	(104)
	14,293	(20)	(13,580)	-	-	693
Machinery and plant:						
Cost	124,532	1,966	(20,873)	1,814	(5,350)	102,089
Accumulated depreciation	(85,660)	(18,090)	17,937	(1,188)	9	(86,992)
	38,872	(16,124)	(2,936)	626	(5,341)	15,097
Other fixtures, tools and furniture:						
Cost	77,522	1,796	(8,699)	1,642	(226)	72,035
Accumulated depreciation	(59,856)	(5,429)	8,676	(991)	(9)	(57,609)
Impairment	(3,280)	-	-	(108)	-	(3,388)
	14,386	(3,633)	(23)	543	(235)	11,038
Investments in concessions:						
Cost	119	-	-	-	-	119
Accumulated depreciation	(12)	(1)	-	-	-	(13)
Impairment	(68)	-	-	-	-	(68)
	39	(1)	-	-	-	38
Other items of property, plant and equipment:						
Cost	32,717	1,051	(4,188)	1,334	5,702	36,616
Accumulated depreciation	(25,394)	(3,075)	3,708	(1,022)	-	(25,783)
Impairment	(142)	-	-	(5)	-	(147)
	7,181	(2,024)	(480)	307	5,702	10,686
Property, plant and equipment in the course of construction and advances:						
Cost	2,594	-	-	-	(96)	2,498
	2,594	-	-	-	(96)	2,498
Total:						
Cost	258,092	4,813	(53,571)	4,790	30	214,154
Accumulated depreciation	(177,237)	(26,615)	36,552	(3,201)	-	(170,501)
Impairment	(3,490)	-	-	(113)	-	(3,603)
Total property, plant and equipment	77,365	(21,802)	(17,019)	1,476	30	40,050

There were no significant investment commitments in connection with property, plant and equipment in the course of construction and advances.

The net gain on disposal of property, plant and equipment items in 2017 amounted to EUR 3,135 thousand (2016: net gain of EUR 9,029 thousand).

At 31 December 2017, the cost, accumulated depreciation and impairment included EUR 29,209 thousand, EUR 21,720 thousand and EUR 3,084 thousand, respectively, related to UTEs (31 December 2016: EUR 39,462 thousand, EUR 25,594 thousand and EUR 3,535 thousand, respectively).

At 2017 year-end the cost, accumulated depreciation and impairment of property, plant and equipment located abroad amounted to EUR 148,797 thousand, EUR 122,435 thousand and EUR 3,084 thousand, respectively (2016 year-end: EUR 166,383 thousand, EUR 130,972 thousand and EUR 3,535 thousand, respectively).

At 31 December 2017, fully depreciated property, plant and equipment in use amounted to EUR 109,825 thousand (31 December 2016: EUR 90,647 thousand).

As indicated in Note 8, at the end of 2017 the Company held various items of property, plant and equipment under finance leases.

The Company takes out all the insurance policies required to cover the possible risks to which its property, plant and equipment are subject.

7.- INVESTMENT PROPERTY

The changes in 2017 and 2016 in "Investment Property" in the balance sheet were as follows:

2017

	Thousands of euros				
	Beginning balance	Additions or charge for the year	Disposals or reductions	Transfers	Ending balance
Building lots:					
Cost	189	-	-	-	189
Impairment	(176)	-	-	-	(176)
	13	-	-	-	13
Housing units:					
Cost	353	-	-	-	353
Accumulated depreciation	(21)	(3)	-	-	(24)
Impairment	(158)	-	-	-	(158)
	174	(3)	-	-	171
Offices:					
Cost	55	-	-	-	55
Accumulated depreciation	(3)	-	-	-	(3)
	52	-	-	-	52
Car parks:					
Cost	579	-	-	-	579
Accumulated depreciation	(111)	(9)	-	-	(120)
Impairment	(9)	-	-	-	(9)
	459	(9)	-	-	450
Other:					
Cost	310	-	-	-	310
Accumulated depreciation	(30)	(4)	-	-	(34)
Impairment	(49)	-	-	-	(49)
	231	(4)	-	-	227
Total:					
Cost	1,486	-	-	-	1,486
Accumulated depreciation	(165)	(16)	-	-	(181)
Impairment	(392)	-	-	-	(392)
Total investment property	929	(16)	-	-	913

2016

	Thousands of euros				
	Beginning balance	Additions or charge for the year	Disposals or reductions	Transfers	Ending balance
Building lots:					
Cost	189	-	-	-	189
Impairment	-	(176)	-	-	(176)
	189	(176)	-	-	13
Housing units:					
Cost	1,798	-	(1,445)	-	353
Accumulated depreciation	(112)	(10)	101	-	(21)
Impairment	(700)	-	542	-	(158)
	986	(10)	(802)	-	174
Offices:					
Cost	55	-	-	-	55
Accumulated depreciation	(2)	(1)	-	-	(3)
	53	(1)	-	-	52
Car parks:					
Cost	620	-	(41)	-	579
Accumulated depreciation	(106)	(9)	4	-	(111)
Impairment	(15)	-	6	-	(9)
	499	(9)	(31)	-	459
Other:					
Cost	310	-	-	-	310
Accumulated depreciation	(26)	(4)	-	-	(30)
Impairment	(49)	-	-	-	(49)
	235	(4)	-	-	231
Total:					
Cost	2,972	-	(1,486)	-	1,486
Accumulated depreciation	(246)	(24)	105	-	(165)
Impairment	(764)	(176)	548	-	(392)
Total investment property	1,962	(200)	(833)	-	929

Of the 2017 net balance, EUR 9 thousand relate to UTEs (31 December 2016: EUR 9 thousand).

The Company's investment property relates mainly to buildings held for capital appreciation.

The carrying amount of the most significant investments included under "Investment Property" at 31 December 2017 is as follows:

- Housing units, garages and storage rooms in Fuengirola amounting to EUR 209 thousand (2016: EUR 213 thousand).
- A commercial property in Barcelona amounting to EUR 191 thousand (2016: EUR 194 thousand).
- Garages in Almería amounting to EUR 320 thousand (2016: EUR 327 thousand).

No disposal of investment property took place in 2017. The net loss on disposal of investment properties, net of the related depreciation and impairment, amounted to EUR 68 thousand in 2016.

In 2017 the rental income from the Company's investment property amounted to EUR 65 thousand (2016: EUR 64 thousand) and related to the operation of a car park in Almería and the lease of offices in Las Palmas and housing units in Fuengirola. The other items of investment property do not generate revenue for the Company.

At 31 December 2017, certain items of investment property with a carrying amount of EUR 172 thousand (2016: EUR 175 thousand) were mortgaged as security for loans against which EUR 105 thousand had been drawn down (2016: EUR 119 thousand) (see Note 18.1).

At 31 December 2017, the fair value of the Company's investment property, calculated on the basis of in-house estimates and cadastral data, reasonably covers the value thereof.

8.- LEASES

8.1 Finance leases

The Company's most significant finance leases at the end of 2017 and 2016 relate to machinery and transport equipment.

The total amounts corresponding to finance lease transactions in which the Company acts as the lessee, all of which are measured at the present value of the minimum lease payments, are summarised below. The average term for the leases in force in 2017 is 37 months (2016: 37 months).

	Thousands of euros	
	2017	2016
Value recognised in non-current assets:		
Original cost excluding purchase option	50	1,709
Value of purchase option	-	-
Total value of assets held under finance leases	50	1,709
Lease payments:		
Paid in prior years	17	1,663
Paid in the year	24	19
Payable:		
Within one year	9	16
Between one and five years	-	11
Total lease payments	50	1,709

The amount of the income recognised as an expense in 2017 amounted to EUR 2 thousand (2016: EUR 5 thousand).

8.2 Operating leases

Operating leases are leases that do not transfer substantially all the risks and rewards incidental to ownership.

The main operating leases relate to the Company's head office and other operating centres.

At 31 December 2017 and 2016, the future minimum payments under non-cancellable leases were as follows:

	Thousands of euros	
	2017	2016
Within one year	11,160	10,840
Between one and five years	19,272	17,145
After five years	223	141
Total	30,655	28,126

There are no significant leases in which the Company acts as the lessor.

9.- FINANCIAL ASSETS (NON-CURRENT AND CURRENT)

9.1 Non-current financial assets

The detail of "Non-Current Financial Assets" at the end of 2017 and 2016 is as follows:

2017

	Thousands of euros				
	Non-current financial instruments				
	Equity instruments	Loans to third parties	Debt securities	Other financial assets	Total
Held-to-maturity investments	-	-	286	-	286
Available-for-sale financial assets:					
- At cost	8	-	-	-	8
Loans and receivables	-	82,273	-	104,159	186,432
Total non-current financial assets	8	82,273	286	104,159	186,726

2016

	Thousands of euros				
	Non-current financial instruments				
	Equity instruments	Loans to third parties	Debt securities	Other financial assets	Total
Held-to-maturity investments	-	-	313	-	313
Available-for-sale financial assets:					
- At cost	8	-	-	-	8
Loans and receivables	-	80,264	-	142,816	223,080
Total non-current financial assets	8	80,264	313	142,816	223,401

At 31 December 2017, "Loans and Receivables" included EUR 97,596 thousand (31 December 2016: EUR 111,835 thousand) corresponding to guarantees unduly executed by Qatar Foundation arising from the lawsuit with this customer in connection with the **design and construction of the Sidra Medical Research Centre (Doha, Qatar)** contract (see Note 17.3.2) which the Company considers, based on the opinion of its legal advisers, to be recoverable in full.

"Loans to Third Parties" includes EUR 81,772 thousand (2016: EUR 75,609 thousand) relating to loans granted to related parties, which earn interest at market rates (see Note 23.2.).

The estimated detail, by maturity, of "Non-Current Financial Assets" is as follows:

Categories	Thousands of euros					Total
	2019	2020	2021	2022	Subsequent years	
Held-to-maturity investments	-	-	-	-	286	286
Available-for-sale financial assets	-	-	-	-	8	8
Loans and receivables	180,425	3,545	2	750	1,710	186,432
Total non-current financial assets	180,425	3,545	2	750	2,004	186,726

Impairment:

The changes arising from impairment losses/reversals recognised in this line item in 2017 and 2016 were as follows:

2017

Categories	Thousands of euros		
	Accumulated impairment losses at beginning of year	Impairment losses/reversals recognised in the year	Accumulated impairment losses at end of year
Available-for-sale financial assets	141	(141)	-

2016

Categories	Thousands of euros		
	Accumulated impairment losses at beginning of year	Impairment losses/reversals recognised in the year	Accumulated impairment losses at end of year
Available-for-sale financial assets	141	-	141

9.2 Current financial assets

The detail of "Current Financial Assets" at the end of 2017 and 2016 is as follows:

2017

Categories	Thousands of euros					
	Current financial instruments					
	Equity instruments	Loans to companies	Debt securities	Derivatives	Other financial assets	Total
Held-to-maturity investments	3	-	23	-	7,917	7,943
Loans and receivables	-	5,033	-	-	4,106	9,139
Derivatives	-	-	-	39,703	-	39,703
Total current financial assets	3	5,033	23	39,703	12,023	56,785

2016

Categories	Thousands of euros					
	Current financial instruments					
	Equity instruments	Loans to companies	Debt securities	Derivatives	Other financial assets	Total
Held-to-maturity investments	3	-	808	-	9,735	10,546
Available-for-sale financial assets:						
- At fair value	6,326	-	-	-	-	6,326
Loans and receivables	-	11,446	-	-	6,458	17,904
Derivatives	-	-	-	158	-	158
Total current financial assets	6,329	11,446	808	158	16,193	34,934

"Loans to Companies", amounting to EUR 5,033 thousand at 31 December 2017 (31 December 2016: 11,446 thousand), relates mainly to loans on disposal of non-current assets.

"Other Financial Assets", amounting to EUR 12,023 thousand at 31 December 2017 (31 December 2016: EUR 16,193 thousand), corresponds primarily to term deposits (held-to-maturity investments) and short-term deposits.

"Debt Securities", amounting to EUR 23 thousand at 31 December 2017 (31 December 2016: EUR 808 thousand), relate in full to fixed-income securities and investment funds.

"Derivatives", amounting to EUR 39,703 thousand at 31 December 2017 (31 December 2016: EUR 158 thousand), relate mainly to the currency forwards arranged by the Company in order to avoid the economic impact that exchange rate fluctuations might have on payment obligations and collection rights in foreign currencies and are detailed in Note 10.

9.3 Investments in Group companies and associates

9.3.1 Non-current investments in Group companies and associates

The changes in 2017 and 2016 in "Non-Current Investments in Group Companies and Associates" were as follows:

2017

	Thousands of euros				
	Beginning balance	Additions or charge for the year	Disposals or reductions	Transfers	Ending balance
Equity instruments of Group companies:					
Cost	1,532,086	291,530	(629)	(600,078)	1,222,909
Impairment	(383,442)	(158,282)	3,924	-	(537,800)
Capital payments payable	(205)	-	19	-	(186)
	1,148,439	133,248	3,314	(600,078)	684,923
Equity instruments of associates:					
Cost	20,357	-	(402)	-	19,955
Impairment	(421)	-	271	-	(150)
Capital payments payable	(5,962)	-	1,743	-	(4,219)
	13,974	-	1,612	-	15,586
Loans to Group companies:					
Cost	480,871	96,372	(467,804)	-	109,439
Impairment	(35,593)	(22,117)	736	-	(56,974)
	445,278	74,255	(467,068)	-	52,465
Total:					
Cost	2,033,314	387,902	(468,835)	(600,078)	1,352,303
Impairment	(419,456)	(180,399)	4,931	-	(594,924)
Capital payments payable	(6,167)	-	1,762	-	(4,405)
Total non-current investments in Group companies and associates	1,607,691	207,503	(462,142)	(600,078)	752,974

	Thousands of euros				
	Beginning balance	Additions or charge for the year	Disposals or reductions	Transfers	Ending balance
Equity instruments of Group companies:					
Cost	1,514,135	35,563	(17,612)	-	1,532,086
Impairment	(159,826)	(229,245)	5,629	-	(383,442)
Capital payments payable	(7,611)	(132)	7,538	-	(205)
	1,346,698	(193,814)	(4,445)	-	1,148,439
Equity instruments of associates:					
Cost	22,302	15	(1,960)	-	20,357
Impairment	(150)	(271)	-	-	(421)
Capital payments payable	(7,432)	-	1,470	-	(5,962)
	14,720	(256)	(490)	-	13,974
Loans to Group companies:					
Cost	439,831	43,954	-	(2,914)	480,871
Impairment	(34,182)	(4,325)	-	2,914	(35,593)
	405,649	39,629	-	-	445,278
Loans to associates:					
Cost	652	24	(676)	-	-
	652	24	(676)	-	-
Total:					
Cost	1,976,920	79,556	(20,248)	(2,914)	2,033,314
Impairment	(194,158)	(233,841)	5,629	2,914	(419,456)
Capital payments payable	(15,043)	(132)	9,008	-	(6,167)
Total non-current investments in Group companies and associates	1,767,719	(154,417)	(5,611)	-	1,607,691

The main additions to equity instruments of Group companies in 2017 were the capital increases carried out at OHL Construcción Internacional, S.L.U. amounting to EUR 190,000 thousand and at OHL Industrial, S.L. amounting to EUR 100,000, which were paid in full.

Based on the results obtained by OHL Construcción Internacional, S.L. and OHL Industrial, S.L. in 2017, the Company assessed the recoverable amount of these investments.

In the case of OHL Construcción Internacional, S.L., the Company used the cash flow projections for this business, on the basis of the updated budgets for each of the investees of OHL Construcción Internacional, S.L., which contain the most realistic revenue estimates based on historical information and updated economic and financial projections. These investments were measured by discounting the expected cash flows for the shareholder, using a discount rate that reflected the cost of own capital based on a risk-free interest rate of the country in which the company carries on its activities, taking as a reference the rate of a local bond adjusted by a risk premium of the activity and taking into account the leverage of the business carried on. Based on the foregoing, in 2017 the Company recognised impairment losses of EUR 56,717 thousand on its ownership interest.

The Company also assessed the fair value of its ownership interest in OHL Industrial, S.L. To carry out this analysis, the Company used the underlying carrying amount of the investee. Based on the foregoing, in 2017 the Company recognised impairment losses of EUR 100,000 thousand on its ownership interest in OHL Industrial, S.L. (see Appendix II).

The impairment losses reversed on equity instruments of Group companies relate mainly to Construcciones Sobrino, S.A., amounting to EUR 1,819 thousand, and Asfaltos y Construcciones Elsan, S.A., amounting to EUR 1,671 thousand.

The "Transfers" column includes the reclassification of OHL Concesiones, S.A.U. to "Non-Current Assets Classified as Held for Sale", since this company is in the process of being divested and its disposal is expected to be completed in the coming months (see Note 11).

The equity of the Group companies is detailed in Appendix II -which is an integral part of this note- and was obtained from the financial statements of the respective companies at 31 December 2017, the most significant of which were audited.

The changes in investments in Group companies and associates are detailed in Appendices III and IV.

The business activities and registered offices of the Group companies are listed in Appendix V.

The detail of "Non-Current Loans to Group Companies", net of allowances, at 31 December 2017 and 2016 is as follows:

Company	Thousands of euros	
	2017	2016
Loans to Group companies:		
OHL Industrial, S.L.	40,883	-
Asfaltos y Construcciones Elsan, S.A.	5,000	5,000
Tenedora de Participaciones Tecnológicas, S.A.	4,199	3,939
Sociedad Concesionaria Aguas de Navarra, S.L.	2,315	634
Josefa Valcárcel 42, S.A.	68	58
OHL Concesiones, S.A.U.	-	394,800
OHL Central Europe, a.s	-	40,847
Total non-current loans to Group companies	52,465	445,278

The decreases relate mainly to the assignment of the loan agreement with OHL Concesiones, S.A.U. on 23 October 2017 and the assignment of the loan with OHL Central Europe, a.s. to OHL Construcción Internacional, S.L. on 3 July 2017. The main increase relates to a participating loan with a face value of EUR 63,000 thousand entered into with OHL Industrial, S.L., which was written down by EUR 22,117 thousand in 2017.

The average interest rate applied to non-current loans to Group companies and associates in 2017 was 7.99% and finance income amounted to EUR 19,027 thousand.

9.3.2 Current investments in Group companies

The detail of "Current Investments in Group Companies" at 31 December 2017 and 2016 is as follows:

2017

Company	Thousands of euros		
	Loans	Other financial assets	Total
Obrascón Huarte Lain, Construcción Internacional, S.L.	906,055	-	906,055
Obrascón Huarte Lain Desarrollos, S.L.	202,225	-	202,225
OHL Andina, S.A.	19	122,613	122,632
OHL Industrial, S.L.	34,998	-	34,998
EyM Instalaciones, S.A.	34,197	-	34,197
OHL Servicios - Ingesán, S.A.U.	25,790	1	25,791
Tenedora de Participaciones Tecnológicas, S.A.	8,376	-	8,376
OHL Construction Pacific PTY Ltda.	-	5,380	5,380
Constructora e Inmobiliaria Huarte, Ltda.	-	5,078	5,078
OHL Concesiones Chile, S.A.	-	3,628	3,628
Agrupación Guinovart Obras y Servicios Hispania, S.A.	3,500	54	3,554
OHL Colombia, S.A.S.	2,247	141	2,338
Euroconcesiones, S.L.	2,324	-	2,324
OHL Arabia, LLC	1,110	2	1,112
OHL Uruguay, S.A.	878	133	1,011
Less than EUR 1,000 thousand	3,159	1,015	4,174
Total	1,224,878	138,045	1,362,923

2016

Company	Thousands of euros		
	Loans	Other financial assets	Total
Obrascón Huarte Lain, Construcción Internacional, S.L.	846,379	698	847,077
Obrascón Huarte Lain Desarrollos, S.L.	377,186	-	377,186
OHL Industrial, S.L.	135,069	55	135,124
EyM Instalaciones, S.A.	32,743	1	32,744
OHL Central Europe, a.s	31,592	-	31,592
OHL Servicios - Ingesán, S.A.U.	29,649	1	29,650
OHL Andina, S.A.	19	23,822	23,841
OHL Emisiones, S.A.U.	12,088	-	12,088
Tenedora de Participaciones Tecnológicas, S.A.	8,512	-	8,512
OHL Construction Pacific PTY Ltda.	-	5,639	5,639
OHL Concesiones, S.A.U.	4,049	1,284	5,333
Constructora e Inmobiliaria Huarte, Ltda.	-	5,263	5,263
OHL Concesiones Chile, S.A.	-	3,789	3,789
Agrupación Guinovart Obras y Servicios Hispania, S.A.	3,737	12	3,749
Autovía de Aragón-Tramo 1, S.A.	3,440	-	3,440
Euroconcesiones, S.L.	2,508	-	2,508
OHL Colombia, S.A.S.	2,173	143	2,316
Constructora de Proyectos Viales de México, S.A. de C.V.	-	2,005	2,005
Chemtrol Proyectos y Sistemas, S.L.	1,595	-	1,595
Less than EUR 1,000 thousand	2,799	567	3,366
Total current investments in Group companies	1,493,538	43,279	1,536,817

"Loans" includes financial contributions, interest and receivables due to tax effect.

Noteworthy in 2017 were additional contributions made to OHL Construcción Internacional, S.L., related to the financing required for the performance of projects abroad, and an increase in OHL Andina, S.A. as a result of cash surpluses between the Company, its branch in Chile and OHL Andina, S.A. (see Note 18.2).

The average interest rate applied in 2017 to the financial contributions included under "Loans" was 3.68% (2016: 3.53%). The finance income arising from the financial contributions in 2017 amounted to EUR 52,562 thousand (2016: EUR 40,951 thousand).

The other balances included in "Other Financial Assets" and relating to the Company's normal operations did not earn interest.

9.3.3 Current investments in associates

The detail of "Current Investments in Associates" and the investments in the UTEs at 31 December 2017 and 2016, after proportionate consolidation of their balance sheets and the corresponding eliminations, is as follows:

2017

Entity	Thousands of euros		
	Loans	Other financial assets	Total
UTE Hospital Sidra. Qatar	-	26,695	26,695
UTE Rizzani OHL (JV2). Kuwait	-	7,428	7,428
UTE Estaciones Metro Doha. Qatar	-	5,759	5,759
UTE Schofields Road Two. Australia	-	2,395	2,395
UTE Centro Botín Spain	-	1,133	1,133
Consorcio Conpax OHL Valko, S.A. Chile	-	1,071	1,071
UTE Rizzani OHL Boodai Trevi (JV4). Kuwait	-	888	888
Consorcio Español Alta Velocidad Meca Medina, S.A. Spain	687	-	687
UTE Túneles Cerro San Eduardo Guayaquil. Ecuador	595	-	595
UTE Bidasoa I. Spain	-	449	449
Less than EUR 300 thousand	377	1,590	1,967
Total current investments in associates	1,659	47,408	49,067

2016

Entity	Thousands of euros		
	Loans	Other financial assets	Total
UTE Hospital Sidra. Qatar	-	27,264	27,264
UTE Rizzani OHL Boodai Trevi (JV4). Kuwait	-	996	996
UTE Aparcamiento C/Virgen de Luján. Spain	-	898	898
UTE Schofields Road Two. Australia	-	788	788
Consorcio Español Alta Velocidad Meca Medina, S.A. Spain	687	-	687
UTE Estaciones Metro Doha. Qatar	-	469	469
UTE Bidasoa I. Spain	-	464	464
UTE Guía Pagador. Spain	-	317	317
Less than EUR 300 thousand	122	1,764	1,886
Total current investments in associates	809	32,960	33,769

In 2017 the financial contributions presented under "Loans" earned average interest of 3.68% (2016: 3.53%).

The other balances included in "Other Financial Assets" and relating to the Company's normal operations did not earn interest.

9.4 Risk management policy

Risk management, as a strategic objective of the Company, 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 Company 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 culture of raising risk awareness.
- 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 Company's risk management process represents how the Group manages risk. Each functional area and division is responsible for adopting and applying the risk management framework and policies 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 Company 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 Company's risks are identified, prioritised and evaluated, based on risk assessments and potential exposure, by appropriate personnel in the organisation.
- Responsibility for risk management lies with all Company employees. 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 Company' 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.
- Company management makes a formal risk assessment for each division and for the Group as a whole at least once a year. These assessments must be carried out on a more regular basis for projects, activities, tasks and operating areas of greater risk 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 Company'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.

9.4.1 Financial risk management

The Company is exposed to the financial risks inherent to its business activities.

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

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

Interest rate risk

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

The Company finances its operations with fixed- or floating-rate financial products based on the estimates made regarding changes in interest rates and debt structure objectives. Hedging transactions can be performed by arranging derivatives that mitigate these risks, and a sensitivity analysis is also conducted in this connection, or fixed-interest financing is used.

No derivative financial instruments had been designated as hedges of the Company's total debt at 31 December 2017, and bank borrowings tied to fixed interest rates, mainly debt associated with bond issues, represented 61.65%.

The sensitivity of the Company's earnings to an interest rate increase of 0.5%, without taking into consideration bank borrowings tied to fixed interest rates, would have an impact of EUR 2,881 thousand on the Company's pre-tax loss.

Foreign currency risk

The Company operates internationally and is therefore exposed to foreign currency risk on the transactions it performs in foreign currencies.

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

The foreign currency risks basically arise on:

- Debt denominated in foreign currencies arranged by the Company or its branches abroad.
- Payments to be made in international markets for procurements or non-current assets.
- Payments receivable from projects tied to currencies other than the Company's functional currency or that of its branches.
- Investments in foreign subsidiaries.

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

Also, the net assets stemming from net investments in foreign branches 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 branches during the integration process.

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

The sensitivity analysis of the foreign currency risks of financial instruments for the main currencies in which the Company operates simulated a 10% increase in the foreign currency per euro exchange rate with respect to the rates applicable at 31 December 2017 and 2016. The net impact on profit or loss was as follows ((expense)/income):

Currency	Thousands of euros	
	Profit (Loss)	
	2017	2016
Czech koruna	-	3,259
Norwegian krone	(1,667)	(930)
Algerian dinar	3,843	2,285
Kuwaiti dinar	(2,861)	(3,405)
US dollar	(5,337)	(4,814)
Argentine peso	21	(92)
Chilean peso	8,033	3,127
Mexican peso	(9,575)	(8,023)
Qatari riyal	30,670	40,268
Peruvian nuevo sol	3,685	(1,112)
Polish zloty	(95)	284
Total	26,717	30,847

If a sensitivity analysis were performed using the assumption of a 10% decrease in the foreign currency per euro exchange rate with respect to the rates applicable at 31 December 2017 and 2016, the net impact on profit or loss would be as follows ((expense)/income):

Currency	Thousands of euros	
	Profit or loss	
	2017	2016
Czech koruna	-	(2,963)
Norwegian krone	1,515	845
Algerian dinar	(3,493)	(2,078)
Kuwaiti dinar	2,601	3,096
US dollar	4,851	4,376
Argentine peso	(19)	83
Chilean peso	(7,303)	(2,842)
Mexican peso	8,705	7,294
Qatari riyal	(27,882)	(36,607)
Peruvian nuevo sol	(3,350)	1,011
Polish zloty	87	(258)
Total	(24,288)	(28,043)

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

The Company's financial assets exposed to credit risk are:

- Non-current financial assets.
- Hedging instruments.
- Trade and other receivables.
- Current financial assets.
- Financial assets included in "Cash and Cash Equivalents".

The balances of these items constitute the Company's total exposure to credit risk.

The credit risk of financial hedging instruments with a positive fair value is limited by the Company, since derivatives are arranged with highly solvent banks with high credit ratings and no single counterparty concentrates significant levels of total credit risk.

The balances of trade receivables for sales and services are made up of a high number of customers from various industries and geographical areas. Private customers account for 67% of the total (22% from Spain and 45% from abroad).

In all cases, 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 valuation adjustments are recognised whenever necessary.

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 Company's activity.

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

- Constant management of working capital, and in particular, active management of collections from customers in respect of trade and other receivables.
- Optimisation of the financial position through ongoing monitoring of cash projections.
- Management of the arrangement of financing lines in capital markets.

The repayment schedule at 31 December 2017, of which EUR 621,773 thousand matures in 2018, is presented by the Company in Note 18.1.

The Company's liquidity position at 31 December 2017 consisted of:

- Current financial assets amounting to EUR 1,468,775 thousand (see Notes 9.2, 9.3.2 and 9.3.3).
- Cash and cash equivalents amounting to EUR 137,506 thousand (see Note 15).
- Drawable credit lines and discount facilities amounting to EUR 125,215 thousand (see Note 18.1).

In 2016 there were four reductions in the Group's credit rating by rating agencies, three levels in the case of Moody's and one level in the case of Fitch, ultimately leaving it at Caa1 and B+ (in both cases with a negative outlook), respectively.

In order to avoid a potential adverse impact on its liquidity profile, the OHL Group initiated a process of dialogue and joint negotiation with its eight main relationship entities (the "Group of Entities"), with a twofold objective: (i) to ensure the maintenance of their support for the Group by signing a formal standstill agreement to maintain the terms and conditions, drawability and limits of the existing financing from that Group of Entities; and (ii) to negotiate a new financing package that would allow the OHL Group to ensure the coverage of its future working capital needs arising from the implementation of its business plan.

The renewal of the multi-product syndicated financing agreement (novated on 29 November 2017) was formalised on 30 March 2017 for an aggregate amount of EUR 684 million, for the *issue of guarantees* (EUR 402 million) and *reverse factoring* (EUR 92 million), which also includes a *revolving credit line* of EUR 190 million.

All maturing at 18 months, thereby extending the standstill period until that date, and secured by the shares of OHL Concesiones, S.A.U and OHL Desarrollos, S.L.

This financing package, together with the debt reduction measures implemented in 2017 aimed at carrying out a divestment plan and taking decisive actions to generate cash flows/control projects, strengthened the Group's liquidity profile at 31 December 2017.

Note should also be made of the agreement entered into on 30 November 2017 by OHL and IFM Investors for the sale of all the Company's ownership interest in OHL Concesiones, S.A.U. This transaction should be completed in the first quarter of 2018 and will represent a significant cash inflow for the Company, which will substantially reduce its gross recourse borrowings and improve its available recourse liquidity.

Another consequence of this fact was that Moody's Investors Service credit rating agency improved OHL's corporate and senior unsecured debt Caa1 credit rating to B3 at the beginning of December 2017. This rating has been placed on watch for a possible upgrade.

10.- DERIVATIVE FINANCIAL INSTRUMENTS

In order to mitigate the economic effects of exchange rate fluctuations to which the Company is exposed as a result of its business activities, the Company uses derivative financial instruments, such as foreign currency hedges.

The arrangement of derivatives for speculative purposes is not allowed by the Company.

No collection risks are expected to arise in relation to the amounts that the banks have undertaken to pay to the Company in the future on the basis of the derivatives arranged, since the banks with which they were arranged are highly solvent.

The derivatives arranged by the Company are basically measured by discounting the future cash flows in accordance with the contractual and market conditions at the date of measurement.

The main criteria relating to derivatives are described in Note 4.7. Set forth below is a description of how the fair values of the derivatives arranged by the Company were accounted for at 31 December 2017 as other financial assets or liabilities, and of their impact, net of taxes, on equity.

Foreign currency derivatives

The Company arranges currency forwards in order to avoid the economic impact that exchange rate fluctuations might have on payment obligations and collection rights in foreign currencies.

The amount receivable in relation to the agreement entered into by OHL, S.A. and IFM Investors to sell all of the shares in OHL Concesiones, S.A.U. is affected, among other adjustments, by the changes in value of the euro against the Mexican peso and the euro against the Peruvian nuevo sol. In this connection, a series of currency forwards were arranged in December 2017. These derivatives do not qualify for hedge accounting and the impact of changes therein is recognised in profit or loss.

Following is a detail of the outstanding currency forwards at 31 December 2017, indicating, on the one hand, the nominal amounts in euros of the currency forwards, i.e. the amounts that the Company and the banks have agreed to exchange in euros for paying or receiving certain amounts in foreign currencies, classified by maturity, and, on the other, the fair values of the currency forwards, grouped together as other financial assets or liabilities, and their impact, net of taxes, on equity. Also indicated is the range of exchange rates and the nominal amounts in foreign currency arranged.

	Thousands of euros						Foreign currency per euro	Nominal amount in thousands of foreign currency (on arrangement date)
	Nominal amount (on arrangement date)	Maturity		Fair value included in		Impact on profit or loss (net of tax effect)	Range of exchange rates	
		Within three months	After three months	Asset derivatives	Liability derivatives			
Derivatives not considered as hedges for accounting purposes at the Company's discretion								
Future US dollar purchases against euros	49,001	49,001	-	-	(221)	(166)	1.1952 - 1.1965	58,596
Future Mexican peso sales against euros	800,000	800,000	-	38,271	-	28,703	22.9654 - 23.1955	18,444,618
Future Peruvian sol sales against euros	416,000	416,000	-	1,411	-	1,058	3.8986 - 3.9315	1,631,838
Future Norwegian krone purchases against euros	2,520	2,520	-	21	-	16	9.9215	25,000
Total	1,267,521	1,267,521	-	39,703	(221)	29,611		

The sensitivity analysis of these foreign currency derivatives was carried out by simulating a 10% increase in the foreign currency per euro exchange rate with respect to the rates in force at 31 December 2017. The result of this analysis is as follows:

	Thousands of euros	
	2017	
	Fair value	Impact on equity
Mexican peso	106,354	74,448
US dollar	(3,693)	(2,585)
Peruvian nuevo sol	38,715	29,423
Norwegian krone	(210)	(147)
Total	141,166	101,139

If a sensitivity analysis were performed using the assumption of a 10% decrease in the foreign currency per euro exchange rate with respect to the rates applicable at 31 December 2017, the impact would be as follows:

	Thousands of euros	
	2017	
	Fair value	Impact on equity
Mexican peso	(43,879)	(30,715)
US dollar	3,917	2,742
Peruvian nuevo sol	(43,790)	(33,280)
Norwegian krone	303	212
Total	(83,449)	(61,041)

The detail of the currency forwards arranged at 31 December 2016 is as follows:

	Thousands of euros						Foreign currency per euro	Nominal amount in thousands of foreign currency (on arrangement date)
	Nominal amount (on arrangement date)	Maturity		Fair value included in		Impact on profit or loss (net of tax effect)	Range of exchange rates	
		Within three months	After three months	Asset derivatives	Liability derivatives			
Derivatives not considered as hedges for accounting purposes at the Company's discretion								
Future US dollar sales against euros	16,804	16,804	-	-	(198)	(148)	1.0679	17,945
Future US dollar purchases against euros	17,933	17,933	-	-	(146)	(109)	1.047	18,771
Future Mexican peso purchases against euros	461	461	-	-	(5)	(4)	21.682	10,000
Future Norwegian krone sales against euros	6,775	6,775	-	65	-	49	9.0034	61,000
Future Norwegian krone purchases against euros	2,203	2,203	-	-	(2)	(1)	9.0774	20,000
Future Turkish lira purchases against euros	389	389	-	-	(22)	(16)	3.5037-3.5357	1,370,846
Future Saudi riyal purchases against euros	4,962	4,962	-	93	-	70	4.0305	20,000
Total	49,527	49,527	-	158	(373)	(159)		

The column "Impact on Profit or Loss (Net of Tax Effect)" includes the gains or losses net of tax corresponding to the measurement of the foreign currency derivatives outstanding at 31 December each year, the changes in which are recognised in the statement of profit or loss as they do not qualify for hedge accounting.

Interest rate derivatives

At 31 December 2017, the Company had not arranged any interest rate swaps.

11.- NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 16 October 2017, OHL, S.A. and IFM Investors entered into an agreement in which IFM Investors acquired all the share capital of OHL Concesiones, S.A.U., the main terms and conditions of which are as follows:

The sale price was set at EUR 2,775 million, which will be paid by IFM Investors following the transaction closing date and is subject to customary adjustments for this type of transaction (net debt, exchange rate and the cash contributed to each project).

The Company estimated that after these adjustments, the amount to be paid by IFM Investors will be EUR 2,235 million.

Cercanías Móstoles Navalcarnero and Autopista Eje Aeropuerto, companies in liquidation, were excluded from the scope of the transactions since they will be transferred to OHL, S.A. at the net cost recognised by OHL Concesiones, S.A.U. Therefore, OHL, S.A. will retain the right to receive any and all compensation for these liquidation processes.

On 30 November 2017, OHL, S.A. signed the purchase and sale agreement with IFM Investors (through its subsidiary Global Infraico, S.L.U) pursuant to which the acquisition will take place.

This agreement also includes certain customary indemnity clauses by virtue of which the Company remains liable for any liabilities and obligations arising from events prior to the agreement that may have to be settled in the future.

Pursuant to Article 160-f) of the Spanish Limited Liability Companies Law, an Extraordinary General Meeting was called on 9 January 2018 and the transaction was approved.

The transaction is conditional upon the obtainment of the required authorisation from the competent Mexican authorities, the obtainment of a waiver from certain financial creditors, and the approval and launch of a tender offer by IFM Investors or a subsidiary for the share capital of OHL México, S.A.B. de C.V. which, at the transaction closing date, was not owned by IFM Investors

As a result of the foregoing, and in accordance with Recognition and Measurement Standard 7 of the Spanish National Chart of Accounts, "Non-Current Assets Classified as Held for Sale" includes the following non-current assets:

ASSETS	2017	2016
Ownership Interest:		
OHL Concesiones, S.A.	600,078	-
Total	600,078	-

The other assets and liabilities that the Company holds with OHL Concesiones, S.A.U. and its concession-holders relate to the Company's normal operations and are therefore recognised under the appropriate line items according to their nature to the extent that they will be settled in the ordinary course of business.

12.- INVENTORIES

The detail of “Inventories” at 31 December 2017 and 2016 is as follows:

2017

	Thousands of euros		
	Gross balance	Impairment losses	Net balance
Raw materials and other supplies	19,043	(494)	18,549
Auxiliary shop projects and site installations	18,244	-	18,244
Advances to suppliers and subcontractors	25,664	-	25,664
Total inventories	62,951	(494)	62,457

2016

	Thousands of euros		
	Gross balance	Impairment losses	Net balance
Raw materials and other supplies	22,264	(494)	21,770
Auxiliary shop projects and site installations	16,732	-	16,732
Advances to suppliers and subcontractors	33,134	-	33,134
Total inventories	72,130	(494)	71,636

At 31 December 2017, EUR 39,232 thousand of the total net balance of “Inventories” relate to UTEs (31 December 2016: EUR 55,351 thousand).

There are no significant purchase commitments related to the advances to suppliers and subcontractors.

The changes in the write-downs relating to “Inventories” in the balance sheets in 2017 and 2016 were as follows:

	Thousands of euros	
	2017	2016
Beginning	494	1,185
Additions	-	-
Reversals	-	691
Ending balance	494	494

13.- TRADE RECEIVABLES FOR SALES AND SERVICES AND CUSTOMER ADVANCES

The detail of "Trade Receivables for Sales and Services" and "Customer Advances" at 31 December 2017 and 2016 is as follows:

	Thousands of euros	
	2017	2016
Trade receivables for sales and services:		
Amounts to be billed for work or services performed	604,426	641,624
Progress billings	172,287	209,283
Trade notes receivable	2,195	5,774
Retentions	32,047	29,978
Subtotal	810,955	886,659
Provisions	(262,888)	(277,816)
Total net of provisions	548,067	608,843
Customer advances	(182,100)	(159,218)
Total, net	365,967	449,625

In 2017 EUR 35,667 thousand of trade bills corresponding to this balance sheet heading were traded at banks (2016: EUR 90,067 thousand).

At 31 December 2017, the balance of trade receivables was net of EUR 18,400 thousand (31 December 2016: EUR 33,275 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.

At 31 December 2017, EUR 120,913 thousand of the net balance of "Trade Receivables for Sales and Services" and "Customer Advances" relate to UTEs (31 December 2016: EUR 170,373 thousand).

Most of the balances of retentions are recovered, as is standard practice, at completion and delivery of the work/projects.

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

Type of customer	Thousands of euros	
	2017	2016
Spain:	246,213	242,619
Public sector:	72,451	68,292
Central government	7,231	11,058
Autonomous community government	29,065	34,800
Local government	3,142	3,127
Other agencies	33,013	19,307
Private sector	173,762	174,327
Abroad:	564,742	664,040
Public sector	197,631	270,884
Private sector	367,111	373,156
Total	810,955	886,659

At 31 December 2017, 33% (EUR 270,082 thousand) of the balance of "Trade Receivables for Sales and Services" related to the public sector and 67% (EUR 540,873 thousand) to the private sector (31 December 2016: 38% and 62%, respectively).

Of the balance of "Progress Billings Receivable" and "Trade Notes Receivable", totalling EUR 174,482 thousand at 31 December 2017, 52% relates to the public sector (EUR 90,420 thousand) and 48% to the private sector (EUR 84,062 thousand).

The detail of the aging of this balance is as follows:

	Thousands of euros		
	Type of customer		
	Public	Private	Total
0-90 days	50,924	14,041	64,965
91-180 days	4,701	3,775	8,476
181-360 days	14,897	1,112	16,009
More than 360 days	19,898	65,134	85,032
Total	90,420	84,062	174,482

"Trade Receivables for Sales and Services - Amounts to Be Billed for Work or Services Performed" the Company includes the amount of the claims submitted to customers and also those which are in dispute (judicial or arbitral) and are considered likely to be settled, as indicated in Note 17.3.2. All the amounts recognised as a result of legal claims or requests for arbitration relate to projects that have already been completed.

The Company has lodged claims with customers totalling approximately EUR 708,300 thousand in relation to projects in progress (2016: EUR 661,600 thousand).

The change in claims compared with 2016 is due mainly to the inclusion of the claim relating to the **"Design & Build Package 5 - Major Stations - Doha Metro Project"** contract, as well as the reduced amount of the **"Algiers Southern Bypass"**, as a result of the agreement concluded with the customer.

As described in Note 2.4, the Company reassesses the final estimates of revenue on certain projects, taking into consideration the outcome of the negotiations during the year, the legal and political environment of the countries in which the projects are being carried out and any agreements that might result from the current negotiations. This reestimate gave rise to a significant reduction in the amounts recognised for accounting purposes in connection with claims in 2016.

Based on the foregoing, at 31 December 2017 the Company had recognised EUR 389,900 thousand in relation to claims submitted (31 December 2016: EUR 424,700 thousand), of which EUR 346,600 thousand correspond to the Hospital de Sidra project, which is subject to litigation (31 December 2016: EUR 355,600 thousand).

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

In 2017 no claim in the negotiation phase with customers continued to litigation.

The changes in provisions in 2017 and 2016 were as follows:

	Thousands of euros	
	2017	2016
Beginning balance	(277,816)	(400,900)
Increases in provisions	-	(53,365)
Decreases in provisions	14,928	176,449
Ending balance	(262,888)	(277,816)

Of the total balance of provisions at 31 December 2017, EUR 204,680 thousand covered possible losses arising from claims recognised (31 December 2016: EUR 204,680 thousand) and the remaining EUR 58,208 thousand related to doubtful debts associated with other receivables (31 December 2016: EUR 73,136 thousand).

To calculate the amount of the provisions for possible losses arising from claims recognised, estimates are made for each project on an individual basis, taking into consideration:

- The negotiation status with each customer.
- The technical evaluation of the work performed and whether or not it conforms with the terms of the customer contract; this is carried out by the project managers taking into account, where applicable, any expert reports.
- Assessments made by the Company's internal and external legal advisers to estimate the feasibility and chances of success of the claim filed, based on the knowledge of the project and the related stage of completion; the status is updated on the basis of any new milestone or change.

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

At the end of each reporting period the information is updated to determine the recoverable amount.

[Other supplementary information on construction contracts and other contracts under which the related revenue and costs are recognised by reference to the stage of completion.](#)

Contract revenue associated with construction contracts and certain services contracts is recognised by reference to the stage of completion in accordance with the criteria established in Note 4.11.

As indicated in that Note, the difference between the revenue recognised and the amounts actually billed to the customer is analysed systematically on a contract-by-contract basis. If the amount billed is lower than the revenue recognised, the difference is recognised as an asset under "Trade and Other Receivables - Trade Receivables for Sales and Services - Amounts to Be Billed for Work Performed", whereas if the amount of revenue recognised is lower than the amount billed, a liability is recognised under "Trade and Other Payables - Customer Advances - Amounts Billed in Advance for Construction Work".

Also, in certain construction contracts advances are agreed upon that are paid by the customer when work commences on the contract, the balance of which is offset against the various progress billings as the contract work is performed. This balance is recognised under "Trade and Other Payables" on the liability side of the balance sheet.

Also, in certain contracts the customer retains a portion of the price to be paid in each progress billing to guarantee the satisfaction of certain obligations under the contract. These retentions are not reimbursed until the contract is definitively settled. These balances are recognised under "Trade and Other Receivables" on the asset side of the balance sheet.

The detail of the amounts recognised in this connection at 31 December 2017 and 2016 is as follows:

	Thousands of euros			
	2017	2016	Difference	% change
Amounts to be billed for work performed, net	399,746	436,944	(37,198)	(8.51)%
Customer advances	(182,100)	(159,218)	(22,882)	14.37%
Construction contracts, net	217,646	277,726	(60,080)	(21.63)%
Retentions	32,047	29,978	2,069	6.90%
Net advances and retentions	249,693	307,704	(58,011)	(18.85)%

14.- TRADE RECEIVABLES FROM GROUP COMPANIES AND ASSOCIATES

14.1 Trade receivables from Group companies

The detail, by company, of "Trade Receivables from Group Companies" at 31 December 2017 and 2016 is as follows:

Company	Thousands of euros	
	2017	2016
Autopista del Norte, S.A.C.	71,238	78,269
Constructora de Proyectos Viales de México, S.A. de C.V.	6,970	5,934
Sociedad Concesionaria Aguas Navarra, S.A.	3,924	4,595
Consortio Instalaciones Mecánicas Hospital Gustavo Fricke, Spa	3,630	-
OHL Concesiones, S.A.U.	3,456	2,448
OHL Construction Canada, Inc.	3,449	3,417
OHL Industrial, S.L.	1,917	3,655
OHL Arabia, LLC	1,725	557
Terminal Cerros de Valparaíso, S.A.	616	2,146
Sociedad Concesionaria Nuevo Camino Nogales Puch, S.A.C.	418	1,221
Sociedad Concesionaria Puente Industrial, S.A.	208	2,470
EYM Instalaciones, S.A.	183	1,720
Cercanías Móstoles Navalcarnero, S.A.	-	22,166
Autovía de Aragón - Tramo 1, S.A.	-	7,963
Less than EUR 1,000 thousand in both years	10,031	9,735
	107,765	146,296

The change in Cercanías Móstoles Navalcarnero, S. A. is due to the transfer of the balance to "Trade Receivables for Sales and Services" as a result of the OHL Group's loss of control, following the opening of the liquidation order issued on 15 March 2017.

The foregoing balances do not earn interest.

14.2 Trade receivables from associates

"Trade Receivables from Associates" includes the trade receivables from associates and the trade receivables at 31 December 2017 and 2016 resulting from the UTEs, after the proportionate consolidation of their balance sheets and the related eliminations, the detail being as follows:

Entity	Thousands of euros	
	2017	2016
Autovía de Aragón-Tramo 1, S.A. Spain	7,965	-
UTE Rizzani Ohi Boodai Trevi (JV4). Kuwait	7,920	9,303
Consortio Muna. Peru	7,806	8,893
Sociedad Concesionaria Vespucio Oriente, S.A. Chile	7,231	6,103
Centro Canalejas Madrid, S.L. Spain	5,096	2,712
Nuevo Hospital de Toledo, S.A. Spain	4,896	3,186
UTE Ayacucho Kishuara. Peru	1,651	1,761
Less than EUR 1,000 thousand in both years	143	167
Total trade receivables from associates	42,708	32,125

The change in Autovía de Aragón-Tramo 1, S.A. Spain arose from the transfer of the receivables from group companies to receivables from associates as a result of the sale of the 75% ownership interest in June 2017.

The foregoing balances do not earn interest.

15.- CASH AND CASH EQUIVALENTS

"Cash and Cash Equivalents" relates to the Company'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. At 31 December 2017, EUR 98,213 thousand of the total balance of "Cash and Cash Equivalents" relate to UTEs (31 December 2016: EUR 70,555 thousand).

These balances are not restricted as to their use and are not subject to a risk of changes in value.

16.- EQUITY AND SHAREHOLDERS' EQUITY

16.1 Share capital

The share capital at 31 December 2017 amounted to EUR 179,255 thousand, represented by 298,758,998 fully subscribed and paid bearer shares of EUR 0.60 par value each.

The shares representing the share capital of Obrascón Huarte Lain, S. A. 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 the Company at 31 December 2017 is as follows:

Company	% of ownership
Inmobiliaria Espacio, S.A.	51.124
Société Générale, S.A.	4.285
Deutsche Bank, A.G.	4.243
Hengistbury Investment Partners, LLP	3.687
Hengistbury Master Fund, Limited	3.391
Santander Asset Management, S.A.	3.022

The shareholders at the Extraordinary General Meeting held on 9 January 2018 resolved to reduce the Company's share capital by EUR 7,326,425.40 by retiring 12,210,709 treasury shares of EUR 0.60 par value each, representing a total of 4.087% of the share capital. Consequently, following the capital reduction the share capital will amount to EUR 171,928,973.40, represented by 286,548,289 shares of EUR 0.60 par value each.

The capital reduction approved by the shareholders at the Company's Extraordinary General Meeting was recorded in a public deed at the Madrid Mercantile Registry on 6 February 2018.

The capital reduction will be charged to unrestricted reserves and will not give rise to a reimbursement of shareholder contributions. The Company will allocate to a reserve an amount equal to the par value of the retired shares, use of which will be subject to the same requirements as those required for a capital reduction under the provisions of the Spanish Limited Liability Companies Law and, consequently, the Company's creditors will not be entitled to object to the capital reduction.

16.2 Legal reserve

Under the Spanish Limited Liability Companies Law, the Company must transfer 10% of net profit for each year to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

Until the legal reserve exceeds the indicated limit, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose. 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.

16.3 Share premium

The 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.

16.4 Other reserves

At 31 December 2017, "Other Reserves" included voluntary reserves amounting to EUR 64,042 thousand, the reserve for retired capital amounting to EUR 3,856 thousand and the reserve for the adjustment of share capital to euros amounting to EUR 91 thousand.

The reserve for retired capital arose as a result of the capital reductions carried out through the retirement of treasury shares in 2006 and 2009 and was set up 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.

16.5 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 balances of this heading. Consequently, at the end of 2017 EUR 6,181 thousand of the Company's "Share Premium" and "Other Reserves" were restricted (see Note 5).

16.6 Treasury shares

At 2017 year-end the Company held 12,531,939 treasury shares with a total value of EUR 48,638 thousand.

The changes in treasury shares in 2017 and 2016 were as follows:

	No. of shares	Thousands of euros
Balance at 31 December 2015	256,926	3,908
Purchases	35,103,311	155,566
Sales and deliveries	(23,398,436)	(113,329)
Balance at 31 December 2016	11,961,801	46,145
Purchases	16,100,595	63,937
Sales and deliveries	(15,530,457)	(61,444)
Balance at 31 December 2017	12,531,939	48,638

16.7 Grants

The information on the grants received by the Company in 2017 and 2016, which form part of equity, and on the amounts taken to income in this connection is as follows:

2017

Grantor	Private sector/Level of government	Beginning balance	Thousands of euros			
			Increase	Amount taken to income	Refunds	Ending balance
Spanish Centre for Industrial Technological Development	National government	857	398	(388)	-	867
Madrid Development Institute	Local government	31	-	(13)	-	18
European Commission	Other agencies	525	205	(7)	(50)	673
Extremadura Autonomous Community Government	Local government	100	-	(2)	-	98
Tax effect		(378)	(150)	102	12	(414)
Total grants		1,135	453	(308)	(38)	1,242

2016

Grantor	Private sector/Level of government	Beginning balance	Thousands of euros		
			Increase	Amount taken to income	Ending balance
Spanish Ministry of Economy, Industry and Competitiveness	National government	25	-	(25)	-
Spanish Centre for Industrial Technological Development	National government	1,262	-	(405)	857
Madrid Development Institute	Local government	44	-	(13)	31
European Commission	Other agencies	405	120	-	525
Extremadura Autonomous Community Government	Local government	46	54	-	100
Tax effect		(446)	(43)	111	(378)
Total grants		1,336	131	(332)	1,135

At the end of 2017 and 2016 the Company had met all the requirements for receiving and using the aforementioned grants. The refund in 2017 corresponds to a partial withdrawal of the grant initially awarded.

17.- PROVISIONS AND CONTINGENT ASSETS AND LIABILITIES

17.1 Provisions

The detail of the provisions in the balance sheets as at 31 December 2017 and 2016 is as follows:

Long-term provisions	Thousands of euros			
	Balance at 31 December 2016	Increase	Decrease	Balance at 31 December 2017
Provisions for taxes	9,312	351	-	9,663
Provisions for investees	63,260	1,905	(55,478)	9,687
Other provisions	1,084	-	(1,084)	-
Total long-term provisions	73,656	2,256	(56,562)	19,350

The provisions for investees include the amount of the losses of Group companies and associates from the date at which their carrying amount was equal to zero (see Appendix II).

The main decrease in 2017 relates to the reversal of provisions for the equity deficit of OHL Industrial, S. L. amounting to EUR 55,124 thousand (see Note 22.5) as a result of the impairment losses recognised under "Impairment and Gains or Losses on Disposals of Financial Instruments" following the conversion into equity of a loan granted to that company (see Note 22.7)

Short-term provisions	Thousands of euros			
	Balance at 31 December 2016	Increase	Decrease	Balance at 31 December 2017
Termination benefits	4,840	-	(568)	4,272
Project completion	24,226	4,779	(4,334)	24,671
Provisions for management and other fees	7,713	88	(1,627)	6,174
Other provisions	85,452	52,046	(49,997)	87,501
Total short-term provisions	122,231	56,913	(56,526)	122,618

Of the total short-term provisions at 31 December 2017, EUR 47,559 thousand related to UTEs (31 December 2016: EUR 48,973 thousand).

"Other Provisions" includes amounts relating to various items such as guarantees and deposits, insurance, taxes, third-party liability, costs due to losses on construction projects and others, corresponding to numerous contracts.

17.2 Contingent assets

There were no contingent assets at 31 December 2017.

17.3 Contingent liabilities

17.3.1.- Guarantee commitments to third parties

At 31 December 2017, the Company had provided guarantees totalling EUR 3,691,258 thousand (31 December 2016: EUR 3,878,588 thousand), the detail being as follows:

Type	Thousands of euros	
	2017	2016
Completion bonds and guarantees for project bids	1,921,129	2,046,267
Definitive guarantees	1,849,233	1,930,149
Provisional guarantees	71,896	116,118
Personal guarantees	1,770,129	1,832,321
Total	3,691,258	3,878,588

Completion bonds and guarantees for project bids were provided, as is standard practice in the industry, to guarantee the proper performance of construction and project contracts (definitive guarantees), and as guarantees for construction project bids (provisional guarantees).

The joint and several personal guarantees secure various transactions and are provided mainly to banks.

The detail of the guarantees by type of entity at 31 December 2017 and 2016 is as follows:

2017		Thousands of euros	
Secured entity		Completion bonds and guarantees for project bids	Personal guarantees
Obrascón Huarte Lain, S.A.		800,911	56
Group companies		912,758	1,716,398
Associates		207,460	53,675
Total		1,921,129	1,770,129

2016		Thousands of euros	
Secured entity		Completion bonds and guarantees for project bids	Personal guarantees
Obrascón Huarte Lain, S.A.		816,144	-
Group companies		929,400	1,801,937
Associates		300,723	30,384
Total		2,046,267	1,832,321

The Company also has secondary liability for the obligations of the subcontractors to the social security system with respect to their site employees.

The Company's directors do not expect any additional liabilities to arise in connection with these guarantees that might affect the 2017 financial statements.

17.3.2.- Litigation

At the end of 2017 certain proceedings were in progress against the Company, which arose in the ordinary course of its operations.

The most salient lawsuits, which all relate to the construction division, are as follows:

- In 2014 the Company reported that as a consequence of the **contract for the Design and Construction of the Sidra Medical Research Centre (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), it had initiated arbitration proceedings on 30 July 2014, at the International Chamber of Commerce.

At the end of 2015 a partial ruling 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 ruling, 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 execution of guarantees in both cases.

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

- 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. A request for compensation for the losses caused by the State of Kuwait has been submitted to the tribunal.

A group of external consultants has been engaged to assess the economic compensation to which the claimants are entitled. The definitive outcome of this assessment will become known in the phase to submit and take evidence of the arbitration.

The tribunal rejected the injunctive measures requested by the parties.

- 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 340.9 million).

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

The Company has recognised sufficient provisions (see Notes 13 and 17.1) to cater for any adverse economic effects that might arise.

The Company's directors do not expect any significant additional liabilities to arise in connection with the litigation in progress that might affect the financial statements for 2017.

18.- NON-CURRENT AND CURRENT PAYABLES

18.1 Financial liabilities

The detail of "Non-Current Payables" at 31 December 2017 and 2016 is as follows:

2017

Categories	Thousands of euros				
	Non-current financial instruments				
	Debt instruments and other marketable securities	Bank borrowings	Obligations under finance leases	Other financial liabilities	Total
Accounts payable	883,385	4,926	-	1,512	889,823
Total non-current payables	883,385	4,926	-	1,512	889,823

2016

Categories	Thousands of euros				
	Non-current financial instruments				
	Debt instruments and other marketable securities	Bank borrowings	Obligations under finance leases	Other financial liabilities	Total
Accounts payable	881,127	248,712	11	2,287	1,132,137
Total non-current payables	881,127	248,712	11	2,287	1,132,137

At 31 December 2017, all the "Non-Current Payables" related to the Parent.

"Non-Current Payables - Debt Instruments and Other Marketable Securities" and "Current Payables - Debt Instruments and Other Marketable Securities" include the outstanding principal and accrued interest at 31 December 2017 of the following long-term bond issues launched in Europe.

- Issue launched in March 2012 for an initial nominal amount of EUR 300,000 thousand, maturing in 2020. The annual interest rate was 7.625%.
- Issue launched in March 2014 for an initial nominal amount of EUR 400,000 thousand, maturing in 2022. The initial interest rate was 4.75%.
- Issue launched in March 2015 for an initial nominal amount of EUR 325,000 thousand, maturing in March 2023 and bearing interest at a fixed rate of 5.50%.

The amounts (including unmatured accrued interest) and maturities of the bond issues at 31 December 2017 and 2016 were as follows:

	Thousands of euros		Year of final maturity	Issue currency
	2017	2016		
2012 issue	190,144	189,695	2020	Euros
2014 issue	395,126	394,127	2022	Euros
2015 issue	312,761	311,950	2023	Euros
Total	898,031	895,772		

The average interest rate accrued in 2017 on the bond issues was 5.67% (2016: 5.70%).

In connection with the 2012, 2014 and 2015 issues, the undertaking to achieve a series of financial ratios was retained and they were being achieved in full at 31 December 2017.

The bond issue contract clauses classify the sale by OHL, S.A. to IFM of a full ownership interest in OHL Concesiones, S.A.U. as a change of control and, accordingly, when this transaction has been completed a put event will be triggered by the bondholders, giving them the right to redeem, at their discretion, the outstanding bond issues at 101% of their nominal amount. The Group intends to launch an offer to repurchase those issues at that time, the terms and conditions and scope of which will be determined in due course.

At 31 December 2016, "Bank Borrowings" included a fully drawn down syndicated loan amounting to EUR 250,000 thousand, which had been reclassified to current bank borrowings at December 2017.

The detail of "Current Payables" at 31 December 2017 and 2016 is as follows:

2017

Categories	Thousands of euros					
	Current financial instruments					
	Debt instruments and other marketable securities	Bank borrowings	Obligations under finance leases	Derivatives	Other financial liabilities	Total
Accounts payable	21,341	592,842	9	221	7,360	621,773
Total current payables	21,341	592,842	9	221	7,360	621,773

2016

Categories	Thousands of euros					
	Current financial instruments					
	Debt instruments and other marketable securities	Bank borrowings	Obligations under finance leases	Derivatives	Other financial liabilities	Total
Accounts payable	24,093	346,590	16	373	9,619	380,691
Total current payables	24,093	346,590	16	373	9,619	380,691

EUR 1,706 thousand of total current payables related to UTEs at 31 December 2017 (31 December 2016: EUR 2,425 thousand).

In April 2013 the Company registered a Euro Commercial Paper programme on the Irish Stock Exchange (ISE) whereby it may issue short-term notes (maturing at between 1 and 364 days) for a maximum amount outstanding of up to EUR 500 million. This programme affords the financial structure greater diversification and provides a new source of short-term financing in the capital market that serves as an alternative to the traditional banking market. At 31 December 2017, notes totalling EUR 744,416 thousand had been issued under this programme, with the outstanding balance totalling EUR 6,695 thousand. The average interest rate on the note issue was 1.09% in 2017.

At 31 December 2017, bank borrowings totalled EUR 592,842 thousand (31 December 2016: EUR 346,590 thousand).

This increase corresponds mainly to the reclassification from non-current bank borrowings of the syndicated loan amounting to EUR 250,000 thousand that was fully drawn down due to the failure to achieve the financial ratios included in the contract. The Company requested the corresponding waiver which the banks authorised subsequent to year-end, with the condition that the loan would be repaid in full once all of OHL Concesiones had been sold.

This item also includes the syndicated loan of EUR 190,000 thousand, drawn down in full, the renewal of which was signed on 30 March 2017 (see Note 9.4.1). The banks that signed the loan agreement granted a waiver authorising the sale of all of OHL Concesiones, with the condition that the loan be repaid in full, since the required financial ratios were not being achieved at 31 December 2017.

The detail, by maturity, of “Non-Current Payables” and “Current Payables” is as follows:

	Thousands of euros						
	2018	2019	2020	2021	2022	Subsequent years	Total
Debt instruments and other marketable securities	21,341	-	185,983	-	389,660	307,742	904,726
Bank borrowings	592,842	3,406	1,457	15	15	33	597,768
Subtotal of debt instruments and other marketable securities and bank borrowings	614,183	3,406	187,440	15	389,675	307,775	1,502,494
Obligations under finance leases	9	-	-	-	-	-	9
Derivatives	221	-	-	-	-	-	221
Other financial liabilities	7,360	358	272	221	193	468	8,872
Total non-current and current payables	621,773	3,764	187,712	236	389,868	308,243	1,511,596

At 31 December 2017, the Company had been granted a loan of EUR 105 thousand (2016: EUR 119 thousand), which is secured by a mortgage on investment property consisting of housing units and garages in Fuengirola (see Note 7).

A 0.5% increase in the interest rates applicable to bank borrowings, without considering borrowings at fixed interest rates, would have an impact of EUR 2,881 thousand on the Company's loss before tax.

The Company had been granted discount lines and credit facilities at 31 December 2017 and 2016 with the following limits:

	Thousands of euros			
	2017		2016	
	Limit	Undrawn amount	Limit	Undrawn amount
Discount facilities	15,893	12,864	15,784	12,319
Credit facilities	707,010	112,351	639,182	46,770
Total	722,903	125,215	654,966	59,089

Of the credit facilities drawn down by the Company maturing in 2018, EUR 339,408 thousand relate to lines arranged with renewal clauses.

In 2017 the discount lines and credit facilities bore average interest at 1.85% and 2.72%, respectively (2016: 1.85% and 1.89%, respectively).

18.2 Non-current and current payables to Group companies and associates

The detail of "Non-Current Payables to Group Companies and Associates" and "Current Payables to Group Companies and Associates" at 31 December 2017 and 2016 is as follows:

2017

Entity	Group companies	Associates
	Current	Current
OHL Concesiones, S.A.U.	357,445	-
OHL Andina, S.A.	144,580	-
Constructora de Proyectos Viales de México, S.A. de C.V.	129,646	-
Agrupación Guinovart Obras y Servicios Hispania, S.A.	90,633	-
S.A. Trabajos y Obras (SATO)	62,808	-
OHL Industrial, S.L.	53,132	-
OHL Austral, S.A.	37,653	-
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	26,956	-
Construcciones Adolfo Sobrino, S.A.	22,622	-
Asfaltos y Construcciones Elsan, S.A.	17,396	-
Obrascón Huarte Lain, Construcción Internacional, S.L.	1,588	-
Obrascón Huarte Lain Desarrollos, S.L.	1,077	-
Constructora TP, S.A.C.	1,045	-
Avalora Tecnologías de la Información, S.A.	869	-
Catalana de Seguretat i Comunicacions, S.L.	687	-
Vacua, S.A.	587	-
Josefa Valcárcel 42, S.A.	355	-
Less than EUR 300 thousand	1,289	-
UTE Marmaray. Turkey	-	17,111
UTE FFCC Ankara-Estambul. Turkey	-	5,036
Consortio Túneles Cerro S. Eduardo. Guayaquil. Ecuador	-	1,819
UTE Terminal Marítima España	-	484
UTE Carretera de Panamá. Panama	-	416
Consortio Hospital Alajuela. Costa Rica	-	328
Less than EUR 300 thousand	-	2,673
Total	950,368	27,867

Of note in 2017 was the decrease in OHL Investments, S.A. as a result of the subrogation of the loan by OHL Concesiones, S.A., on 23 October 2017. Also noteworthy was the increase in OHL Andina, S.A. as a result of cash surpluses between the Company, its Chilean branch and OHL Andina, S.A. (see Note 9.3.2).

2016

Entity	Group companies		Associates
	Non-Current	Current	Current
OHL Concesiones, S.A.U.	-	623,479	-
OHL Investments, S.A.	394,800	4,049	-
Constructora de Proyectos Viales de México, S.A. de C.V.	-	108,911	-
Agrupación Guinovart Obras y Servicios Hispania, S.A.	-	85,489	-
OHL Industrial, S.L.	-	72,368	-
S.A. Trabajos y Obras (SATO)	-	54,113	-
OHL Andina, S.A.	-	50,132	-
Construcciones Adolfo Sobrino, S.A.	-	24,736	-
OHL Austral, S.A.	-	14,066	-
Asfaltos y Construcciones Elsan, S.A.	-	12,211	-
Avalora Tecnologías de la Información, S.A.	-	1,974	-
Obrascón Huarte Lain Desarrollos, S.L.	-	1,943	-
Ecolaire España, S.A.	-	1,530	-
Obrascón Huarte Lain, Construcción Internacional, S.L.	-	1,359	-
Terminales Marítimas del Sureste, S.A.	-	719	-
EyM Instalaciones, S.A.	-	707	-
Catalana de Seguretat i Comunicacions, S.L.	-	601	-
Josefa Valcárcel 42, S.A.	-	458	-
Less than EUR 300 thousand	-	1,327	-
UTE Marmaray. Turkey	-	-	5,070
UTE FFCC Ankara-Estambul. Turkey	-	-	5,036
Consortio Túneles Cerro S. Eduardo. Guayaquil. Ecuador	-	-	2,119
UTE Kuwait JV2. Kuwait	-	-	1,081
UTE HW10 Pacific K2K. Australia	-	-	945
UTE Carretera de Panamá. Panama	-	-	934
UTE La Aldea. Spain	-	-	555
UTE Buenavista. Mexico	-	-	528
Consortio Hospital Alajuela. Costa Rica	-	-	465
UTE Caldereta Corralejo. Spain	-	-	403
UTE Limpieza Defensa. Spain	-	-	358
Less than EUR 300 thousand	-	-	1,769
Total	394,800	1,060,172	19,263

The "Group Companies - Current" column includes mainly loans and payables due to the tax effect.

The borrowing costs incurred on loans in 2017 amounted to EUR 61,376 thousand (2016: EUR 53,560 thousand).

The non-current and current financial contributions of Group companies bore average interest at 4.20% and 4.53%, respectively, in 2017 (2016: 4.04% and 3.53%, respectively). The other balances do not bear interest because they relate to trading transactions.

19.- TRADE PAYABLES

19.1 Disclosures on the average period of payment to suppliers Additional Provision Three. "Disclosure obligation" provided for in Law 15/2010, of 5 July.

Law 15/2010, of 5 July, establishes measures for combating late payment in commercial transactions, and the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 implements the disclosure obligation provided for in Additional Provision Three of the aforementioned law. This resolution repeals the immediately preceding resolution of 29 December 2010, which was based on the previous wording of Additional Provision Three of Law 15/2010, of 5 July.

The disclosures on the average period of payment, ratios of transactions settled and transactions not yet settled, and total payments made and outstanding at 31 December 2017 and 2016 are as follows:

	Days	
	2017	2016
Average period of payment to suppliers	60	58
Ratio of transactions settled	59	56
Ratio of transactions not yet settled	63	63

	Thousands of euros	
	2017	2016
Total payments made	270,859	262,954
Total payments outstanding	95,595	124,658

The average period of payment to suppliers excluding transactions with Group companies is calculated as the quotient whose numerator is the sum of the ratio of transactions settled multiplied by the total amount of the payments made plus the sum of the ratio of transactions not yet settled multiplied by the total amount of outstanding payments, and whose denominator is the result of adding the total amount of the payments made to the total amount of the outstanding payments.

The ratio of transactions settled is the sum of the products of the amount of each transaction multiplied by the number of days elapsed until payment divided by the total amount of the payments made.

The ratio of transactions not yet settled is the sum of the products of the amount of each transaction not yet settled multiplied by the number of days until the last day of the year divided by the total amount of the aforementioned payments.

The Company is implementing measures for the purpose of achieving the statutory ratio of transactions not yet settled, since its ratio exceeds slightly the number of days established by law.

19.2 Trade payables - Group companies and associates

The detail of "Trade Payables - Group Companies and Associates" at 31 December 2017 and 2016 is as follows:

2017

Entity	Thousands of euros	
	Group companies	Associates
Autopista del Norte, S.A.C.	64,709	-
Constructora Proyectos Viales de México, S.A.	3,044	-
Sociedad Concesionaria Aguas de Navarra, S.A.	974	-
Consortio Instalaciones Mecánicas Hospital Gustavo Fricke, Spa	938	-
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	773	-
Premol, S.A. de C.V.	524	-
Constructora TP, S.A.C.	411	-
Catalana de Seguretat i Comunicacions, S.L.	390	-
Less than EUR 300 thousand	1,635	-
Sociedad Concesionaria Vespucio Oriente, S.A.	-	16,707
Consortio Constructor Muna. Peru	-	5,570
Centro Canalejas Madrid, S.L. Spain	-	4,185
Nuevo Hospital de Toledo, S.A. Spain	-	3,030
UTE Kuwait JV2. Kuwait	-	1,022
Less than EUR 1,000 thousand	-	45
Total	73,398	30,719

2016

Entity	Thousands of euros	
	Group companies	Associates
Autopista del Norte, S.A.C.	73,638	-
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	23,127	-
Catalana de Seguretat i Comunicacions, S.L.	1,614	-
Sociedad Concesionaria Nuevo Camino Nogales, S.A.	1,026	-
OHL México, S.A.B de C.V.	1,009	-
Premol, S.A. de C.V.	921	-
Avalora Tecnologías de la Información, S.A.	757	-
Sociedad Concesionaria Aguas de Navarra, S.A.	753	-
S.A. Trabajos y Obras (SATO)	700	-
Constructora TP, S.A.C.	646	-
Constructora Proyectos Viales de México, S.A.	458	-
OHL Servicios - Ingesán, S.A.	366	-
Less than EUR 300 thousand	1,216	-
Centro Canalejas Madrid, S.L. Spain	-	5,280
Consortio Muna. Peru	-	8,642
Sociedad Concesionaria Vespucio Oriente, S.A. Chile	-	3,370
UTE Kuwait JV2. Kuwait	-	1,711
Less than EUR 1,000 thousand	-	3
Total	106,231	19,006

These balances do not bear interest because they relate to trading transactions.

19.3 Trade and other payables

The Company has arranged reverse factoring lines with various banks to facilitate advanced payment to its suppliers, by which means suppliers can exercise their collection rights vis-à-vis the Company, and receive the amount billed less the discount finance costs and fees applied by the aforementioned banks.

These arrangements do not change the principal terms and conditions of payment to suppliers, such as terms or amounts and, therefore, they retain their classification as trade payables.

At 31 December 2017, the reverse factoring balance under "Trade and Other Payables" was EUR 94,751 thousand (31 December 2016: EUR 117,058 thousand).

20.- TAX MATTERS

20.1 Current tax receivables and payables

The detail of the current tax receivables and payables at 31 December 2017 and 2016 is as follows:

Tax receivables

	Thousands of euros	
	2017	2016
Current tax assets:	19,523	26,367
Income tax prepayments	6,387	4,154
Withholdings from income from movable capital	12,665	9,094
Tax refunds	471	13,119
Other accounts receivable from public authorities:	27,836	36,705
Sales tax refundable	24,242	34,352
Other tax receivables	2,944	1,702
Social security taxes refundable	650	651
Total	47,359	63,072

Tax payables

	Thousands of euros	
	2017	2016
Current tax liabilities:	17,254	17,162
Income tax payable	17,254	17,162
Other accounts payable to public authorities:	25,436	23,221
Sales tax payable	13,162	11,135
Personal income tax withholdings payable	2,922	3,012
Tax on income from movable capital	907	643
Other tax payables	4,997	4,757
Accrued social security taxes payable	3,448	3,674
Total	42,690	40,383

20.2 Reconciliation of the accounting loss to the taxable profit (loss)

The Company has filed consolidated income tax returns since 1999 and is the head of the consolidated tax group.

The 2017 income tax expense (benefit) includes the following items:

- EUR (1,530) thousand relating to Spanish income tax.
- EUR (12,948) thousand relating to foreign tax on branches and UTEs (of a similar nature to Spanish tax).

Income tax is calculated on the basis of accounting profit (loss) determined by application of generally accepted accounting principles, which does not necessarily coincide with taxable profit (tax loss).

The reconciliation of the accounting loss to the taxable profit (tax loss) at 31 December 2017 and 2016 is as follows:

2017	Thousands of euros		
	Increase	Decrease	Total
Accounting loss before tax			(76,258)
Permanent differences	361,445	286,670	74,775
Temporary differences:			
Arising in the year	2,529	16,954	(14,425)
Arising in prior years	31,930	11,300	20,630
Offset of tax losses			-
Taxable profit			4,722

2016	Thousands of euros		
	Increase	Decrease	Total
Accounting loss before tax			(445,433)
Permanent differences	1,008,833	762,312	246,521
Temporary differences:			
Arising in the year	4,503	21,337	(16,834)
Arising in prior years	51,963	53,229	(1,266)
Offset of tax losses			-
Tax loss			(217,012)

The permanent differences relate mainly to expenses not considered to be deductible for tax purposes, profits obtained abroad, the recognition and use of provisions treated as permanent differences, finance costs exceeding the legally-established limit and the elimination of dividends and gains on the sale of companies.

The temporary differences arose mainly from:

- The profit of UTEs, the recognition of which for tax purposes is deferred one year.
- The recognition and use of provisions not considered to be tax deductible or taxable.
- The depreciation and amortisation charge that was considered to be non-deductible for tax purposes in prior years.

20.3 Detail of the Spanish income tax expense

The detail of the Spanish income tax expense (benefit) at 31 December 2017 and 2016 is as follows:

	Thousands of euros	
	2017	2016
Current tax	1,180	(10,203)
Deferred tax	(1,551)	4,602
Positive/negative adjustments to income tax	(1,159)	132
Total tax expense (benefit)	(1,530)	(5,469)

20.4 Tax recognised in equity

The detail of the taxes recognised directly in equity at 31 December 2017 and 2016 is as follows:

2017

	Thousands of euros		
	Increase	Decrease	Total
Current taxes			
Total current taxes			
Deferred taxes			
Arising in the year:			
Available-for-sale financial assets	1,582	2,500	(918)
Grants	-	139	(139)
Arising in prior years:			
Grants	102	-	102
Total deferred taxes	1,684	2,639	(955)
Total tax recognised directly in equity	1,684	2,639	(955)

2016

	Thousands of euros		
	Increase	Decrease	Total
Current taxes			
Total current taxes			
Deferred taxes			
Arising in the year:			
Available-for-sale financial assets	918	-	918
Grants	-	43	(43)
Arising in prior years:			
Grants	111	-	111
Total deferred taxes	1,029	43	(986)
Total tax recognised directly in equity	1,029	43	(986)

20.5 Deferred tax assets

The detail of “Deferred Tax Assets” at 31 December 2017 and 2016 is as follows:

	Thousands of euros	
	2017	2016
Deductible temporary differences	46,309	70,277
Unused tax credits and tax relief	18	-
Tax loss carryforwards	26,400	589
Total deferred tax assets	72,727	70,866

At 31 December 2017, the deferred tax assets relating to tax loss carryforwards correspond to:

- EUR 24,309 thousand from OHL in Chile.
- EUR 1,579 thousand from OHL in Mexico.
- EUR 512 thousand from Euroconcesiones. S.L. arising from tax losses recognised in the Company under an agreement signed with that subsidiary while forming part of the tax group headed by OHL, S. A.

In 2017 the Company evaluated the recoverability of the deferred tax assets recognised within the environment of the Spanish tax group. Based on the foregoing, no risk of recoverability of the Spanish deferred tax assets was identified.

Also, for the other deferred tax assets a recoverability analysis was conducted based on the maintenance of the current key assumptions of the businesses and no risk of recoverability within the expiry periods was identified.

At 31 December 2017, the Company had EUR 556,644 thousand in tax loss carryforwards available for offset in future tax returns which, in accordance with the new Spanish Income Tax Law, do not have a time limit for offset. These tax loss carryforwards were not recognised for accounting purposes.

Royal Decree-Law 3/2016 was published on 3 December 2016, introducing significant changes to the taxation of large companies, such as the requirement to reverse impairment losses on investments that were deductible for tax purposes in prior years. These changes did not have a significant impact on the taxation of the Company in 2017.

At 31 December 2017, the detail of the tax credits available for deduction (not recognised for accounting purposes) in future tax returns filed with the tax authorities is as follows:

Type of tax credit	Thousands of euros	
	Amount	Last year for use:
International tax credits	1,180	No limit
Reinvestment tax credits	2,015	2018
R&D+i tax credits	8,963	2018
Other	7,662	2018

20.6 Deferred tax liabilities

The detail of “Deferred Tax Liabilities” at 31 December 2017 and 2016 is as follows:

	Thousands of euros	
	2017	2016
Taxable temporary differences	6,063	10,435
Total deferred tax liabilities	6,063	10,435

20.7 Years open for review and tax audits

In prior years the Company earned tax credits for reinvestment, and the years and assets in which the reinvestments were made are as follows:

	Thousands of euros
	2013
Investments in Group companies and associates	20,060

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the statute-of-limitations period has expired.

At 2017 year-end the Company and its UTEs had the tax returns open for review by the tax authorities for all the taxes applicable to them.

On 5 July 2016, the Spanish Tax Agency (AEAT) commenced general tax audits for 2011 to 2013 at the Company. Since then the Company has furnished all the information requested of it, but no proposed regularisation had been formalised at the end of the year.

In December 2017, the Supreme Court confirmed the opinion of the National Appellate Court, which upheld the Company's appeal on a VAT assessment for 2007, amounting to EUR 21,711 thousand, of which EUR 18,187 thousand related to the tax deficiency and the remainder to late-payment interest. As a result, the Company will recover the guarantees provided.

The Company is also pending a decision by the Central Economic-Administrative Tribunal on a claim in relation to the income tax assessment for 2009 to 2011. The amount of the assessment contested by the Company is EUR 1,705 thousand of tax deficiency and late-payment interest (for which a provision was recognised) and EUR 753 thousand of penalty.

The Company's directors consider that the tax returns for all the taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

21.- UTEs

The detail of the sales, assets and liabilities of the UTEs at 31 December 2017 and 2016 is as follows:

	Thousands of euros	
	2017	2016
Revenue	267,225	125,509
Non-current assets	104,742	122,678
Current assets	679,069	589,705
Non-current liabilities	-	-
Current liabilities	747,803	1,180,566

Appendix I includes information on the percentage of ownership and revenue relating to the main UTEs in which the Company has interests.

22.- INCOME AND EXPENSES

22.1 Revenue

The net revenue of Obrascón Huarte Lain, S. A. in 2017 amounted to EUR 703,698 thousand (2016: EUR 508,633 thousand). The detail, by activity, type of customer and geographical market, is as follows:

Business activity	Thousands of euros	
	2017	2016
Civil engineering work in Spain	96,478	135,617
Roads	40,666	39,634
Hydraulic works	17,417	50,353
Railways	11,235	27,974
Maritime	21,190	10,497
Other civil engineering work	5,970	7,159
Building construction in Spain	161,823	170,783
Residential building construction	6,069	6,209
Non resident	155,754	164,574
Other	2,638	2,496
Total construction in Spain	260,939	308,896
International civil engineering work	360,609	125,005
Roads	64,750	73,600
Hydraulic works	50,467	12,794
Railways	222,612	19,892
Maritime and other civil engineering work	22,780	18,719
Building construction abroad	82,150	74,732
Non resident	82,150	74,732
Total construction abroad	442,759	199,737
Total revenue	703,698	508,633

Type of customer	Thousands of euros	
	2017	2016
Spain:		
Public-sector customers:	85,275	106,855
Central government	26,952	31,301
Autonomous community government	29,517	41,052
Local government	5,200	6,843
Other agencies	23,606	27,659
Private-sector customers	175,664	202,041
Total Spain	260,939	308,896
Abroad:		
Public-sector customers	338,121	141,780
Private-sector customers	104,638	57,957
Total abroad	442,759	199,737
Total revenue	703,698	508,633

Geographical market	Thousands of euros	
	2017	2016
Spain:		
Spain	260,939	308,896
Total Spain	260,939	308,896
Abroad:		
Chile	51,246	81,235
Peru	97,724	47,499
Central and Eastern Europe	965	12,548
Rest of the world	292,824	58,455
Total abroad	442,759	199,737
Total revenue	703,698	508,633

Of the total net revenue at 31 December 2017, EUR 267,225 thousand relate to UTEs (31 December 2016: EUR 125,509 thousand).

The geographical areas in which the Company carries on its business on a permanent basis, since it has local structures, are Spain, Chile, Peru, and Central and Eastern Europe (the Czech Republic and its area of influence). The Company also has a presence in other countries which are currently considered to be local markets and are included under "Rest of the World".

22.2 Procurements

The detail of "Procurements" in the statements of profit or loss for the years ended 31 December 2017 and 2016 is as follows:

	Thousands of euros	
	2017	2016
Purchases of construction materials and machinery spare parts	115,151	167,722
Change in inventories of construction materials and machinery spare parts used	3,127	3,433
Cost of construction materials and machinery spare parts used	118,278	171,155
Work performed by other companies	331,825	425,329
Inventory write-downs	-	(691)
Total procurements	450,103	595,793

At 31 December 2017, "Procurements" included EUR 152,783 thousand relating to UTEs (31 December 2016: EUR 268,807 thousand).

The detail, by origin, of the purchases made by the Company in 2017 and 2016 is as follows:

2017	Thousands of euros		
	Spain	EU countries	Imports
Purchases	43,723	12,414	59,014

2016	Thousands of euros		
	Spain	EU countries	Imports
Purchases	70,459	7,747	89,515

22.3 Wages, salaries and similar expenses

The expense in this connection totalled EUR 215,378 thousand in 2017 (2016: EUR 216,595 thousand).

"Wages, Salaries and Similar Expenses" includes EUR 26,868 thousand relating to a collective redundancy procedure completed on 31 December 2017, which led to the termination of 287 jobs (see note 4.13).

22.4 Losses on and write-down of trade receivables and changes in provisions for commercial transactions

The detail of "Losses on and Write-Down of Trade Receivables and Changes in Provisions for Commercial Transactions" is as follows:

	Thousands of euros	
	2017	2016
Changes in provisions for and losses on commercial transactions	(135)	(23,296)
Changes in short-term provisions	602	65,812
Other changes	-	(3,133)
Total losses on and write-down of trade receivables and changes in provisions for commercial transactions	467	39,383

The changes in provisions for and losses on commercial transactions relate mainly to write-downs of trade receivables.

The changes in short-term provisions relate to various items detailed in Note 17.1.

22.5 Other current operating expenses

The detail of "Other Current Operating Expenses" is as follows:

	Thousands of euros	
	2017	2016
Recognition of provisions for investees	(1,905)	(62,906)
Current operating expenses and losses	(530)	(54,101)
Total other current operating expenses	(2,435)	(117,011)

The recognition of provisions for investees relates to the long-term provisions detailed in Note 17.1.

22.6 Third-party finance income and costs

The detail of third-party finance income and costs in the statement of profit or loss is as follows:

	Thousands of euros	
	2017	2016
Dividends	2	2
Total finance income from investments in equity instruments	2	2
Interest income on long- and short-term loans	4,452	3,629
Other finance income	15,632	14,688
Total finance income from marketable securities and other financial instruments	20,084	18,317
Interest and costs on bonds and marketable securities	(52,555)	(57,688)
Interest on bank borrowings	(13,072)	(6,722)
Other finance costs	(9,610)	(4,697)
Total finance costs on debts to third parties	(75,237)	(69,107)
Interest cost relating to provisions	(351)	(463)

The interest income on loans relates mainly to the long- and short-term loans detailed in Note 23.2.

Other finance income includes mainly the late-payment interest income described in Note 4.11.

The finance costs on bonds, marketable securities and bank borrowings relate to the financial liabilities of this type described in note 18.1.

The interest cost relating to provisions relates to the provisions for taxes detailed in Note 17.1.

22.7 Impairment and gains or losses on disposals of financial instruments

The detail of "Impairment and Gains or Losses on Disposals of Financial Instruments" in the statement of profit or loss is as follows:

	Thousands of euros	
	2017	2016
Impairment of equity instruments of Group companies	(158,265)	(229,245)
Impairment of long-term loans to Group companies	(22,117)	-
Impairment of equity instruments of other companies	(9,999)	-
Reversal of impairment of equity instruments of Group companies	3,924	5,629
Other impairment and losses	1,600	(2,243)
Total impairment and other losses	(184,857)	(225,859)

The impairment of equity instruments of Group companies in 2017 relates mainly to OHL Industrial, S.L. and OHL Construcción Internacional, S.L. for a total amount of EUR 156,717 thousand and is detailed in Note 9.3.1.

The reversal of the impairment losses on equity instruments of Group companies corresponds to Construcciones Adolfo Sobrino, S.A., Asfaltos y Construcciones Elsan, S.A. and Constructora e Inmobiliaria Huarte, Ltda., the breakdown of which is detailed in note 9.3.1.

	Thousands of euros	
	2017	2016
Gains on disposal of non-current assets classified as held for sale	-	71,702
Gains on disposal of equity instruments of Group companies and associates	(45)	27,004
Gains or losses on disposal of own debt instruments	-	7,551
Other gains	-	27
Total gains or losses on disposals and other	(45)	106,284

22.8 Transactions and balances in currencies other than the euro

The detail of the main transactions in currencies other than the euro in 2017 and 2016, by currency, for the main operating income and expense items, translated at the average exchange rates, is as follows:

2017

Currency	Thousands of euros			
	Revenue	Other operating income	Procurements	Other operating expenses
Norwegian krone	24,595	1,286	30,378	4,326
Algerian dinar	21,510	788	6,486	7,268
Kuwaiti dinar	22,230	387	(2,036)	7,335
Australian dollar	20,236	-	21,613	727
US dollar	55,514	461	7,041	21,916
Vietnamese dong	6,212	185	5,154	319
Pound sterling	2,848	-	2,626	5,219
Turkish lira	-	1,284	2,254	1,577
Argentine peso	-	-	7	190
Chilean peso	51,246	6,895	55,543	14,459
Mexican peso	15,473	6,199	16,285	6,332
Uruguayan pesos	5,408	4	1,778	2,424
Saudi Arabian riyal	-	-	-	1,645
Qatari riyal	-	(11)	(9,792)	4,051
Peruvian nuevo sol	42,210	1,397	19,993	11,241
Polish zloty	965	47	(1,959)	816
Other currencies	-	568	-	933
Total	268,447	19,490	155,371	90,778

2016

Currency	Thousands of euros			
	Revenue	Other operating income	Procurements	Other operating expenses
Norwegian krone	26,426	624	30,717	4,382
Algerian dinar	(31,909)	2,460	5,088	10,201
Kuwaiti dinar	35,240	331	97,588	24,820
Australian dollar	17,629	-	33,613	1,039
US dollar	1,736	204	10,489	58,471
Vietnamese dong	10,528	-	7,487	256
Pound sterling	1,610	-	21,287	4,289
Turkish lira	-	662	15,171	5,776
Argentine peso	-	706	91	2,806
Chilean peso	81,235	3,906	38,638	62,398
Mexican peso	3,684	7,149	2,837	6,955
Uruguayan pesos	9,083	-	3,158	4,709
Saudi Arabian riyal	-	-	-	1,287
Qatari riyal	21,420	14,105	26,197	27,543
Peruvian nuevo sol	45,762	10,118	7,814	29,325
Polish zloty	12,548	719	14,447	6,402
Other currencies	-	930	17	1,354
Total	234,992	41,914	314,639	252,013

The main balances payable in currencies other than the euro at 31 December 2017 and 2016, by currency and for the main liability items in the balance sheet, translated to euros at the year-end exchange rate, were as follows:

2017

Currency	Thousands of euros				
	Bank borrowings	Other financial liabilities	Trade payables	Other liabilities	
				Non-current	Current
Norwegian krone	-	-	24,570	-	3,402
Algerian dinar	-	-	12,481	-	8,186
Kuwaiti dinar	-	-	73,408	-	-
Australian dollar	-	-	6,268	-	568
US dollar	2,512	-	78,924	-	48,897
Vietnamese dong	-	-	5,959	-	51
Pound sterling	-	-	14,616	-	57
Turkish lira	-	-	966	-	349
Argentine peso	-	-	502	-	1,726
Chilean peso	3,081	9	58,466	-	67,634
Mexican peso	-	-	7,684	-	130,169
Uruguayan pesos	-	-	1,021	-	1,322
Qatari riyal	-	-	51,653	-	28
Peruvian nuevo sol	-	-	43,521	-	2,027
Polish zloty	-	-	1,994	-	2
Other currencies	-	-	107	-	12
Total	5,593	9	382,140	-	264,430

2016

Currency	Thousands of euros				
	Bank borrowings	Other financial liabilities	Trade payables	Other liabilities	
				Non-current	Current
Norwegian krone	-	-	10,655	-	2,142
Algerian dinar	-	-	15,841	-	5,148
Kuwaiti dinar	-	-	91,042	-	-
Australian dollar	-	-	13,621	-	676
US dollar	169	-	18,832	-	65,829
Vietnamese dong	-	-	1,932	-	-
Pound sterling	-	-	20,415	-	-
Turkish lira	-	-	5,516	-	306
Argentine peso	-	-	1,747	-	1,318
Chilean peso	1,862	27	75,457	-	17,552
Mexican peso	-	-	3,623	-	109,433
Uruguayan pesos	-	-	4,936	-	1,814
Qatari riyal	18,293	-	65,616	-	390
Peruvian nuevo sol	2,205	-	110,616	-	6
Polish zloty	-	-	4,283	-	44
Other currencies	-	-	432	-	1,730
Total	22,529	27	444,564	-	206,388

The main balances receivable in currencies other than the euro at 31 December 2017 and 2016, by currency and for the main asset items in the balance sheet, translated to euros at the year-end exchange rate, were as follows:

Currency	Thousands of euros					
	2017			2016		
	Non-current financial assets	Current financial assets	Trade and other receivables	Non-current financial assets	Current financial assets.	Trade and other receivables
Czech koruna	-	-	-	32,752	-	10,707
Norwegian krone	351	-	5,400	-	-	401
Algerian dinar	914	-	70,987	-	-	51,460
Kuwaiti dinar	70	-	35,187	-	-	45,641
Australian dollar	1	-	6,368	-	-	9,136
US dollar	1,882	286	57,011	313	-	20,337
Vietnamese dong	-	-	5,379	-	-	-
Pound sterling	-	-	801	-	-	-
Turkish lira	3	-	9,128	-	-	17,849
Argentine peso	25	-	2,481	-	808	1,033
Chilean peso	-	-	236,303	-	-	136,585
Mexican peso	6	-	10,179	1	-	6,078
Uruguayan pesos	-	-	1,897	-	-	1,471
Saudi Arabian riyal	-	-	789	-	-	42
Qatari riyal	100,038	-	360,572	137,365	-	483,835
Peruvian nuevo sol	-	-	94,680	-	-	97,996
Polish zloty	-	-	724	8,095	-	13
Other currencies	24	-	141	-	-	123
Total	103,314	286	898,027	178,526	808	882,707

The sensitivity analysis of the foreign currency risks of financial instruments for the main currencies simulated a 10% increase in the foreign currency per euro exchange rate with respect to the rates applicable at 31 December 2017 and 2016, the net impact of which on profit or loss was as follows ((expense)/income):

Currency	Thousands of euros	
	2017	2016
Czech koruna	-	3,259
Norwegian krone	(1,667)	(930)
Algerian dinar	3,843	2,285
Kuwaiti dinar	(2,861)	(3,405)
US dollar	(5,337)	(4,814)
Argentine peso	21	(92)
Chilean peso	8,033	3,127
Mexican peso	(9,575)	(8,023)
Qatari riyal	30,670	40,268
Peruvian nuevo sol	3,685	(1,112)
Polish zloty	(95)	284
Total	26,717	30,847

If a sensitivity analysis were performed using the assumption of a 10% decrease in the foreign currency per euro exchange rate with respect to the rates applicable at 31 December 2017 and 2016, the net impact on profit or loss would be as follows ((expense)/income):

Currency	Thousands of euros	
	2017	2016
Czech koruna	-	(2,963)
Norwegian krone	1,515	845
Algerian dinar	(3,493)	(2,078)
Kuwaiti dinar	2,601	3,096
US dollar	4,851	4,376
Argentine peso	(19)	83
Chilean peso	(7,303)	(2,842)
Mexican peso	8,705	7,294
Qatari riyal	(27,882)	(36,607)
Peruvian nuevo sol	(3,350)	1,011
Polish zloty	87	(258)
Total	(24,288)	(28,043)

22.9 Backlog

At 31 December 2017, the Company's backlog amounted to EUR 2,373,852 thousand (2016: EUR 2,645,727 thousand).

The breakdown of the backlog, by activity and geographical market, is as follows:

Business activity	Thousands of euros	
	2017	2016
Civil engineering work in Spain	344,371	382,791
Roads	174,171	189,050
Hydraulic works	50,070	58,878
Railways	89,942	100,684
Maritime	1,131	23,388
Other civil engineering work	29,057	10,791
Building construction in Spain	412,907	332,229
Residential building construction	32,467	10,573
Other buildings	380,440	321,656
Other	2,523	5,397
Total construction in Spain	759,801	720,417
International civil engineering work	1,366,118	1,645,061
Roads	667,840	797,541
Hydraulic works	-	-
Railways	424,306	593,596
Maritime	176,305	175,248
Other civil engineering work	97,667	78,676
Building construction abroad	247,933	280,249
Other buildings	247,933	280,249
Total construction abroad	1,614,051	1,925,310
Total backlog	2,373,852	2,645,727

Geographical market	Thousands of euros	
	2017	2016
Spain:		
Spain	759,801	720,417
Total Spain	759,801	720,417
Abroad:		
Chile	970,267	1,044,514
Peru	217,608	215,687
Rest of the world	426,176	665,109
Total abroad	1,614,051	1,925,310
Total backlog	2,373,852	2,645,727

Of the total backlog at 31 December 2017, EUR 1,289,838 thousand related to direct construction work and EUR 1,084,014 thousand to UTEs (31 December 2016: EUR 1,377,829 thousand and EUR 1,267,898 thousand, respectively).

Also, at 31 December 2017, EUR 1,191,040 thousand related to public-sector works and EUR 1,182,812 thousand to private-sector works (31 December 2016: EUR 1,464,031 thousand and EUR 1,181,696 thousand, respectively).

23.- RELATED-PARTY TRANSACTIONS AND BALANCES

23.1 Transactions with Group companies and associates

The detail of the transactions with Group companies in 2017 and 2016 is as follows:

	Thousands of euros	
	2017	2016
Revenue	22,187	14,636
Other operating income	48,168	80,073
Finance income	71,588	64,396
Dividends received	187,704	268,528
Non-current asset disposals	636	484
Non-current financial asset disposals	-	37,475
Procurements	531	1,592
Other operating expenses	9,398	11,029
Finance costs	61,376	53,560
Non-current asset purchases	4,191	2,083

The detail of the dividends received from Group companies is as follows:

Company	Thousands of euros	
	2017	2016
OHL Concesiones, S.A.U. (*)	165,000	250,000
OHL Arabia, LLC	8,057	11,319
Agrupación Guinovart Obras y Servicios Hispania, S.A.	7,617	3,837
S.A. Trabajos y Obras (SATO)	6,918	3,372
Other dividends of less than EUR 2,000 thousand	112	-
Total	187,704	268,528

(*) Ownership interest recognised as non-current assets classified as held for sale

On 26 September 2017, OHL Concesiones, S.A.U. resolved to distribute an extraordinary dividend of EUR 165,000 thousand.

The detail of the transactions with associates in 2017 and 2016 is as follows:

	Thousands of euros	
	2017	2016
Revenue	23,983	19,055
Other operating income	604	315
Finance income	-	21
Other operating expenses	89	17

23.2 Related party transactions and balances

The detail of the transactions with related companies in 2017 and 2016 is as follows:

	Thousands of euros			
	2017	% of total	2016	% of total
Income and expenses				
Revenue	28,829	4.10	20,900	4.11
Other operating income	1,351	1.39	1,245	1.07
Finance income	4,245	1.52	3,069	0.87
Procurements	394	0.09	17	-
Outside services	3,557	1.80	3,577	1.52
Other transactions				
Financing agreements: loans granted	-	-	180,209	-
Financing agreements: repayment of loans granted	-	-	103,000	-
Dividends paid	-	-	5,003	-
Sale of non-current assets	-	-	-	-
Non-current asset purchases	711	-	848	-
Acquisitions of financial assets	-	-	9,999	-

In addition, at 31 December 2017 the Company had provided guarantees to related entities amounting to EUR 57,303 thousand.

The detail of the transactions indicated above in 2017 is as follows:

Employer identification number of the related company	Name of the related company		Thousands of euros
B-86092145	Centro Canalejas Madrid, S.L.	Revenue	22,593
A-87287223	Espacio Caleido, S.A.	Revenue	4,896
A-28027399	Inmobiliaria Colonial Socimi, S.A.	Revenue	1,203
B-82607839	Promociones y Propiedades Inmobiliarias Espacio, S.L.	Revenue	104
B-86413846	Espacio Arpada Desarrollos, S.L.	Revenue	33
A-82500257	Grupo Villar Mir, S.A.U.	Other operating income	1,218
A-80400351	Espacio Information Technology, S.A.U.	Other operating income	69
B-86092145	Centro Canalejas Madrid, S.L.	Other operating income	42
B-84996362	Torre Espacio Gestión, S.L.U.	Other operating income	9
A-28294718	Inmobiliaria Espacio, S.A.	Other operating income	6
A-80420516	Ferroatlántica, S.A.U.	Other operating income	5
A-28165298	Fertiberia, S.A.	Other operating income	1
B-87238689	Espacio - OHLD Proyectos Singulares, S.L.	Other operating income	1
B-86092145	Centro Canalejas Madrid, S.L.	Sale of non-current assets	1
A-82500257	Grupo Villar Mir, S.A.U.	Finance income	4,158
A-28032829	Pacadar, S.A.U.	Finance income	87
A-28032829	Pacadar, S.A.U.	Procurements	394
A-80400351	Espacio Information Technology, S.A.U.	Other operating expenses	2,973
B-83393066	Energía VM Gestión de Energía, S.L.U.	Other operating expenses	356
B-82607839	Promociones y Propiedades Inmobiliarias Espacio, S.L.	Other operating expenses	135
B-84996362	Torre Espacio Gestión, S.L.U.	Other operating expenses	36
B-86830536	Alse Park, S.L.	Other operating expenses	29
B-86727500	Torre Espacio Restauración, S.L.U.	Other operating expenses	28
A-80400351	Espacio Information Technology, S.A.U.	Non-current asset purchases	711
B-86092145	Centro Canalejas Madrid, S.L.	Guarantees provided	25,782

These transactions, which are performed under a contractual relationship, were carried out on an arm's length basis.

At 31 December 2017 and 2016, the balances with related companies were as follows:

	Thousands of euros			
	2017	% of total	2016	% of total
Assets:				
Long-term loans to third parties	81,772	99.39	77,614	96.70
Trade receivables for sales and services	10,300	1.74	3,489	0.54
Other accounts receivable	1,514	2.22	490	0.96
Short-term loans to third parties	1,606	31.91	1,604	14.01
Current equity instruments	-	-	6,326	99.90
Liabilities:				
Trade payables	5,247	1.05	5,381	0.95
Other current financial liabilities	212	2.88	199	2.07

“Long-Term Loans to Third Parties” includes a loan of EUR 81,772 thousand, including annual interest of 5.0%, to Grupo Villar Mir (GVM), secured by a pledge of all the shares of Pacadar, S.A.U.

23.3 Remuneration of directors and senior executives and conflicts of interest

The remuneration of the Board of Directors is regulated by Article 24 of the bylaws and the Directors' Remuneration Policy approved, as established in Article 529 novodecies of the Spanish Limited Liability Companies Law, by the Company's shareholders at the Annual General Meeting held on 9 May 2017, for 2017 and the following three years and which established annual fixed remuneration for the directors, in their capacity as directors, for attendance at meetings of six hundred thousand euros (EUR 600,000), with the distribution criteria that the Board of Directors itself approved and which it set for distribution among the independent non-executive directors. In 2017, as in prior years, the non-executive directors did not receive any kind of variable remuneration or benefits. This fixed remuneration is compatible with, and independent from, remuneration, termination benefits, pensions and compensation of any kind received by those members of the Board of Directors as a result of the employment relationship with or the rendering of services to the Company.

The Board of Directors of the Company, on this same date, prepared the Annual Report on Directors' Remuneration, as established in Article 541 of the Spanish Limited Liability Companies Law, with an individualised breakdown of all items earned by each director in 2017. Following is an individualised detail of the remuneration accrued by each director in his or her capacity as such in 2017, excluding the remuneration accrued for executive functions subsequently disclosed:

Directors	Euros
	Individual remuneration in their capacity as directors
Juan Villar-Mir de Fuentes (non-executive proprietary)	-
Silvia Villar-Mir de Fuentes (non-executive proprietary)	-
Juan Luis Osuna Gómez (executive) (1)	-
José Luis Díez García (non-executive independent)	129,000
Mónica de Oriol e Icaza (non-executive independent)	123,000
Reyes Calderón Cuadrado (non-executive independent)	132,000
Manuel Garrido Ruano (non-executive proprietary)	-
Juan José Nieto Bueso (non-executive independent)	123,000
Juan Antonio Santamera Sánchez (non-executive proprietary)	-
Ignacio Moreno Sanchez (non-executive independent)	93,000
Álvaro Villar-Mir de Fuentes (non-executive proprietary)	-
Javier Goñi del Cacho (non-executive proprietary)	-
Tomás García Madrid (executive) (2)	-
TOTAL	600,000

(1) Appointed 25 October 2017

(2) Resigned 25 October 2017

In 2017 the executive directors earned total remuneration of EUR 12,365 thousand for the performance of their executive duties (2016: EUR 6,263 thousand), including the amount earned by the then CEO of the Company until 25 October 2017, Tomás García Madrid, as express economic compensation for post-contractual non-competition amounting to EUR 6,022 thousand, EUR 11 thousand (2016: EUR 12 thousand) for other benefits relating to life insurance policies and EUR 283 thousand in employee benefit plan contributions (2016: EUR 132 thousand).

No advances or loans have been granted to the Board members.

Remuneration of senior executives

The remuneration earned by the Company's senior executives in 2017 -excluding those who are also members of the Board of Directors (whose remuneration is detailed above)- amounted to EUR 8,208 thousand (2016: EUR 4,239 thousand), of which EUR 1,904 thousand correspond to variable remuneration (2016: EUR 1,575 thousand).

No advances or loans have been granted to the Company's senior executives.

Conflicts of interest

At 31 December 2017, none of the directors had notified the Board of Directors of any direct or indirect conflict of interest that they or persons related to them might have had with respect to the Company in 2017.

24.- INFORMATION ON THE ENVIRONMENT

In 2017 the Company incurred environmental expenses amounting to EUR 740 thousand (2016: EUR 991 thousand). At 31 December 2017 and 2016, the Company had not recognised any environmental assets in the balance sheets.

25.- OTHER DISCLOSURES

25.1 Headcount

The average number of employees in 2017 and 2016, by category, was as follows:

Professional category	Average number of employees	
	2017	2016
Senior executives	7	8
Executives	33	35
Directors/Managers	106	206
Middle managers	587	630
Other line personnel	933	1,045
Clerical staff	497	606
Manual workers	3,985	4,250
Total	6,148	6,780
Permanent employees	1,976	2,979
Temporary employees	4,172	3,801
Total	6,148	6,780

Also, the average number of temporary employees at UTEs in 2017 was 1,267 (2016: 1,431 employees).

The average number of employees at the Company with a disability equal to or greater than 33% in 2017 and 2016, by category, was as follows:

Professional category	2017	2016
Directors/Managers	1	1
Middle managers	2	3
Other line personnel	1	4
Clerical staff	5	4
Manual workers	2	3
Total	11	15

Also, the average number of employees at UTEs with a disability equal to or greater than 33% in 2017 was zero (2016: four employees).

The number of employees at the end of 2017 and 2016, by gender and professional category, was as follows:

Professional category	Number of employees at year-end					
	31/12/17			31/12/16		
	Men	Women	Total	Men	Women	Total
Senior executives	6	-	6	8	-	8
Executives	28	1	29	33	3	36
Directors/Managers	85	11	96	142	14	156
Middle managers	457	68	525	557	78	635
Other line personnel	716	182	898	740	201	941
Clerical staff	271	208	479	289	244	533
Manual workers	3,771	146	3,917	3,769	158	3,927
Total	5,334	616	5,950	5,538	698	6,236

Also, the number of temporary employees at UTEs at 31 December 2017 was 1,206 (31 December 2016: 1,082 employees).

The Board of Directors is composed of nine men and three women.

25.2 Fees paid to auditors

The fees for financial audit and other services provided by the Company's principal auditor, Deloitte, S.L., or by other firms related to the auditors or by other auditors, were as follows:

	Thousands of euros					
	Principal auditor		Other auditors		Total	
	2017	2016	2017	2016	2017	2016
Audit services	600	682	77	249	677	931
Other attest services	77	23	-	6	77	29
Total audit and related services	677	705	77	255	754	960
Tax counselling services	12	106	4	23	16	129
Other services	204	430	5	-	209	430
Total professional services	216	536	9	23	225	559
Total	893	1,241	86	278	979	1,519

"Financial Audit Services" includes the fees for professional services performed by the auditor, normally due to Spanish and international regulatory requirements, such as statutory audits, internal control review reports, limited reviews of periodic public information performed at listed companies, etc.

"Other Attest Services" includes the fees for professional services in which some kind of assurance is expressed, but which are not regulated by any mandatory legislation, such as one-off limited reviews, special reports on security placement processes, agreed-upon procedures reports, covenant reports, etc.

"Tax Counselling Services" includes the fees for the provision of services relating to all forms of tax counselling.

"Other Services" includes the fees for the other professional services not included in the above line items which, by nature, are more akin to consultancy or independent third-party services.

25.3 Statement of cash flows

The Company's statement of cash flows was prepared in accordance with the information detailed in Note 4.18. The following aspects are worthy of mention in relation to each of the main sections thereof:

Cash flows from operating activities

Amounting to EUR 160,737 thousand in 2017 thousand and it should be noted that:

The loss before tax for 2017 amounted to EUR (76,258) thousand.

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

	Thousands of euros	
	2017	2016
Changes in provisions	(53,689)	23,101
Financial profit or loss	14,695	(118,353)
Impairment and gains or losses on disposals of non-current assets	(2,829)	(8,884)
Grants	(409)	(443)
Total	(42,232)	(104,579)

"Other Cash Flows from Operating Activities" includes dividends received, amounting to EUR 187,706 thousand, most notably the dividend received from OHL Concesiones, S.A.U. amounting to EUR 165,000 thousand.

Cash flows from investing activities

"Cash Flows from Investing Activities" amounted to EUR (328,811) thousand in 2017.

The payments due to investment amounted to EUR (345,265) thousand and relate to investments in Group companies, mainly OHL Industrial, S.L. and OHL Construcción Internacional, S.L.

"Proceeds from Disposal", amounting to EUR 16,454 thousand, relates mainly to the sale of property, plant and equipment.

Cash flows from financing activities

"Cash Flows from Financing Activities" amounted to EUR 18,532 thousand in 2017 and relates mainly to the increase in bank borrowings.

As a result of the foregoing, cash and cash equivalents at the end of the year amounted to EUR 137,506 thousand, comprising mainly bank balances.

26.- EVENTS AFTER THE REPORTING PERIOD

The shareholders at the Extraordinary General Meeting held on 9 January 2018 resolved to reduce the Company's share capital by EUR 7,326,425.40 by retiring 12,210,709 treasury shares of EUR 0.60 par value each, representing a total of 4.087% of the share capital. Consequently, following the capital reduction the share capital will amount to EUR 171,928,973.40, represented by 286,548,289 shares of EUR 0.60 par value each.

The capital reduction approved by the shareholders at the Extraordinary General Meeting was recorded in a public deed and filed at the Madrid Mercantile Registry on 6 February 2018.

The shareholders at the aforementioned Extraordinary General Meeting also resolved to approve the transfer of shares representing all the share capital of OHL Concesiones, S.A.U. to Global Infracore Spain, S.L.U. (a company controlled by IFM Investors Pty Ltd.) in connection with the sale agreement entered into by Obrascón Huarte Lain, S.A., OHL Concesiones, S.A.U. and Global Infracore Spain, S.L.U. on 30 November 2017.

The shareholders also resolved to modify the Parent's Directors' Remuneration Policy in force, bringing it in line with the provisions of Article 529 novodecies of the Spanish Limited Liability Companies Law, and to grant extraordinary remuneration of EUR 18 million to the CEO Juan Osuna Gómez for his work and leadership in the process of selling OHL Concesiones, S.A.U.

27.- EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company in Spain (see Note 2.1.). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

APPENDIX I

Unincorporated temporary joint ventures (UTES)

Name of UTE	Percentage of ownership	Thousands of euros	
		UTE revenue in 2017	Construction work contracted by the UTE
A.M.A.S.	50.00	116	4,500
A.M.A.S. 2	50.00	826	4,500
A-3 BUÑOL-VALENCIA	65.00	2,568	84,720
ACCESO FERROVIARIO APB	22.50	9,185	11,996
AGUAS DE NAVARRA	77.11	7,558	68,268
ALAGON	60.00	757	3,711
BALIZAMIENTO BARAJAS	34.00	1,271	4,530
BARRANCO FOIETES	55.00	1,449	5,218
BINTER	65.00	5,130	9,072
BÚRDALO	75.00	-	39,655
BUSINESS	25.00	448	40,535
CALDERETA-CORRALEJO	99.50	3,727	62,351
CAMP CLAR	50.00	239	3,938
CAMP DEL FERRO	70.00	46	8,322
CANAL DE MURCIA TRAMO III	60.00	12	6,054
CAT DE SEGOVIA	50.00	32	1,699
CBC VERTEDERO CADIZ	25.33	-	29,405
CELT EL PRAT	30.00	1,960	4,940
CENTRAL VILLORIA	50.00	726	1,464
CENTRO BOTIN	55.00	2,015	61,565
CONSERVACION A-1 MADRID	20.00	9,272	40,747
CONSORCIO MUNA	25.00	29,331	92,293
COSTA CALMA	99.50	4,804	48,874
DÁRSENA SAN ANDRÉS	50.00	62	13,058
EDAR DE SEGOVIA	50.00	900	22,467
EDAR LAGARES-VIGO	50.00	8,812	66,077
EDIFICIO CISGA FASE II	50.00	10	4,787
ESTACIONES LINEA 9 BARCELONA	17.00	-	215,443
ETAP PILONES	50.00	-	16,444
GUADARRAMA SUR	15.37	1,083	1,083
GUÍA-PAGADOR	87.50	759	84,191
HOSPITAL DE CUENCA	50.00	3,350	109,420
HOSPITAL UNIV. TOLEDO	33.33	26,020	201,381
IFA	55.50	-	19,007
ITES LOTE 2	50.00	603	1,868
J.V. 2 KUWAIT	50.00	44,460	648,800
LA ALDEA	50.00	19,336	109,224
LEZUZA	50.00	2,956	8,316
LIMPIEZA DEFENDA	30.00	8,810	18,087
LINEA 9 BARCELONA	17.00	106	595,665
LOCALES RENFE	50.00	53	1,552
MANTENIMIENTO PRESAS	50.00	128	1,237
MARMARAY	70.00	174,742	1,262,442
MCCONNELL DOWELL CONST Y OHL K2K	50.00	38,769	120,000
MEL9	36.00	12,713	164,339
METRO MAVI GRANADA	58.00	-	41,455
NUEVO HOSPITAL DE ALCAÑIZ	50.00	-	47,502
OHL Y YORK SCHOFIELDS 2	50.00	1,703	49,000
PINOS PUENTE-ATARFE	85.00	17,325	81,112
POLIDEPORTIVO HORTA	50.00	1,814	5,015
POZOS L-6	50.00	-	4,940
POZOS METRO MADRID	50.00	-	1,075
PUENTE RANERO	80.00	141	1,217
RAE	65.00	1,175	24,821
RIO PIURA	50.00	17,268	21,442
SANTA APOLONIA	80.00	711	1,776
TENERIFE NORTE	80.00	-	5,498
TENERIFE SUR	80.00	-	4,790
TERMINAL MARITIMA N°6	70.00	6,793	12,040
TRAMO II CATARROJA-BENIFAYO	65.00	-	14,363
TÚNEL AEROPUERTO II L-9 BARCELONA	17.00	15,185	353,488
TUNEL ESPÍÑO VIA IZQUIERDA	70.00	7,152	100,066

APPENDIX I
Unincorporated temporary joint ventures (UTES)

Name of UTE	Percentage of ownership	Thousands of euros	
		UTE revenue in 2017	Construction work contracted by the UTE
TÚNELES NORTE SEVILLA	40.00	-	203,647
URBANIZACION EL PORTAL	70.00	50	2,857
VIAL DEL SUR	50.00	3,694	95,400
TOTAL		498,156	5,394,751

APPENDIX II

Equity of Group companies

COMPANY	Thousands of euros										Total equity + participating loan
	Share capital	Capital payments payable	Reserves	2017 profit (loss)	Interim dividend	Total shareholders' equity	Valuation adjustments	Grants	Total equity	Participating loan	
Agrupación Guinovart Obras y Servicios Hispania, S.A.	30,050	-	72,501	4,225	-	106,776	-	-	106,776	-	106,776
Asfalto y Construcciones Elsan, S.A.	7,603	-	(322)	1,265	-	8,546	-	335	8,881	5,000	13,881
Community Asphalt Corp.	2	-	62,341	(2,157)	-	60,186	-	-	60,186	-	60,186
Consorcio Aura - OHL, S.A.	203	(203)	-	-	-	-	-	-	-	-	-
Construcciones Adolfo Sobrino, S.A.	1,520	-	11,894	1,819	-	15,233	-	-	15,233	-	15,233
Construcciones Colombianas OHL, S.A.S.	79	-	2,042	4,015	-	6,136	-	-	6,136	-	6,136
Constructora e Inmobiliaria Huarte, Ltda.	705	-	(173)	(27)	-	505	-	-	505	-	505
Eisengrund Bau GmbH	1,534	-	(4,287)	-	-	(2,753)	-	-	(2,753)	-	(2,753)
Empresa Constructora Huarte San José, Ltda.	18	(17)	217	(1)	-	217	-	-	217	-	217
Entorno 2000, S.A.	1,131	-	(1,272)	-	-	(141)	-	-	(141)	-	(141)
Josefa Valcárcel 42, S.A.	89	-	(963)	-	-	(894)	-	-	(894)	962	68
L 6 Hotel Mayakoba, S.R.L. de C.V.	25,684	-	(20,984)	(74)	-	4,626	-	-	4,626	-	4,626
Marina Urola, S.A.	503	-	716	(14)	-	1,205	-	-	1,205	-	1,205
Mongas, S.A.	-	-	-	-	-	-	-	-	-	-	-
Obrascón Huarte Lain, Construcción Internacional, S.L.	41,830	-	(6,982)	(63,226)	-	(28,378)	-	-	(28,378)	-	(28,378)
Obrascón Huarte Lain, Desarrollos, S.L.	80,334	-	227,980	(45,115)	-	263,199	-	-	263,199	-	263,199
OHL Andina, S.A.	3,153	-	22,040	(1,696)	-	23,497	-	-	23,497	-	23,497
OHL Arabia, LLC	111	-	25,083	(7,817)	-	17,377	-	-	17,377	-	17,377
OHL Brasil, S.A.	325	-	(200)	(8)	-	117	-	-	117	-	117
OHL Concesiones Argentina, S.A.	403	(375)	(219)	(82)	-	(273)	-	-	(273)	-	(273)
OHL Concesiones Chile, S.A.	84,266	-	(3,538)	(3,531)	-	77,197	-	-	77,197	-	77,197
OHL Concesiones, S.A.	167,455	-	1,663,507	330,082	-	2,161,044	-	-	2,161,044	-	2,161,044
OHL Construction India Private Limited	487	-	(79)	(384)	-	24	-	-	24	-	24
OHL Construction Pacific PTY LTD	-	-	(7,371)	(2,227)	-	(9,598)	-	-	(9,598)	-	(9,598)
OHL Industrial Chile, S.A.	46,645	-	(42,957)	(2,127)	-	1,561	-	-	1,561	-	1,561
OHL Industrial, S.L.	47,394	-	(974)	(65,643)	-	(19,223)	-	-	(19,103)	63,000	43,897
OHL México, S.A.B. de C.V.	648,080	-	637,266	220,602	-	1,505,948	-	-	1,505,948	-	1,505,948
OHL Servicios - Ingesán, S.A.U.	790	-	11,709	412	-	12,911	-	-	12,911	-	12,911
OHL Uruguay, S.A.	-	-	16	(80)	-	(64)	-	-	(64)	-	(64)
S.A. Trabajos y Obras	1,854	-	63,937	13,769	-	79,560	-	37	79,597	-	79,597
Sociedad Concesionaria Aguas de Navarra, S.A.	7,370	-	2,765	(273)	-	9,862	(846)	-	9,016	-	9,016
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	14,107	-	7,853	868	-	22,828	-	-	22,828	-	22,828
Tenedora de Participaciones Tecnológicas, S.A.	601	-	(34,759)	217	-	(33,941)	-	-	(33,941)	38,162	4,221
Vacua, S.A.	15,541	-	(14,901)	7	-	647	-	-	647	-	647
Vincia Grupo de Inversiones 2006, S.L.	3	-	(9)	-	-	(6)	-	-	(6)	-	(6)

APPENDIX III

Investments in Group companies

COMPANY	% ownership interest			Thousands of euros				
	Direct	Indirect	Total	Cost at 31/12/16	Additions	Reductions	Transfers	Cost at 31/12/17
Agrupación Guinovart Obras y Servicios Hispania, S.A.	100.00	-	100.00	69,056	-	-	-	69,056
Asfallos y Construcciones Elsan, S.A.	100.00	-	100.00	25,983	-	-	-	25,983
Community Asphalt Corp.	6.50	93.50	100.00	8,425	-	-	-	8,425
Construcciones Adolfo Sobrino, S.A.	100.00	-	100.00	21,818	-	-	-	21,818
Construcciones Colombianas OHL, S.A.B.	30.00	70.00	100.00	32	-	-	-	32
Constructora e Inmobiliaria Huarte, Ltda.	89.90	10.10	100.00	850	-	-	-	850
Consorcio Aura OHL, S.A.	65.00	-	65.00	138	-	(6)	-	132
Elsengrund Bau GmbH	100.00	-	100.00	1,426	1,000	-	-	2,426
Empresa Constructora Huarte San José, Ltda.	95.00	5.00	100.00	17	-	-	-	17
Entorno 2000, S.A.	100.00	-	100.00	323	530	-	-	853
Josefa Valcárcel 42, S.A.	100.00	-	100.00	45,469	-	-	-	45,469
L 6 Hotel Mayakoba, S.R.L. de C.V.	30.35	69.65	100.00	12,632	-	-	-	12,632
Marina Urola, S.A.	25.50	25.50	51.00	353	-	(123)	-	230
Mongas, S.A.	100.00	-	100.00	2,583	-	-	-	2,583
Obrascón Huarte Lain, Construcción Internacional, S.L.	100.00	-	100.00	121,064	190,000	-	-	311,064
Obrascón Huarte Lain, Desarrollos, S.L.	100.00	-	100.00	391,796	-	-	-	391,796
OHL Andina, S.A.	99.00	1.00	100.00	3,246	-	-	-	3,246
OHL Arabia, LLC	95.00	5.00	100.00	100	-	-	-	100
OHL Brasil, S.A.	1.00	99.00	100.00	4 00	-	-	-	4
OHL Concesiones Argentina, S.A.	10.00	90.00	100.00	161	-	-	-	161
OHL Concesiones Chile, S.A.	0.00	100.00	100.00	-	-	-	-	-
OHL Concesiones, S.A.	100.00	-	100.00	600,078	-	-	(600,078)	-
OHL Construction India Private Limited	1.00	99.00	100.00	18	-	-	-	18
OHL Construction Pacific PTY LTD	100.00	-	100.00	-	-	-	-	-
OHL Industrial Chile, S.A.	0.01	99.99	100.00	1	-	-	-	1
OHL Industrial, S.L.	100.00	-	100.00	164,201	100,000	-	-	264,201
OHL México, S.A.B. de C.V.	0.00	56.85	56.85	1	-	(1)	-	-
OHL Servicios - Ingesán, S.A.U.	100.00	-	100.00	1,172	-	-	-	1,172
OHL Uruguay, S.A.	100.00	-	100.00	130	-	-	-	130
S.A. Trabajos y Obras	100.00	-	100.00	43,348	-	-	-	43,348
Sociedad Concesionaria Aguas de Navarra, S.A.	65.00	-	65.00	4,791	-	-	-	4,791
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	100.00	-	100.00	11,744	-	(499)	-	11,245
Tenedora de Participaciones Tecnológicas, S.A.	100.00	-	100.00	526	-	-	-	526
Vacua, S.A.	99.11	0.89	100.00	599	-	-	-	599
Vincida Grupo de Inversiones 2006, S.L.	25.00	75.00	100.00	1	-	-	-	1
Total				1,532,086	291,530	(629)	(600,078)	1,222,909

APPENDIX IV Investments in associates

COMPANY	% ownership interest			Thousands of euros				
	Direct	Indirect	Total	Cost at 31/12/16	Additions	Reductions	Transfers	Cost at 31/12/17
Consorcio Español Alta Velocidad Meca Medina, S.A.	6.29	-	6.29	4	-	-	-	4
Consorcio Ruta 1, S.A.	10.00	-	10.00	161	-	-	-	161
E.M.V. Alcalá de Henares, S.A.	34.00	-	34.00	409	-	-	-	409
Golf de Mayakoba, S.A. de C.V.	-	49.00	49.00	-	-	-	-	-
Golf Mayakoba Servicios, S.A. de C.V.	-	49.00	49.00	-	-	-	-	-
Navarra Gestión del Agua, S.A.	30.00	-	30.00	18	-	-	-	18
Nuevo Hospital de Burgos, S.A.	20.75	-	20.71	11,420	-	-	-	11,420
Nuevo Hospital de Toledo, S.A.	33.34	-	33.34	7,934	-	-	-	7,934
Port Torredembarra, S.A.	-	-	-	402	-	(402)	-	-
Sociedad Mixta de Gestión y Promoción del Suelo, S.A.	1.20	-	1.20	9	-	-	-	9
Total				20,357	-	(402)	-	19,955

APPENDIX V Identification of the companies included in investments in Group companies

COMPANY	REGISTERED OFFICE	MAIN LINE OF BUSINESS
Concessions		
OHL Concesiones Argentina, S.A.	C/ Avenida Córdoba 632 - Piso 7, C1054AA5 Buenos Aires, Argentina	Operation of concessions
OHL Concesiones Chile, S.A.	C/ Cerro El Plomo, nº 5855 Piso 16, Las Condes oficina 1607 y 1608 - Santiago de Chile - Chile	Operation of concessions
OHL Concesiones S.A.	Torre Espacio, Pº de la Castellana nº 259 D, planta 16, (28046 Madrid)	Operation of concessions
OHL México, S.A.B. de C.V.	Avda. Paseo de la Reforma, nº 222 piso 22, Colonia Juárez, Delegación Cuauhtemoc, C.P. 06600 Mexico City	Operation of concessions
Vincida Grupo de Inversiones 2006, S.L.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Financial studies
Construction		
Agrupación Guinovart Obras y Servicios Hispania, S.A.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Construction
Asfaltos y Construcciones Eisan, S.A.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Infrastructure and urban services
Community Asphalt Corp.	9725 N.W. 117 th Avenue, Suite 108, Miami, FL, 33178 USA	Construction
Consorcio Aura OHL, S.A.	Territorio del Registro de Comercio del Conservador de Bienes Raíces de Santiago de Chile, Chile	Construction
Construcciones Adolfo Sobrino, S.A.	C/ Gran Vía de Don Diego López De Haro, 33 - 4º 48009 Bilbao	Construction
Construcciones Colombianas OHL, S.A.S.	C/ta. 17 no. 93-09 Piso 8 Edificio Ecdowder, Colombia	Construction
Constructora e Inmobiliaria Huarte, Ltda.	C/ Cerro El Plomo, nº 5855 Piso 15, Las Condes - Santiago de Chile, Chile	Construction
Empresa Constructora Huarte San José, Ltda.	C/ Cerro El Plomo, nº 5855 Piso 15, Las Condes - Santiago de Chile, Chile	Construction
Obrascón Huarte Lain, Construcción Internacional, S.L.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Construction and operation
OHL Andina, S.A.	C/ Cerro El Plomo, nº 5855 Piso 15, Las Condes - Santiago de Chile, Chile	Construction
OHL Arabia, LLC	Jameel Square - Thalia, Po Box 8909 - Jeddah 23326 Saudi Arabia.	Construction and maintenance
OHL Brasil, S.A.	Rua Tabapuã, 1.123 - 16º Andar, Brazil	Construction
OHL Construction India Private Limited	Unit No.701, 7th floor Tower 4A DLF, Corporate Park, DLF Phase 3, Gurgaon, 122010, Haryana, India	Construction
OHL Construction Pacific PTY LTD	Level 21, 110 Mary Street - Brisbane QLD 4000 - Australia	Construction
OHL Uruguay, S.A.	Edificio Argela, calle Río Negro, 1354, piso 3, escritorio 16, Montevideo, CP 11105, Uruguay	Construction
S.A. Trabajos y Obras	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Construction
Sociedad Concesionaria Aguas de Navarra, S.A.	Camino de Labiano, nº 45, 1ª dcha, Mutivilla Alta (31192 Navarra)	Operation of concessions
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	Av Manuel Rodríguez Sur 2281, Santiago de Chile, Chile	Construction
Vacua, S.A.	Los Militares 6191, piso 8 Las Condes Santiago de Chile, Chile	Construction
Industrial		
OHL Industrial Chile, S.A.	Los Militares 6191, Piso 8, Las Condes, Chile	Engineering, technical advisory services, water treatment and
OHL Industrial, S.L.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Industrial engineering and maintenance at industrial plants
Services		
OHL Servicios - Ingesán, S.A.U.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Building maintenance and upkeep
Development		
L 6 Hotel Mayakoba, S.R.L. de C.V.	Carratera Federal Chetumal-Puerto Juárez KM 298 Ent. Hotel Capitan Lafitte Playa Del Carmen Solidaridad CP 77712 México	Operation of hotels and leisure centres
Obrascón Huarte Lain, Desarrollos, S.L.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Real estate project development services
Other		
Eisengrund Bau Gmbh	LG Berliner Stadtbank, A.G. Berlin - Germany	Other
Entorno 2000, S.A.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Other
Josefa Valcárcel 42, S.A.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Other
Marina Urcia, S.A.	Barrio Santiago - Puerto de portivo- (Zumaiá - Guipúzcoa)	Concession and operation of marina in Zumaya (Guipúzcoa)
Mongas, S.A.	Rb de Cataluña, 20 (Barcelona)	Other
Tenedora de Participaciones Tecnológicas, S.A.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	New technologies



OBRASCÓN HUARTE LAIN, S.A.

2017 Directors' Report



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OBRASCÓN HUARTE LAIN, S.A.

2017 DIRECTORS' REPORT

1.- ECONOMIC OVERVIEW

2017 was a year of major milestones, characterised, firstly, by the significant influence politics had on the economy, with events such as the nomination of Presidents in the most advanced economies (Donald Trump, Emmanuel Macron, elections in Germany, etc.), the breakthrough of a certain independence movement in Europe and the continuation of the Brexit negotiations.

Secondly, 2017 was also affected by policies implemented by various central banks, including most notably the continuing interest rate rise policy implemented by the US Federal Reserve, which made three increases in 2017 (together with the first interest rate rise in a decade by the Bank of England) and the start of the withdrawal of cash injections thanks to an improvement in the US economy. In contrast, the European Central Bank maintained its lax interest rate policy (interest rate of 0%, like the Bank of Japan which maintained its monetary and interest rate easing programme), but reduced its volume of debt purchasing.

Generally, the performance of the global economy was characterised by a positive return to growth, and all forecasts point to 2017 ending with growth in GWP of around +3.7% and +3.9% in 2018 and 2019 (International Monetary Fund, "World Economic Outlook", WEO, January 2018), an improvement that has been defined by the upturn in economic activity in both advanced economies and emerging and developing markets.

In Spain, the latest GDP figures for the third quarter of 2017 showed year-on-year growth of +3.1% (Spanish National Institute of Statistics, INE), backed by an improvement in domestic demand. 2017 was another year in which the economies strengthened despite the thrust for independence towards the end of the year, catering for growth of +2.0% in the eurozone in 2017. Also, according to the FUNCAS Spanish Economic Forecasts Panel average for gross fixed capital formation in the construction industry, investment in construction was expected to increase in 2017 by +4.3% compared to 2016. This same source, in its latest review in January 2018, expects that it will grow by +5.6% in 2018.

2.- OUTLOOK

Looking ahead to 2018, the forecasts made by international bodies and financial institutions (IMF, BBVA Research, FUNCAS, etc.) remain positive.

However, as in 2017, there are two factors that must be taken into account: i) the macroeconomic situation (i.e. tapering policies and rises in benchmark interest rates by various central banks), and, above all, ii) the political factor (i.e. agreements on NAFTA, the infrastructure plan in the US, continuation of the Brexit negotiations, the diplomatic situation in Asia regarding the belligerence of North Korea, formation of a new government in Germany and the independence movement in Europe).

Against this backdrop, the International Monetary Fund expects GWP growth of around +3.9% (above the growth seen in 2016 and 2017). It should be noted that emerging economies are expected to grow by around +5.0%, compared to the +2.3% growth expected in advanced economies (with Spain contributing growth estimated at +2.4%). Let's take a look at the most significant regions for the OHL Group: For the US, Latin America and Europe, the International Monetary Fund (*World Economic Outlook Database, October 2017*) forecasts growth of +1.7% on average for the eurozone, almost +2.0% for the US and around +2.5% for Latin America and the Caribbean, over the next five years.

3.- COMPANY PERFORMANCE

Revenue totalled EUR 703,698 thousand in 2017, of which 62.0% related to direct construction work and the remaining 38.0% to work executed by unincorporated temporary joint ventures (UTES).

The breakdown by type of activity is as follows:

Business activity	Thousands of euros				
	2017	%	2016	%	% Change
Construction in Spain	260,939	37.1	308,896	60.7	(15.5)
Construction abroad	442,759	62.9	199,737	39.3	121.7
Total sales	703,698	100.0	508,633	100.0	

In 2017, 60.2% of **revenue** stemmed from the public sector and the remaining 39.8% from the private sector.

The loss from operations amounted to EUR (61,563) thousand.

The loss after tax amounted to EUR (61,780) thousand.

At year-end **share capital** amounted to EUR 179,255 thousand, represented by 298,758,998 fully subscribed and paid bearer shares of EUR 0.60 par value each.

The Company's **equity** totalled EUR 672,142 thousand at year-end.

The short-term **backlog** at 31 December 2017 amounted to EUR 2,373,852 thousand, representing 40.5 months of activity, with a significant international component, comprising 68% of the total.

The distribution, by type of activity, is as follows:

Business activity	Thousands of euros				
	2017	%	2016	%	% Change
Construction in Spain	759,801	32.0	720,417	27.2	5.5
Construction abroad	1,614,051	68.0	1,925,310	72.8	(16.2)
Total backlog	2,373,852	100.0	2,645,727	100.0	

54.3% of this backlog relates to direct construction work and the remaining 45.7% to work to be executed by UTES.

The average headcount in 2017 was 6,148, 32.1% of whom were permanent employees and the remaining 67.9% were temporary employees.

The information relating to the average payment period and the ratios of transactions settled and transactions not yet settled at 31 December 2017 and 2016 is as follows:

	Days	
	2017	2016
Average period of payment to suppliers	60	58
Ratio of transactions settled	59	56
Ratio of transactions not yet settled	63	63

The Company is implementing measures for the purpose of achieving the statutory ratio of transactions not yet settled, since its ratio exceeds slightly the number of days established by law.

In addition to the foregoing relating to the Company's performance, as head of the OHL Group, the Company prepares information required by Royal Decree-Law 18/2017, of 24 November, relating to non-financial and diversity information in the consolidated directors' report published together with the OHL Group's consolidated financial statements, which are authorised for issue by the Board of Directors on the same date and submitted for approval by the shareholders at the Annual General Meeting.

4.- TREASURY SHARES

At 2017 year-end the Company held 12,531,939 treasury shares with a total value of EUR 48,638 thousand.

The changes in "Treasury Shares" in 2017 were as follows:

	No. of shares	Thousands of euros
Balance at 31 December 2015	256,926	3,908
Purchases	35,103,311	155,566
Sales and deliveries	(23,398,436)	(113,329)
Balance at 31 December 2016	11,961,801	46,145
Purchases	16,100,595	63,937
Sales and deliveries	(15,530,457)	(61,444)
Balance at 31 December 2017	12,531,939	48,638

5.- DEVELOPMENT

In 2017 the Company invested EUR 213 thousand in development projects and incurred expenditure of EUR 799 thousand. Also, EUR 19,692 thousand relating to 39 research and development projects were capitalised to "Intangible Assets - Development Expenditure" in the balance sheet as at 31 December 2017, whose carrying amount net of amortisation was EUR 6,181 thousand.

6.- MAIN RISKS AND UNCERTAINTIES

The Company is exposed to the financial risks inherent to its business activities.

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

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



Interest rate risk

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

The Company finances its operations with fixed- or floating-rate financial products based on the estimates made regarding changes in interest rates and debt structure objectives. Hedging transactions can be performed by arranging derivatives that mitigate these risks, and a sensitivity analysis is also conducted in this connection, or fixed-interest financing is used.

No derivative financial instruments had been designated as hedges of the Company's total debt at 31 December 2017, and bank borrowings tied to fixed interest rates represented 61.65%, due largely to the debt associated with bond issues.

The sensitivity of the Company's earnings to an interest rate increase of 0.5%, without taking into consideration bank borrowings tied to fixed interest rates, would have an impact of EUR 2,881 thousand on the Company's pre-tax loss.

Foreign currency risk

The Company operates internationally and is therefore exposed to foreign currency risk on the transactions it performs in foreign currencies.

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

The foreign currency risks basically arise on:

- Debt denominated in foreign currencies arranged by the Company or its branches abroad.
- Payments to be made in international markets for procurements or non-current assets.
- Payments receivable from projects tied to currencies other than the Company's functional currency or that of its branches.
- Investments in foreign subsidiaries.

In order to mitigate this risk, the Company arranges foreign currency derivatives and currency forwards to hedge significant future transactions and cash flows, in keeping with acceptable risk limits.

Also, the net assets stemming from net investments in foreign branches 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 branches during the integration process.

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

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 Company has adopted a policy of only trading with solvent third parties and obtaining sufficient guarantees to mitigate the risk of financial loss in the event of non-compliance. The Company 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 Company's financial assets exposed to credit risk are:

- Non-current financial assets.
- Hedging instruments.
- Trade and other receivables.
- Current financial assets.
- Financial assets included in "Cash and Cash Equivalents".

The balances of these items constitute the Company's total exposure to credit risk.

The credit risk of financial hedging instruments with a positive fair value is limited by the Company, since derivatives are arranged with highly solvent banks with high credit ratings and no single counterparty concentrates significant levels of total credit risk.

The balances of trade receivables for sales and services are made up of a high number of customers from various industries and geographical areas. Private customers account for 67% of the total (22% from Spain and 45% from abroad).

In all cases, 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 valuation adjustments are recognised whenever necessary.

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 Company's activity.

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

- Constant management of working capital, and in particular, active management of collections from customers in respect of trade and other receivables.
- Optimisation of the financial position through ongoing monitoring of cash projections.
- Management of the arrangement of financing lines in capital markets.

The Company presents in the notes to the financial statements the repayment schedule at 31 December 2017, of which EUR 621,773 thousand mature in 2018.

The Company's liquidity position at 31 December 2017 consisted of:

- Current financial assets amounting to EUR 1,468,775 thousand.
- Cash and cash equivalents amounting to EUR 137,506 thousand.
- Drawable credit lines and discount facilities amounting to EUR 125,215 thousand.

In 2016 there were four reductions in the Group's credit rating by rating agencies, three levels in the case of Moody's and one level in the case of Fitch, ultimately leaving it at Caa1 and B+ (in both cases with a negative outlook), respectively.

In order to avoid a potential adverse impact on its liquidity profile, the OHL Group initiated a process of dialogue and joint negotiation with its eight main relationship entities (the "Group of Entities"), with a twofold objective: (i) to ensure the maintenance of their support for the Group by signing a formal standstill agreement to maintain the terms and conditions, drawability and limits of the existing financing from that Group of Entities; and (ii) to negotiate a new financing package that would allow the OHL Group to ensure the coverage of its future working capital needs arising from the implementation of its business plan.



The renewal of the multi-product syndicated financing agreement (novated on 29 November 2017) was formalised on 30 March 2017 for an aggregate amount of EUR 684 million, for the *issue of guarantees* (EUR 402 million) and *reverse factoring* (EUR 92 million), which also includes a *revolving credit line* of EUR 190 million.

All maturing at 18 months, thereby extending the standstill period until that date, and secured by the shares of OHL Concesiones, S.A.U. and OHL Desarrollos, S.L.

This financing package, together with the debt reduction measures implemented in 2017 aimed at carrying out a divestment plan and taking decisive actions to generate cash flows/control projects, strengthened the Group's liquidity profile at 31 December 2017.

Note should also be made of the agreement entered into on 30 November 2017 by OHL and IFM Investors for the sale of all the Company's ownership interest in OHL Concesiones, S.A.U. This transaction should be completed in the first quarter of 2018 and will represent a significant cash inflow for the Company, which will substantially reduce its gross recourse borrowings and improve its available recourse liquidity.

Another consequence of this fact was that Moody's Investors Service credit rating agency improved OHL's corporate and senior unsecured debt Caa1 credit rating to B3 at the beginning of December 2017. This rating has been placed on watch for a possible upgrade.

7.- EVENTS AFTER THE REPORTING PERIOD

The shareholders at the Extraordinary General Meeting Held on 9 January 2018 resolved to reduce the Company's share capital by EUR 7,326,425.40 by retiring 12,210,709 treasury shares of EUR 0.60 par value each, representing a total of 4.087% of the share capital. Consequently, following the capital reduction the share capital will amount to EUR 171,928,973.40, represented by 286,548,289 shares of EUR 0.60 par value each.

The capital reduction approved by the Company's shareholders at the Extraordinary General Meeting was recorded in a public deed at the Madrid Mercantile Registry on 6 February 2018.

The shareholders at the aforementioned Extraordinary General Meeting also resolved to approve the transfer of shares representing 100% of the share capital of OHL Concesiones, S.A.U. to Global Infracor Spain, S.L.U. (a company controlled by IFM Investors Pty Ltd.) in connection with the purchase and sale agreement entered into between Obrascón Huarte Lain, S.A., OHL Concesiones, S.A.U. and Global Infracor Spain, S.L.U. on 30 November 2017.

The shareholders also resolved to modify the Company's Directors' Remuneration Policy in force, adapting it to Article 529 novodecies of the Spanish Limited Liability Companies Law, and to grant extraordinary remuneration of EUR 18 million to the CEO Juan Osuna Gómez for his work and leadership in the process of selling OHL Concesiones, S.A.U.

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

ANNEX I

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

ISSUER'S PARTICULARS

END OF FISCAL YEAR DATE	31/12/2017
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EMPLOYER'S IDENTIFICATION NUMBER	A-48010573
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CORPORATE NAME
OBRASCÓN HUARTE LAIN, S.A.

REGISTERED OFFICE
PASEO DE LA CASTELLANA, 259 D – TORRE ESPACIO, MADRID

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

A - OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
30/10/2015	179,255,398.80	298,758,998	298,758,998

Indicate if there are different classes of shares that carry different rights:

Yes ☐ No ☒

A.2 List the direct and indirect holders of significant ownership interests in the Company at year-end, excluding directors:

Name or company name of shareholder	Number of direct voting rights	Number of indirect voting rights	% over total voting rights
SOCIETE GENERALE, S.A.	12,800,818	0	4.28%
SANTANDER ASSET MANAGEMENT, S.A. SGIIC	9,027,935	0	3.02%
INMOBILIARIA ESPACIO, S.A.	0	152,737,595	51.12%
INVESCO LTD	0	7,594,777	2.54%
HENGISTBURY INVESTMENT PARTNERS LLP	0	11,015,178	3.69%
HENGISTBURY MASTER FUND LIMITED	10,131,705	0	3.39%
DEUTSCHE BANK, A.G.	12,676,318	0	4.24%

Name or company name of indirect holder of ownership interest	Via: Name or company name of direct holder of ownership interest	Number of voting rights
INMOBILIARIA ESPACIO, S.A.	GRUPO VILLAR MIR, S.A.U.	115,080,381
INMOBILIARIA ESPACIO, S.A.	ESPACIO ACTIVOS FINANCIEROS, S.L.U.	20,188,847
INMOBILIARIA ESPACIO, S.A.	GVM DEBENTURES LUX1, S.A.	17,468,367
INVESCO LTD	INVESCO ASSET MANAGEMENT LIMITED	7,484,236
INVESCO LTD	INVESCO HONG KONG LIMITED	56,764
INVESCO LTD	INVESCO POWERSHARES CAPITAL MANAGEMENT,	53,777
HENGISTBURY INVESTMENT PARTNERS LLP	HENGISTBURY MASTER FUND LIMITED	11,015,178

Indicate the most significant movements in the shareholder structure during the year:

Name or company name of shareholder	Date of the transaction	Description of the transaction
INVESCO LTD	17/10/2017	Ownership interest has risen above 2% of share capital (only tax haven)
INVESCO LTD	31/03/2017	Ownership interest has fallen below 2% of share capital (only tax haven)
INVESCO LTD	14/03/2017	Ownership interest has fallen below 3% of share capital
TYRUS CAPITAL EVENT, S.À.R.L.	02/06/2017	Ownership interest has fallen below 3% of share capital

Name or company name of shareholder	Date of the transaction	Description of the transaction
GRUPO VILLAR MIR, S.A.U.	02/06/2017	Ownership interest has risen above 35% of share capital
SANTANDER ASSET MANAGEMENT, S.A. SGIIC	04/04/2017	Ownership interest has risen above 3% of share capital
SANTANDER ASSET MANAGEMENT, S.A. SGIIC	17/03/2017	Ownership interest has fallen below 3% of share capital
HENGISTBURY INVESTMENT PARTNERS LLP	23/03/2017	Ownership interest has fallen below 5% of share capital
HENGISTBURY INVESTMENT PARTNERS LLP	10/05/2017	Ownership interest has fallen below 3% of share capital
HENGISTBURY INVESTMENT PARTNERS LLP	15/06/2017	Ownership interest has risen above 3% of share capital
HENGISTBURY INVESTMENT PARTNERS LLP	28/07/2017	Ownership interest has fallen below 3% of share capital
HENGISTBURY INVESTMENT PARTNERS LLP	17/10/2017	Ownership interest has risen above 3% of share capital
HENGISTBURY MASTER FUND LIMITED	09/05/2017	Ownership interest has fallen below 3% of share capital
HENGISTBURY MASTER FUND LIMITED	28/07/2017	Ownership interest has fallen below 2% of share capital (only tax haven)
HENGISTBURY MASTER FUND LIMITED	17/10/2017	Ownership interest has risen above 3% of share capital
THE GOLDMAN SACHS GROUP, INC	14/03/2017	Ownership interest has fallen below 3% of share capital
THE GOLDMAN SACHS GROUP, INC	23/10/2017	Ownership interest has risen above 5% of share capital
THE GOLDMAN SACHS GROUP, INC	25/10/2017	Ownership interest has fallen below 3% of share capital

- A.3 Fill out the following tables on the members of the company's Board of Directors who hold voting rights over shares in the company:

Name or company name of director	Number of direct voting rights	Number of indirect voting rights	% over total voting rights
JUAN LUIS OSUNA GÓMEZ	7,351	0	0.00%

% of total voting rights held by the Board of Directors	0.00%
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Fill out the following tables on the members of the Company's Board of Directors who hold rights over shares in the Company

- A.4 Indicate, as appropriate, any relationships of a family, commercial, contractual or corporate nature existing between the holders of significant ownership interests, insofar as they are known to the company, unless they have scant relevance or arise from the ordinary course of business:
- A.5 Indicate, as appropriate, any relationships of a commercial, contractual or corporate nature existing between the holders of significant ownership interests and the company and/or its Group, unless they have scant relevance or arise from the ordinary course of business:

Related name or company name
INMOBILIARIA ESPACIO, S.A.
OBRASCÓN HUARTE LAIN, S.A.

Type of relationship: Contractual

Brief description:

Relationships formed between Inmobiliaria Espacio, S.A., including its group companies, and the Company and its Group during the 2017 fiscal year are contractual in nature and have been executed under market conditions and have been reported in detail in Section D.2., herein.

- A.6 Indicate whether the company has been notified of any shareholders' agreements that may affect it pursuant to Sections 530 and 531 of Companies Law. Provide a brief description and list the shareholders bound by the agreement, as applicable:

Yes ☒ No ☐

Parties to the shareholders' agreement
TYRUS CAPITAL EVENT, S.A.R.L.
GRUPO VILLAR MIR, S.A.U.

Percentage of share capital affected: 8.37%

Brief description of the agreement:

As for the capital increase approved on 7 September 2015, as reported to the Company, Grupo Villar Mir, S.A.U. and Tyrus Capital Event Sàrl (Tyrus) reached an agreement in the terms communicated in the Significant Event submitted on 12 October 2015 (no. 22958), which was amended on 30 November 2016 (no. 245639).

The full text of both aforementioned significant events is transcribed in Section H.1 of this report.

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable:

Yes ☐ No ☒

Expressly indicate any amendment to or termination of such agreements or concerted action during the fiscal term:

On 2 June 2017, following the exercise of the call option covered by the aforementioned agreement, Grupo Villar Mir, S.A.U. acquired each and every share of the Company that Tyrus had held at such date.

Pursuant to Article 531 of the Capital Companies Law, the restrictions affecting the transferability of OHL shares published as a Shareholders' Agreement through Relevant Events of 12 October 2015 and 30 November 2016 were lifted for all intended purposes.

The Company submitted the corresponding significant event (no. 252926).

- A.7 Indicate whether any natural or legal person currently exercise control or could exercise control over the company in accordance with article 4 of the Securities' Market Act. If so, identify:

Yes ☒ No ☐

Name or corporate name
INMOBILIARIA ESPACIO, S.A.

Comments

A.8 Fill out the following tables on the company's treasury shares:

At year-end:

Number of direct shares	Number of shares indirectly (*)	Total % over share capital
12,531,939	0	4.19%

(*) Via:

Give details of any significant changes during the year, pursuant to Royal Decree 1362/2007:

Explain significant changes

Date Notice/ Number of shares/ %Treasury Shares

26/04/2017 12,598,029 4.217
01/06/2017 12,600,025 4.217
17/08/2017 12,520,709 4.191
03/10/2017 12,574,709 4.209
15/11/2017 12,509,209 4.187
29/11/2016 / 9,787,606 / 3.276%

A.9. Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back or transfer treasury stock.

Pursuant to Article 146 of the Companies Law, the Annual General Meeting held on first call on 21 June 2016, resolved to authorise the Company's Board of Directors to acquire treasury shares under any transfer mode approved by law, directly or through a subsidiary or affiliated company, up to the maximum amount legally accepted. The authorisation has 5 years' duration and the shares shall be acquired at a maximum price of 60 euros per share, with no minimum price limit, voiding for the unused part, the authorisation granted to this end in the General Meeting held on 27 May 2015.

Pursuant to Article 146.1a) of the Companies Law, acquired shares may be granted to company employees or directors according to remuneration or as a result of timely agreed options or shareholding plans.

Furthermore, the General Shareholders' Meeting has authorised the Board of Directors to issue shares approved by the Annual General Meeting, held on first call, on 12 May 2014, where the Board of Directors of the Company was delegated, under the provisions of Article 297 of the Capital Companies Law, the power to agree, on one or more occasions, the capital increase of the Company with pre-emptive rights of subscription. In this regard, it has authorised the Board of Directors so that it may increase the share capital at the deemed moment and amount, without having to consult the General Meeting, on one or more occasions, at any moment, during a period no longer than five years from the date of this Meeting, for the maximum provided under law, that is, EUR 29,922,282.6 euros, being equivalent to half of the existing capital, through the issuance of new shares (with or without premiums) with the equivalent value of the new shares to be issued being cash contributions.

The Board of Directors may establish the terms and conditions of the capital increase, to freely offer shares not subscribed within the preferential subscription period, resolving that, in the event of an incomplete subscription, the capital shall be increased only by the amount of the subscribed shares and that the Bylaws relating to the capital and shares be redrafted.

Likewise, the Board of Directors may request for the admission to trading, on official organised secondary markets, either domestic or foreign, of the new shares issued under this delegated power, whereby the Board may conduct the necessary formalities and actions, for the admission to trading, before the competent bodies of the various domestic or foreign securities markets.

A.9.bis Estimated floating capital

	%
Estimated floating capital	23.52

A.10 Explain any restrictions on the transfer of securities and on voting rights. Indicate, in particular, the existence of any restrictions on the takeover of the company by means of share purchases on the market.

Yes ☐ No ☒

A.11 State if the General Meeting has resolved to adopt measures to neutralise a take-over bid pursuant to the provisions of Law 6/2007.

Yes ☐ No ☒

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted:

A.12 Indicate whether the company has issued securities not traded in a regulated market of the European Union.

Yes ☐ No ☒

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer.

B - GENERAL SHAREHOLDERS' MEETING

B.1 State if there are differences with the quorum provisions of the Companies Law in respect of General Meetings. If so, give details.

Yes ☐ No ☒

B.2 State if there are differences with the rules laid down in the Companies Law regarding the adoption of resolutions. If so, give details:

Yes ☐ No ☒

Describe how they differ from the rules established in the LSC.

B.3 Indicate the rules governing amendments to the company's Bylaws. Specifically, the required majorities for amending the bylaws shall be informed, as well as the provisions set forth for safeguarding the rights of the shareholders during the bylaw amendments, as the case may be.

Pursuant to the provisions of Article 17 of the Bylaws, in order to make any amendments to the Bylaws, the shareholders' meeting, on the first call, must be attended by shareholders or proxies holding at least fifty percent of the subscribed share capital entitled to vote. On the second call, attendance by twenty-five percent of the Company's capital share entitled to vote shall suffice.

If shareholders attend that represent twenty-five percent or more of the subscribed Capital entitled to vote, without reaching fifty percent of the share capital, the adoption of the agreement shall only be valid with the favourable vote of two thirds of the capital present or represented by proxy at the Shareholders' Meeting.

B.4 Indicate the data on attendance at the General Meetings held in the year to which this report refers and those related to the previous year:

	Attendance data				
Date of Annual General Meeting	% attendance in person	% attendance by proxy	% remote voting		Total
			Electronic vote	Other	
21/06/2016	29.05%	30.37%	0.00%	0.00%	59.42%
09/05/2017	38.20%	12.99%	0.00%	0.00%	51.19%

B.5 Indicate whether the Bylaws impose any minimum requirement on the number of shares required to attend the Annual General Meetings.

Yes ☐ No ☒

B.6 Section repealed.

B.7 Indicate the address and mode of accessing corporate governance content on your company's website as well as other information on Annual General Meetings which must be made available to shareholders on the website.

Website: www.ohl.es

Information on Corporate Governance: path: OHL/info accionista e inversores/Gobierno corporativo.
Other disclosures on Annual General Meetings: path: OHL/Gobierno Corporativo/Junta General de Accionistas.

C. - MANAGEMENT STRUCTURE OF THE COMPANY

C.1 Board of directors

C.1.1 List the maximum and minimum number of directors included in the Bylaws:

Maximum number of directors	13
Minimum number of directors	7

C.1.2 Complete the following table with Board members' details.

Name or corporate name of director	Representative	Director's condition	Board office	Date of first appointment	Date of last appointment	Procedure for election
JUAN LUIS OSUNA GÓMEZ		Executive	DIRECTOR	08/05/2012	08/05/2017	COOPTION
MÓNICA SOFÍA DE ORIOL ICAZA		Independent	DIRECTOR	08/05/2012	08/05/2012	AGREEMENT ON ANNUAL GENERAL MEETING
MANUEL GARRIDO Y RUANO		Proprietary	DIRECTOR	23/06/2016	23/06/2016	COOPTION
ÁLVARO VILLARMIR DE FUENTES		Proprietary	DIRECTOR	23/03/2010	21/06/2016	AGREEMENT ON ANNUAL GENERAL MEETING
REYES CALDERON CUADRADO		Independent	DIRECTOR	27/05/2015	27/05/2015	AGREEMENT ON ANNUAL GENERAL MEETING
JUAN JOSÉ NIETO BUESO		Independent	DIRECTOR	14/11/2016	27/05/2016	COOPTION
SILVIA VILLAR-MIR DE FUENTES		Proprietary	FIRST DEPUTY CHAIRMAN	15/01/2008	12/05/2014	AGREEMENT ON ANNUAL GENERAL MEETING
JUAN ANTONIO SANTAMERA SÁNCHEZ		Proprietary	DIRECTOR	23/06/2016	23/06/2016	COOPTION

Name or corporate name of director	Representative	Director's condition	Board office	Date of first appointment	Date of last appointment	Procedure for election
JUAN VILLAR-MIR DE FUENTES		Proprietary	CHAIRMAN	25/06/1996	27/05/2015	AGREEMENT ON ANNUAL GENERAL MEETING
JOSÉ LUIS DÍEZ GARCÍA		Independent	DIRECTOR	21/06/2016	21/06/2016	AGREEMENT ON ANNUAL GENERAL MEETING
IGNACIO MORENO MARTÍNEZ		Independent	DIRECTOR	27/02/2017	09/05/2017	AGREEMENT ON ANNUAL GENERAL MEETING
AVIER GOÑI DEL CACHO		Proprietary	DIRECTOR	09/05/2017	09/05/2017	COOPTION

Total number of directors	12
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Indicate any removals of directors during the reporting period:

Name or corporate name of director	Director's condition upon termination	Date of termination
JAVIER LÓPEZ MADRID	Proprietary	09/05/2017
TOMÁS GARCÍA MADRID	Executive	25/10/2016

C.1.3 Complete the following tables on board members and their respective categories:

EXECUTIVE DIRECTORS

Name or corporate name of director	Office per Company organisation chart
JUAN LUIS OSUNA GÓMEZ	DEPUTY CHAIRMAN AND CEO

Total number of executive directors	1
% of the board	8.33%

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of director	Name or company name of significant shareholder represented or proposing appointment
MANUEL GARRIDO Y RUANO	GRUPO VILLAR MIR, S.A.U.
ÁLVARO VILLAR-MIR DE FUENTES	GRUPO VILLAR MIR, S.A.U.
SILVIA VILLAR-MIR DE FUENTES	GRUPO VILLAR MIR, S.A.U.
JUAN ANTONIO SANTAMERA SÁNCHEZ	GRUPO VILLAR MIR, S.A.U.
JUAN VILLAR-MIR DE FUENTES	GRUPO VILLAR MIR, S.A.U.
JAVIER LÓPEZ MADRID	GRUPO VILLAR MIR, S.A.U.

Total number of proprietary directors	6
% of the board	50.00%

INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of director:

MÓNICA SOFÍA DE ORIOL ICAZA

Background:

Degree in Business and Economics from Universidad Complutense de Madrid and undergraduate degree in Economy of the European Union from the London School of Economics. She held offices in companies and associations, at the same time that she performed teaching activities at Universidad Complutense de Madrid and at Saint Louis University's campus in Madrid. Since 1989 she has been a main shareholder and Chief Executive Officer of the Seguriber Group, Chairwoman of Secot member of the Protective Board of the Vizcaína Aguirre Foundation, member of the Board of Trustees of the Rafael Pino Foundation, member and former Chairwoman of YPO Madrid's Chapter, member of IWF, and independent director of Indra Sistemas, S.A., until March 2015, Chairwoman of Círculo de Empresarios.

Name or corporate name of director:

REYES CALDERÓN CUADRADO

Profile:

Degree in Business and Economics from Universidad Complutense de Madrid and undergraduate degree in Economy of the European Union from the London School of Economics. She held offices in companies and associations, at the same time that she performed teaching activities at Universidad Complutense de Madrid and at Saint Louis University's campus in Madrid. Since 1989 she has been a main shareholder and Chief Executive Officer of the Seguriber Group, Chairwoman of Secot member of the Protective Board of the Vizcaína Aguirre Foundation, member of the Board of Trustees of the Rafael Pino Foundation, member and former Chairwoman of YPO Madrid's Chapter, member of IWF, and independent director of Indra Sistemas, S.A., until March 2015, Chairwoman of Círculo de Empresarios.

Name or corporate name of director:

JUAN JOSÉ NIETO BUESO

Background:

Holds a Degree in Business Administration from ICADE and has completed studies at the London Business School and Stanford University. Some of his professional experience was gained at Goldman Sachs and Bankers Trust and he has been the CEO at Antena 3, Chair of Telefonica Media and General Manager of Telefonica, among other companies. He is currently Chairman of the investment company NK5 and Chairman of BAUX. He belongs to the Board of Directors of: Diario de Navarra, VBA Socimi and Norfin in Portugal. Furthermore, he is a member of the Advisory Board of Banco Sabadell Este and the Havas Medias Group.

Name or corporate name of director:

JOSE LUIS DíEZ GARCÍA

Background:

Holds a Degree in Economics. For over thirty years he has worked at one of the major firms providing audit services, Ernst & Young Auditors and Consultants, acting as Chairman from 1989 to 2002. He has been an independent member of the Spanish Accounting and Auditing Institute (ICAC). He has been an independent director and Chairman of the Audit Committee of Jazztel PLC, as well as independent director and Chairman of the Audit Committee of Aegon Unión Aseguradora, S.A. and Non-Executive Chairman of Renta Inmobiliaria, S.A.

Name or corporate name of director:

IGNACIO MORENO MARTINEZ

Background:

Degree in Economics and Business Administration. MBA in INSEAD. Master in Marketing and Trade Management in Instituto de Empresa.

He belongs now to the Board of Directors of several companies, he is the Chairman of Testa Residencial Socimi, S.A. of Metrovacesa Suelo y Promoción, S.A., and member of the Board and several Committees of Telefónica, S.A.

He has been CEO of Vista Capital Expansión, S.A., SGEGR- Private Equity and N+1 Private Equity. He has occupied several responsibility positions at BBVA, Banco Argentaria, Banco Vizcaya and Banco Santander de Negocios and Mercapital.

Total number of independent directors	5
Total % of the Board	41.67%

Indicate whether any independent director receives any sums of money or benefits from the Company or from the Company's group, other than the directors' remuneration, or whether he or she currently has or formerly had, over the last year, a business relationship with the Company or with any Group company, whether on his/her behalf or as a significant shareholder, director or senior executive of an entity currently or formerly maintaining such a relationship.

NO

If so, please include a well-founded statement by the Board of Directors regarding the reasons why it considers this director suitable to perform duties as an independent director.

OTHER EXTERNAL DIRECTORS

Other non-executive directors will be identified and reasons will be provided on why these other non-executive directors cannot be considered either proprietary or independent members and their relations, whether with the company or its officers, or with its shareholders:

Indicate any variations in the status of each director that may have occurred during the year:

C.1.4 Fill out the following table with the information regarding the number of female directors during the last 4 fiscal years, as well as the nature of those female directors:

	Number of female directors				% of total directors of each type			
	Fiscal year 2017	Fiscal year 2016	Fiscal year 2015	Fiscal year 2014	Fiscal year 2017	Fiscal year 2016	Fiscal year 2015	Fiscal year 2014
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	1	1	1	1	16.67%	16.67%	16.67%	16.67%
Independent	2	2	3	1	50.00%	50.00%	75.00%	25.00%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	3	3	4	2	25.00%	25.00%	33.33%	16.67%

C.1.5 Explain the measures that would have been adopted, as the case may be, to attempt to include a number of women in the Board of Directors so as to reach a balanced number of men and women:

Explanation of measures

In 2017, as foreseen under the Board's Regulations and the Directors Selection Policy, given the need to fill the vacancies for the removal of two directors, the candidates' election was sought to fall upon persons of recognised solvency, competence and experience. During the fiscal year, the Appointments and Remuneration Committee especially ensured that when filling vacancies, the selection procedure was not vitiated by bias that hinders the election of women directors; and potential women candidates were deliberately sought to fill the positions.

- C.1.6 Explain the measures that would have been decided by the Appointments Committee, as the case may be, so that the selection processes are free of implicit biases hindering the selection of female directors, and so that the Company may deliberately headhunt and include among the potential candidates, women with the sought-after professional profile:

Explanation of measures

The Board Regulations and the Directors Selection Policy state that the Appointments and Remuneration Committee shall be especially responsible for avoiding all kinds of biases that may hinder the appointment of female directors when a position opens up and for deliberately seeking women that may potentially cover those positions. In compliance with this principle, the Appointments and Remuneration Committee collects from its members and external advisors the nomination of candidates that a priori are able to meet the professional and speciality requirements that are deemed relevant in each case to cover the open positions in question.

If in spite of the measures that have been adapted, as the case may be, the number of female directors is low or nil, please provide the reasons:

Explanation of the reasons

The Appointments and Remuneration Committee complied with the intention of filling vacancies on the board through the selection process that deliberately searches for women who are potential candidates. The Appointments and Remuneration Committee remains committed to specifically ensure that when filling vacancies, the selection process is not biased whereby hindering the appointment of female directors and to deliberately seek women who to be potential candidates for the role and achieve the goal of female directors established for 2020.

- C.1.6.bis Explain the Appointments Committee's conclusions on verification of compliance of the directors' selection policy. In particular, how the policy is promoting the objective that by 2020 the number of female directors represents at least 30% of total board members.

Explanation of conclusions

The Appointments and Remuneration Committee remains committed to achieve the objective of having at least 30% women on the Company's Board of Directors by 2020. In this sense, historically, since the recommendation was presented, it has ensured that the procedure does not have any implicit biases that make it difficult for female directors to be selected, which was done during the 2017 fiscal year.

Currently, the percentage representing the 3 female directors is 25% of all the Board members, which is very close to the target set for 2020 and much greater than the 17% Spanish average as indicated in expert studies.

- C.1.7 Explain how shareholders with significant holdings are represented on the board.

Article 8.3 of the Regulations of the Board of Directors states that "The Board shall also strive to ensure that most of the external directors are owners or are representatives of owners of major stable shareholdings in the capital of the company (proprietary directors) (...)"

The six directors representing Grupo Villar Mir, S.A.U. have been appointed in conformity with the above.

No other shareholder has applied for his right to appoint a director.

C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 3% of the share capital:

State if formal requests for a presence of the Board have been rejected from shareholders with a shareholding equal to or greater than that of others who have been successfully appointed proprietary directors. If so, explain why these requests have not been entertained.

Yes ☐

No ☒

C.1.9 Indicate whether any director has resigned from office before their term of office has expired, whether that director has given the board their reasons and through which channel. If made in writing to the whole board, list below the reasons given by that director:

Name of board member:

JAVIER LÓPEZ MADRID

Reasons for resignation:

Not being possible to reconcile his duties and living abroad with the activity related to the position of Proprietary director in OHL.

Name of board member:

TOMÁS GARCÍA MADRID

Reasons for resignation:

Following the agreement for the acquisition of the total share capital of OHL Concesiones, S.A.U. (fully-owned subsidiary of OHL) by IFM Investors, where the main terms were described in the significant event published on 16 October 2017, Mr. Tomás García Madrid considered that the period for which he had been appointed CEO had come to an end and submitted his resignation.

C.1.10 Indicate what powers, if any, have been delegated to the Chief Executive Officer(s).

Name or corporate name of director:

JUAN LUIS OSUNA GÓMEZ

Brief description:

All of the powers of the Board of Directors, save for those that cannot be delegated pursuant to law and the provisions of Article 5 of the Board Regulations, including: approval of the Company's general strategies and basic criteria for organisation, annual management objectives and budgets; investment and financing policy; structure of the group of companies; corporate governance policy; organisation and operation of the Board; the corporate social responsibility policy; dividends and treasury shares policy; appointment, compensation, and, if applicable, dismissal of Company's senior executives; control of executives' management and evaluation; identification of Company's main risks and, and implementation and follow-up of internal control systems, risk management systems and appropriate information management systems; policy on information and communication with shareholders, markets and the public opinion, paying

special attention to the financial information listed companies must periodically disclose; the creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens; and, in general, any other transactions involving Company's substantial assets and the large corporate transactions and all the other provisions specifically stated in these Regulations.

C.1.11 Identify, as appropriate, the Board members who hold office as directors or executives at other companies forming part of the listed company's group:

Name or corporate name of director	Corporate name of the group entity	Position	Does he hold any executive positions?
JUAN LUIS OSUNA GÓMEZ	OHL INFRAESTRUCTURE, INC	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	OHL CONCESIONES PERU, S.A.	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	ORGANIZACION DE PROYECTOS DE INFRAESTRUCTURA, SAPI DE CV	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	PRESTADORA DE SERVICIOS VIA RAPIDA PONIENTE, S.A.P.I. DE C.V.	DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	OPERADORA VIA RAPIDA POET AS, S.A.P.I. DE C.V.	DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	LIBRAMIENTO ELEVADO DE PUEBLA, S.A. DE C.V.	DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	OPCEM, SAPI DE CV	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	CONSTRUCTORA LIBRAMIENTO ELEVADO DE PUEBLA, S.A. DE C.V.	DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	OHL INVESTMENTS, S.A.	DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	OHL CONCESSOES BRASIL, L TDA	JOINT ADMINISTRATOR	NO
JUAN LUIS OSUNA GÓMEZ	TERMINAL CERROS DE VALPARAISO, S.A.	DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	OHL CONCESIONES COLOMBIA, S.A.S.	MEMBER OF THE BOARD OF DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	NOVA DARSENA ESPORTIVA DE BARA, S.A.	NATURAL PERSON OF DIRECTOR "OHL CONCESIONES, S.A.U."	NO
JUAN LUIS OSUNA GÓMEZ	TRAFICO Y TRANSPORTE SISTEMAS, S.A.U.	JOINT ADMINISTRATOR	NO
JUAN LUIS OSUNA GÓMEZ	EUROGLOSA 45, CONCESIONARIA DE LA COMUNIDAD DE MADRID, S.A.U.	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	OHL CONCESIONES, S.A.U.	CHIEF EXECUTIVE OFFICER	YES
JUAN LUIS OSUNA GÓMEZ	METRO LIGERO OESTE, S.A.	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	CERCANIAS MÓSTOLES NAVALCARNERO, S.A.	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	OHL EMISIONES, S.A.U.	REPRESENTATIVE NATURAL PERSON OF DIRECTOR "OHL CONCESIONES, S.A.U."	NO
JUAN LUIS OSUNA GÓMEZ	OHL C.EMISIONES, S.A.U.	JOINT AND SEVERAL DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	ADMINISTRADORA MEXIQUENSE DEL AEROPUERTO INTERNACIONAL DE TOLUCA, S.A. DE C.V.	DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	AUTOPISTA URBANA NORTE, S.A. DE C.V.	CHAIRMAN	NO

Name or corporate name of director	Corporate name of the group entity	Position	Does he hold any executive positions?
JUAN LUIS OSUNA GÓMEZ	PACHIRA, S.L.U.	SOLE DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	VINCIDA GRUPO DE INVERSIONES 2006, S.L.	JOINT ADMINISTRATOR	NO
JUAN LUIS OSUNA GÓMEZ	EUROCONCESIONES, S.L.U.	JOINT ADMINISTRATOR	NO
JUAN LUIS OSUNA GÓMEZ	PARTICIPES EN METRO LIGERO OESTE, S.L.U.	SOLE DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	MAGENTA INFRAESTRUCTURA, S.L.U.	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	CONSTRUCCIONES AMOZOC PEROTE, S.A. DE C. V.	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	CONCESIONARIA MEXIQUENSE, S.A. DEC.V.	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	CONTROLADORA VIA RÁPIDA POETAS, S.A.P.I. DE C.V.	DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	GRUPO AUTOPISTAS NACIONALES, S.A.	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	LATINA MÉXICO, S.A. DE C.V.	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	OHL MÉXICO, S.A.B. DE C.V.	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	OHL TOLUCA, S.A. DE C.V.	CHAIRMAN	NO
JUAN VILLAR-MIR DE FUENTES	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	DIRECTOR	NO
JUAN VILLAR-MIR DE FUENTES	CENTRO CANALEJAS MADRID, S.L.	CHAIRMAN	NO
JUAN VILLAR-MIR DE FUENTES	PROYECTO CANALEJAS GROUP, S.L.	CHAIRMAN	NO

C.1.12 List any company board members who likewise sit on the boards of member of other non-group companies that are listed on securities markets in Spain, insofar as these have been disclosed to the company.

Name or corporate name of the director	Corporate name of the group entity	Position
JUAN JOSÉ NIETO BUESO	CORPORACIÓN EMPRESARIAL DE MATERIALES DE CONSTRUCCIÓN, S.A. (COAMAC)	DIRECTOR
JUAN JOSÉ NIETO BUESO	VBARE IBERIAN PROPERTIES SOCIMI, S.A.	DIRECTOR
JUAN VILLAR-MIR DE FUENTES	FERROGLOBE PLC	DIRECTOR
MANUEL GARRIDO Y RUANO	FERROGLOBE PLC	DIRECTOR
IGNACIO MORENO MARTINEZ	TELEFONICA, S.A.	DIRECTOR

C.1.13 Indicate and, where appropriate, explain whether the company has established rules about the number of boards on which its directors may sit.

Yes ☒ No ☐

Explanation of rules

Pursuant to the Company's Board of Directors Regulations, in general and save exception duly justified by the Appointments and Remuneration Committee, members of more than five board of directors cannot be proposed as directors.

C.1.14 Section repealed.

C.1.15 List the total remuneration paid to the Board of Directors in the year.

Board remuneration (thousands of euros)	12,965
Amount of the pension rights accumulated by current directors (thousand of euros)	0
Amount of the pension rights accumulated by former directors (thousand of euros)	0

C.1.16 Identify the senior executives who are not executive Directors, and indicate the total remuneration accrued for them during the year:

Name or corporate name	Position
ANDRÉS PAN DE SORALUCE MUGUIRO	CHAIRMAN OF OHL DESARROLLOS
ALFONSO GORDON GARCÍA	HUMAN RESOURCES AND ORGANIZATION GENERAL MANAGER
LUIS ANTONIO GARCÍA- LINARES GARCÍA	CORPORATE GENERAL MANAGER
ALBERTO SICRE DIAZ	INDUSTRIAL GENERAL MANAGER
ENRIQUE WEICKERT MOLINA	CHIEF FINANCIAL OFFICER
JOSE MARÍA DEL CUVILLO PEMÁN	GENERAL MANAGER LEGAL SERVICES
ALFONSO ORANTES CASADO DE AMEZUA	CORPORATE STRATEGY AND SYSTEMS GENERAL MANAGER
JUAN CARLOS PEÑA FERNÁNDEZ	INTERNAL AUDIT MANAGER
JOSE ANTONIO DE CACHAVERA SANCHEZ	GENERAL MANAGER - OHL SERVICES
IGNACIO BOTELLA RODRÍGUEZ	GENERAL MANAGER - OHL CONSTRUCTION
Total remuneration received by senior management (thousands of euros)	
8,208	

C.1.17 List, if applicable, the identity of those directors who are likewise members of the boards of directors of companies that own significant holdings and/or group companies:

Name or corporate name of director	Name or corporate name of significant shareholder	Position
ÁLVARO VILLAR-MIR DE FUENTES	GRUPO VILLAR MIR, S.A.U.	DIRECTOR
ÁLVARO VILLAR-MIR DE FUENTES	PROMOCIONES Y PROPIEDADES INMOBILIARIAS ESPACIO, S.L.U.	DIRECTOR
SILVIA VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, SA	DIRECTOR
SILVIA VILLAR-MIR DE FUENTES	GRUPO VILLAR MIR, S.A.U.	DIRECTOR
SILVIA VILLAR-MIR DE FUENTES	FONDO CULTURAL VILLAR MIR, S.L.	CHIEF EXECUTIVE OFFICER
SILVIA VILLAR-MIR DE FUENTES	PROMOCIONES Y PROPIEDADES INMOBILIARIAS ESPACIO, S.L.U.	DIRECTOR
JUAN VILLAR-MIR DE FUENTES	PLAYAS ESPANOLAS, SAU.	SOLE DIRECTOR
JUAN VILLAR-MIR DE FUENTES	FERTIBERIA, SA	DEPUTY CHAIRMAN CHIEF EXECUTIVE OFFICER
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, SA	DEPUTY CHAIRMAN CHIEF EXECUTIVE OFFICER

Name or corporate name of director	Name or corporate name of significant shareholder	Position
JUAN VILLAR-MIR DE FUENTES	ESPACIO CONIL, SAU.	SOLE DIRECTOR
JUAN VILLAR-MIR DE FUENTES	ESPACIO INFORMATION TECHNOLOGY, SA	JOINT AND SEVERAL DIRECTOR
JUAN VILLAR-MIR DE FUENTES	GRUPO VILLAR MIR, S.A.U.	DEPUTY CHAIRMAN CHIEF EXECUTIVE OFFICER
JUAN VILLAR-MIR DE FUENTES	GESTION INTEGRAL DE SERVICIOS INMOBILIARIOS, S.L.U.	SOLE DIRECTOR
JUAN VILLAR-MIR DE FUENTES	ARINVER, S.L.U.	SOLE DIRECTOR
JUAN VILLAR-MIR DE FUENTES	PROMOCIONES Y PROPIEDADES INMOBILIARIAS ESPACIO, S.L.U.	CHAIRMAN AND CEO
JUAN VILLAR-MIR DE FUENTES	CARTERA VIMIRA 20, S.L.U.	SOLE DIRECTOR
MANUEL GARRIDO Y RUANO	ALNAB, S.A.U.	SOLE DIRECTOR
MANUEL GARRIDO Y RUANO	ESPACIO ACTIVOS FINANCIEROS, S.L.U.	SOLE DIRECTOR
MANUEL GARRIDO Y RUANO	TORRE ESPACIO GESTIÓN, S.L.U.	SOLE DIRECTOR
MANUEL GARRIDO Y RUANO	ESPACIO AVIATION MANAGEMENT, S.L.U.	SOLE DIRECTOR
MANUEL GARRIDO Y RUANO	ESPACIO FALCON, SLU	SOLE DIRECTOR
MANUEL GARRIDO Y RUANO	HIDRO NITRO ESPANOLA, S.A.U.	DIRECTOR
MANUEL GARRIDO Y RUANO	PACADAR, S.A.U.	SOLE DIRECTOR
MANUEL GARRIDO Y RUANO	ESPACIO INFORMATION TECHNOLOGY, S.A.	JOINT AND SEVERAL DIRECTOR
MANUEL GARRIDO Y RUANO	MOTHERCARE IBERICA, SA	JOINT AND SEVERAL DIRECTOR
MANUEL GARRIDO Y RUANO	FONDO CULTURAL VILLAR MIR, S.L.	DIRECTOR
MANUEL GARRIDO Y RUANO	ESPACIO AVIATION MANAGEMENT, S.L.U.	SOLE DIRECTOR
MANUEL GARRIDO Y RUANO	FORMULA JET, S.L.U.	SOLE DIRECTOR
MANUEL GARRIDO Y RUANO	VILLAR MIR ENERGÍA, S.L.U.	DIRECTOR
MANUEL GARRIDO Y RUANO	CARTERA VIMIRA 18, S.L.U.	SOLE DIRECTOR
MANUEL GARRIDO Y RUANO	CARTERA VIMIRA 21, S.L.U.	SOLE DIRECTOR
MANUEL GARRIDO Y RUANO	ESPACIO ADRIANO, S.L.U.	SOLE DIRECTOR
MANUEL GARRIDO Y RUANO	ALLOYS INTERNATIONAL, A.G.	CHAIRMAN
MANUEL GARRIDO Y RUANO	GVM DEBENTURES LUX1, S.A.	CHAIRMAN
MANUEL GARRIDO Y RUANO	GVM DEBENTURES LUX4, S.A.	CHAIRMAN
MANUEL GARRIDO Y RUANO	CALATRAVA RE, SA	CHAIRMAN
MANUEL GARRIDO Y RUANO	FERROGLOBE PLC	DIRECTOR

List, if appropriate, any relevant relationships, other than those included under the previous heading, that link members of the Board of Directors with significant shareholders and/or their group companies:

Name or company name of associated director:

JUAN VILLAR-MIR DE FUENTES

Name or company name of significant associated shareholder:

ESPACIO ACTIVOS FINANCIEROS, S.L.U.

Description of relationship:

General Legal Representative

C.1.18 Indicate the amendments, if any, to the Board Regulations during the year:

Yes ☒

No ☐

The Board of Directors, at its meeting held on 27 March 2017, agreed to delegate the responsibility of Corporate Social Responsibility and good governance of the OHL Group to the Appointments and Remuneration Committee, along with its supervision, drive and control and, consequently, to modify Articles 14, 15 and 16 of the Regulations of the Board of Directors, being effective after the General Shareholders' Meeting held on 9 May 2017, where such amendments were informed.

C.1.19 Indicate the procedures for the appointment, re-election, evaluation and removal of directors. List the competent bodies, procedures and criteria used for each of these procedures.

Any appointment or re-election proposal submitted by the Board of Directors to the General Meeting for approval and any appointments made by the Board by its legally stipulated powers of cooption are preceded by a proposal or report by the Appointments and Remuneration Committee. The Committee will attempt to ensure that the members elected are competent, solvent and experienced (art. 20 Board Regulations), and in the cases of re-election it shall assess the quality of the work and dedication of the directors to their office (art. 21 Board Regulations).

Directors removal shall be effective at the end of the period for which they were appointed, and when so resolved by the Annual General Meeting or the Board of Directors as per the powers legally or statutory granted. In addition, they must tender their resignation to the Board of Directors if they are disqualified on the grounds pursuant to the Board Regulations, upon prior report by the Appointments and Remuneration Committee.

C.1.20. Explain, if applicable, to what extent this evaluation has prompted significant changes in its internal organisation and the procedures applicable to its activities:

Description of changes

The 2017 annual assessment did not result in any significant change for the internal organisation or procedures and internal efforts have continued to ensure that the decision-making process is more efficient and suitable.
--

C.1.20.bis Describe the assessment process and the areas evaluated by the Board of Directors assisted, if necessary, by an external consultant, regarding diversity in its composition and powers, operation and composition of its committees, performance of the Board of Directors' Chairman and the company's chief executive, as well as performance and contribution of each director.

During the 2017 fiscal year, the Company conducted an evaluation process based on a questionnaire similar to the one used for the 2016 evaluation process of the Board of Directors and its Committees, which included the support and external advisory services of PwC, on issues relating to the quality and effectiveness of the duties and performance of the Board of Directors and its Committees, where the areas being evaluated, among others, were the structure, membership and performance of the Board of Directors and its Committees, the roles and performance of the governing bodies, the performance of the Chairman and other appointments, as well as the remuneration policy.

C.1.20.ter Break down, if any, business relationships between the consultancy firm or any company in its group and the company or any company in its group.

N/A.

C.1.21 Indicate the cases in which directors must resign.

Pursuant to Article 23 of the Board Regulations, directors must tender their resignation to the Board of Directors and formalise their resignation, if the latter deems it appropriate, in the following events:

- a) Proprietary directors, when transferring their equity interest.
- b) Upon removal from executive positions to which their appointment as director is linked.
- c) When they are disqualified on the grounds of conflict of interest with those of the company or any other legal grounds.
- d) When indicted for any presumed crime or when subjected to disciplinary measures for serious or very serious breach determined by supervising authorities.
- e) When seriously reprimanded by the Audit and Compliance Committee upon breaching of director's obligations.
- f) When their continuity in the Board can jeopardise the interests of the Company or when the reasons for their appointment no longer apply.

C.1.22 Section repealed.

C.1.23 Are qualified majorities other than those prescribed by law required for any type of decision?

Yes ☐ No ☒

If applicable, describe the differences.

C.1.24 Explain whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairman.

Yes ☐ No ☒

C.1.25 Indicate whether the Chairman has the casting vote.

Yes ☐ No ☒

C.1.26 Indicate whether the bylaws or the board regulations set any age limit for directors:

Yes ☐ No ☒

C.1.27 Indicate whether the Bylaws or the Board Regulations set a limited term of office for independent directors other than that established in the relevant rules:

Yes ☐ No ☒

C.1.28 Indicate whether the Bylaws or board regulations stipulate specific rules on appointing a proxy to the board, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold. Also, indicate whether any limitation has been set forth regarding the right delegating conditions beyond the limitations established by law. If so, give brief details.

Directors who cannot attend the meeting shall delegate their vote in favour of a member of the same group in the Board, including the corresponding instructions (Article 18 of the Board of Directors Regulations).

C.1.29 Indicate the number of Board meetings held during the year and how often the Board has met without the Chairman's attendance. For this purpose, appointments of representatives with specific instructions will be considered attendances.

Number of board meetings	13
Number of board meetings held without the Chairman's attendance	0

Should the chairman be an executive director, state if the number of meetings held without attendance of any executive director in person or by proxy and with the chairmanship of the coordinating director.

Number of meetings	0
---------------------------	---

Indicate how many meetings of the various Board Committees were held during the year.

Committee	Number of Meetings
AUDIT COMMITTEE	19
APPOINTMENTS AND REMUNERATION COMMITTEE	11

C.1.30 State the number of meetings held by the Board of Directors during the year, with the attendance of all members. For this purpose, appointments of representatives without specific instructions will be considered attendance:

Number of meeting with the attendance of all directors	10
% of attendances of the total votes cast during the year	76.92%

C.1.31 Indicate whether the consolidated and individual financial statements submitted for authorisation for issue by the board are certified previously.

Yes ☒ No ☐

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior to their authorisation for issue by the board:

Name	Position
ENRIQUE WEICKERT MOLINA	CHIEF FINANCIAL OFFICER

C.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements prepared by it from being submitted at the Annual General Meeting with a qualified auditors' report.

The financial statements, as for the rest of the periodic financial information or any other information that is required to be made available to the markets, are examined by the Committee for Audit and Compliance at a meeting before that in which the external auditors report on the progress of their auditing tasks. Subsequently, the financial statements are re-examined during a final session in which the external auditors report on their forecast of the audit report, all in accordance with the provisions of Article 15 of the Regulations of the Board of Directors. Additionally, the Audit and Compliance Committee during any of its ordinary meetings would be assisted by the external auditors, where necessary, to identify or clarify any discrepancy by providing, where appropriate, any additional information so as to avoid any other qualified opinion.

Finally, the auditors presented their forecast report before the Board of Directors, which met for the preparation of the financial statements.

Article 42 of the Regulations states that the Board of Directors shall produce the financial statements leaving room for amendments by the auditor, a recommendation that the Company has been compliant with since being listed on the securities market.

C.1.33 Is the Board Secretary a director?

Yes ☐ No ☒

Complete the following table if the secretary is not a director:

Name or corporate name of secretary	Representative
JOSÉ MARÍA DEL CUVILLO PEMÁN	

C.1.34 Section repealed.

C.1.35 Indicate and explain, where applicable, the mechanisms implemented by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

One of the tasks attributed to the Audit and Compliance Committee is to gather information on matters that may call the auditor's independence into question, as well as any other matters relating to the auditing process, including receiving information and the other disclosures stipulated in accounting and auditing legislation and auditing standards. The Committee examines the independence of such report at an annual meeting, while paying particular attention to the amounts for fees relating to services other than auditing.

Pursuant to Article 42 of the Board of Directors Regulations, the latter shall not hire those audit firms whose fees for all concepts may exceed 10% of its overall revenues during the last period.

With regard to the outsourcing of financial analysts, investment banks and rating agencies pay particular attention to maintaining their independence during the contractual process should any of such undertake a role in the regular activity of the Company.

C.1.36 State whether the Company has changed its external auditor during the period. If so, identify the incoming audit firm and the outgoing auditor.

Yes ☐ No ☒

Explain any disagreements with the outgoing auditor and the reasons for the same.

C.1.37 Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the company and/or its group.

Yes ☒ No ☐

	Company	Group	Total
Amount of other non-audit work (in thousands of euros)	216	674	890
Amount of non-audit work as a % of the total amount billed by the audit firm	24.19%	28.63%	27.41%

C.1.38 State whether the audit report on the financial statements for the previous year contained reservations or qualifications. Indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of those reservations or qualifications.

Yes ☐ No ☒

C.1.39. Indicate the number of fiscal years that the current audit firm has been uninterruptedly auditing the financial statements of the Company and/or the Group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited:

	Company	Group
Number of consecutive years	30	28
Number of years audited by current firm/number of years the company has been audited (as a %)	100.00%	100.00%

C.1.40 Indicate and give details of any procedures through which directors may receive external advice:

Yes ☒ No ☐

Details of procedure

Article 26 of the Board of Directors Regulations states that non-executive directors shall propose expert advice on legal, accounting, technical, financial, commercial or other matters at the Company's expense to be aided during furtherance of their duties, attending, if necessary, to the meetings, should the technical advice is required for the decision making.

C.1.41 Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for the meetings of the governing bodies:

Yes ☒ No ☐

Details of the procedure

The required documentation and information subject to analysis or approval at each Board of Directors and Board Committee meetings, along with the minutes of each meeting, is made available to the directors with sufficient time via a digital platform, which is exclusively accessible by the board members.

C.1.42 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might harm the company's name or reputation, tendering their resignation as the case may be.

Yes ☒ No ☐

Explain the rules

Directors must report all legal, administrative, and any sort of claims that because of their importance may seriously affect the Company's reputation, tendering their resignation to the Board of Directors and formalizing it if deemed appropriate when, among other cases, they are prosecuted for an allegedly criminal act or subject to disciplinary proceedings instructed by the supervisory authorities for a serious or very serious offense.

C.1.43 State whether any Board member has advised the Company that he or she has been prosecuted or ordered to stand trial for any of the criminal offences referred to in Section 213 of the Companies Law:

Yes ☐ No ☒

Indicate whether the Board of Directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the director should continue to hold office or, if applicable, detail the actions taken or to be taken by the board.

C.1.44 List the significant agreements entered into by the company which come into force, are amended or terminate in the event of a change of control of the company due to a takeover bid, and their effects.

N/A

C.1.45 Identify, in aggregate form and provide detailed information on agreements between the company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other.

Number of beneficiaries: 5

Type of beneficiary:

Chief Executive Officer and Senior Management

Description of resolution:

Chief Executive Officer: The employment contract for the CEO contemplates a compensation of up to two years of his total remuneration in the event of (i) termination, under certain circumstances, of the formalised agreement due to the expiration of the term, without any provision to extend the appointment; (iii) a unilateral termination without cause by the Company, (iii) there is a change in the controlling shareholder of the Company; (iv) corporate transaction, including the sale of an essential asset, that substantially modifies the current structure of the OHL Group and (v) any substantial modification of the capacity or areas of competence and responsibility. The entry into force and effect of this compensation is subject to the condition precedent that the general meeting of the Company's shareholders approve the subsequent amendment of the Company's Remuneration Policy so that they remain fair.

The employment contract also includes the possibility that, in the event of the termination, the Board may request a two-year non-competition period and a compensation based on two full years of total actual remuneration.

Senior Executives: The senior manager contract covers a severance pact of a greater amount, which results from (a) the application of the rule for unfair dismissal provided under the law for ordinary employment relationships or (b) one full year's remuneration for the event of a termination of contract without just cause by the Company and in the event of the voluntary termination of a senior manager during the change of control of the company and/or in the event of organisational modifications thereof affecting more than fifty percent of its equity, in addition to the grounds provided under Article 10.3 of Royal Decree 1382/1985.

The senior executive contract includes the possibility, in the event of the termination of an employment relationship, of a two-year non-competition period, along with a compensation between a fixed yearly remuneration and two full years of remuneration.

State if such agreements should be reported and/or approved by the bodies of the Company or its group:

	Board of Directors	Annual General Meeting
Body approving clauses	Yes	No

	Yes	NO
Is the General Shareholders' Meeting informed of such clauses?		X

C.2. Committees of the Board of Directors

C.2.1 Give details of all the board committees, their members and the proportion of executive, proprietary and independent and other non-executive directors.

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Category
JOSÉ LUIS DíEZ GARCÍA	CHAIRMAN	Independent
REYES CALDERON CUADRADO	MEMBER	Independent
MANUEL GARRIDO Y RUANO	MEMBER	Proprietary

% of proprietary directors	33.33%
% of independent directors	66.67%
% of other non-executive directors	0.00%

Explain the functions assigned to this committee, describe the procedures and rules of organisation and operation thereof and summarise their most important performances during the year.

The functions attributed to the Audit and Compliance Committee and the procedures and rules of organisation and operation are included in the Article 15 of the Board of Directors' Regulations, whose full text is reproduced in section H.1. of this report along with a detail of the most important actions taken during the year.

During its 19 meetings held in 2017, the Audit and Compliance Committee within their basic responsibilities has carried out the following tasks: the review of periodic and annual financial information, the review of internal and external audits of the Company and its Group; the external auditor's appointment and independence; the approval of the annual Report of sustainability and Group's activities and state of CSR during the previous year; the update of the Company's risk map; the monitoring of the Compliance Department's actions, and its self-assessment. During 2017, the Committee followed up and approved the responses to the requests for information made by the CNMV and reported favourably to the board.

Identify the directors in the Audit Committee assigned as per their skills and expertise in accounting, auditing or both areas, and report on the number of years the current Chairman of this Committee has been in this position.

Name of the experienced director	JOSÉ LUIS DíEZ GARCÍA
Number of years of chairman in office	0

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Category
MÓNICA SOFÍA DE ORIOL ICAZA	CHAIRMAN	Independent
JUAN VILLAR-MIR DE FUENTES	MEMBER	Proprietary
JUAN JOSÉ NIETO BUESO	MEMBER	Independent
JUAN ANTONIO SANTAMERA SÁNCHEZ	MEMBER	Proprietary
REYES CALDERON CUADRADO	MEMBER	Independent

% of proprietary directors	40.00%
% of independent directors	60.00%
% of other non-executive directors	0.00%

Explain the functions assigned to this committee, describe the procedures and rules of organization and operation thereof and summarise their most important performances during the year.

During its 11 meetings, the Appointments and Remuneration Committee within its basic responsibilities has carried out actions relating to the remuneration of directors and general managers, reporting favourably on the annual remuneration Report; propose the appointment of two independent directors to fill two vacancies; reported favourably on the proposal of the appointment and ratification of proprietary directors and reported favourably on the appointment of the CEO during the year. Additionally, it reported on related-party transactions and made its self-assessment.

C.2.2 Fill out the following table with the information regarding the number of female directors in the Board of Directors' committees during the last four years:

	Number of female directors							
	Fiscal year 2017		Fiscal year 2016		Fiscal Year 2015		Fiscal Year 2014	
	Number	%	Number	%	Number	%	Number	%
AUDIT AND COMPLIANCE COMMITTEE	1	33.33%	1	33.33%	1	33.33%	1	25.00%
APPOINTMENTS AND REMUNERATION COMMITTEE	2	40.00%	1	33.33%	2	66.66%	2	66.66%

C.2.3 Section repealed.

C.2.4 Section repealed.

C.2.5 Indicate, as appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the year. Also, indicate whether an annual report on the activities of each committee has been prepared voluntarily.

The Board committees are governed by the Board Regulations and an updated version is available on the Company's website: www.ohl.es (path OHL/info accionistas e inversores/Gobierno Corporativo/Comisiones del Consejo).

At its meeting on 29 March 2017, the Board of Directors resolved to assign the Appointments and Remuneration Committee the roles of Corporate Social Responsibility and Corporate Governance that the Audit and Compliance Committee had been fulfilling up until such date, whereby modifying, accordingly, Articles 14 and 15 of the Regulations of the Board of Directors, where the full text of which is presented in Section H.1. of this Report.

Both committees approve their Annual Activity Report on a yearly basis.

C.2.6 Section repealed.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Explain, if applicable, the procedures for approving related-party or intragroup transactions.

Procedure to notify the approval of related-party transactions

In the previous fiscal year, the Board of Directors of the Company approved a rule that implements the provisions of the Regulations of the Board of Directors to enhance and detail the procedures and controls of transactions that the Company or any of its Group Companies decides to undertake for its board members or significant shareholders or their respective related parties.

Transactions that are covered by this procedure are all those that involve the transfer of resources, services, rights or obligations, regardless of whether or not there is any compensation, which is undertaken by any of the persons mentioned in the previous section with the Company or with any of the Group Companies.

Related-party transactions under this rule are subject to the prior approval of the Board of Directors of the Company shall require a prior favourable report of the Appointments and Remuneration Committee. The Board of Directors shall, in order that the transactions for board members and significant shareholders or with the respective associated persons are appropriate for the Company and pertinent, ensure that they are made at market conditions and that they abide by the principle of equal treatment of shareholders so that are respected by the same conditions. Failure to comply with the rules and obligations established in the foregoing rule may be considered as a wrongdoing for the persons receiving such after having been implemented and authorised, as well as for those being obliged to notify such without doing so.

In accordance with article 260 of the Capital Companies Law, the Company shall announce, in the Notes to the Financial Statements, any significant transactions between the Company and associated third parties, indicating the nature, association, amount and any information for the transactions required to determine the financial position of the Company. Furthermore, in compliance with Order EHA 3050/2004 of 15 September, in its capacity as issuing company of securities admitted for trading on official secondary markets, it shall provide all information on related-party transactions specified in the half-yearly financial reports.

D.2 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders.

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (in thousands of euros)
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Sales of goods (finished or in progress)	28,829
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Contractual	Sales of goods (finished or in progress)	2,920
INMOBILIARIA ESPACIO, S.A.	CHEMTROL-PROYECTOS Y SISTEMAS, S.L.U.	Contractual	Sales of goods (finished or in progress)	4
INMOBILIARIA ESPACIO, S.A.	COMERCIAL DE MATERIALES DE INCENDIO, S.L.	Contractual	Sales of goods (finished or in progress)	28
INMOBILIARIA ESPACIO, S.A.	OHL INDUSTRIAL, S.L.U.	Contractual	Sales of goods (finished or in progress)	4
INMOBILIARIA ESPACIO, S.A.	SOCIEDAD ANÓNIMA TRABAJOS Y OBRAS (SATO) (SOLE-SHAREHOLDER COMPANY)	Contractual	Sales of goods (finished or in progress)	260
INMOBILIARIA ESPACIO, S.A.	OHL SERVICIOS-INGESAN, S.A.U.	Contractual	Sales of goods (finished or in progress)	605

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (in thousands of euros)
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Services rendered	1,351
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Contractual	Services rendered	8
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Contractual	Interest charged	1,027
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Interest charged	4,245
INMOBILIARIA ESPACIO, S.A.	AVALORA TECNOLOGIAS DE LA INFORMACIÓN, S.A.U.	Contractual	Interest charged	110
INMOBILIARIA ESPACIO, S.A.	AVALORA TECNOLOGIAS DE LA INFORMACIÓN, S.A.U.	Contractual	Purchases of goods (finished or in progress)	2,709
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Purchases of goods (finished or in progress)	394
INMOBILIARIA ESPACIO, S.A.	CONSTRUCCIONES ADOLFO SOBRINO, S.A.U.	Contractual	Purchases of goods (finished or in progress)	1,465
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Contractual	Services received	1,211
INMOBILIARIA ESPACIO, S.A.	OHL INDUSTRIAL MINING AND CEMENT, S.A.	Contractual	Services received	4
INMOBILIARIA ESPACIO, S.A.	OHL INDUSTRIAL, S.L.U.	Contractual	Services received	29
INMOBILIARIA ESPACIO, S.A.	SOCIEDAD ANÓNIMA TRABAJOS Y OBRAS (SATO) (SOLE-SHAREHOLDER COMPANY))	Contractual	Services received	62
INMOBILIARIA ESPACIO, S.A.	CONSTRUCCIONES ADOLFO SOBRINO, S.A.U.	Contractual	Services received	31
INMOBILIARIA ESPACIO, S.A.	OHL SERVICIOS-INGESAN, S.A.U.	Contractual	Services received	22
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Services received	3,557
INMOBILIARIA ESPACIO, S.A.	AGRUPACIÓN GUINOVART OBRAS Y SERVICIOS HISPANIA, S.A.U.	Contractual	Services received	117
INMOBILIARIA ESPACIO, S.A.	ASFALTOS Y CONSTRUCCIONES ELSAN, S.A.U.	Contractual	Services received	100
INMOBILIARIA ESPACIO, S.A.	CATALANA DE SEURETAT I COMUNICACIONS, S.L.	Contractual	Services received	15
INMOBILIARIA ESPACIO, S.A.	CHEMTROL-PROYECTOS Y SISTEMAS, S.L.U.	Contractual	Services received	14
INMOBILIARIA ESPACIO, S.A.	CONSTRUCTORA DE PROYECTOS VIALES DE MÉXICO, S.A. DE C.V.	Contractual	Services received	161
INMOBILIARIA ESPACIO, S.A.	OHL DESARROLLOS MÉXICO, S.A. DE C.V.	Contractual	Services received	14
INMOBILIARIA ESPACIO, S.A.	OHL ARABIA LLC	Contractual	Services received	26
INMOBILIARIA ESPACIO, S.A.	EYM INSTALACIONES, S.A.	Contractual	Services received	45
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Sales of property, plant and equipment	1
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Purchases of intangible assets	711
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Guarantees	25,782
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Contractual	Sales of non-current financial assets	8,470
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Contractual	Loan financing agreements	926
INMOBILIARIA ESPACIO, S.A.	AVALORA TECNOLOGÍAS DE LA INFORMACIÓN, S.A.U.	Contractual	Sales of goods (finished or in progress)	489

D.3 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's managers or directors.

D.4 List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities.

In any case, any intragroup transactions carried out with entities in countries or territories considered to be tax havens will be reported.

D.5 Indicate the amount from related-party transactions.

0 (in thousands of euros).

D.6. Give details of the mechanisms in place for detecting, identifying and resolving any potential conflicts of interest between the Company and/or its Group and its directors, executives or significant shareholders.

The Regulations of the Board of Directors establishes, among others, as basic obligations arising from the duty of board member loyalty, to adopt the necessary measures so as to avoid any situations where their interests, either on their own account or someone else's account, may be in conflict with the company's interests and their duties towards it and specifically obliges the directors to abstain from:

a) Making transactions with the Company except in the case of ordinary transactions made under standard conditions for customers and of little relevance, defined as those whose information is not necessary to express the true and fair view of the Company's equity, financial position and results.

b) Using the Company's name or invoke their status as director to improperly influence the performance of private transactions.

c) Making use of corporate assets, including confidential company information, for private purposes.

d) Taking advantage of the Company's business opportunities.

e) Obtaining benefits or remuneration from third parties other than the Company and its group related to the performance of their duties, except in the case of mere courtesy attentions.

Developing self-employed or employed activities involving existing or prospective effective competition with the Company or otherwise placing them at a permanent conflict with Company's interest.

2. The foregoing provisions apply to cases where the beneficiary of any such prohibited actions or activities is a person related to the director.

3. In any case, the Directors shall inform the Board of Directors of any situation of conflict, either direct or indirect, in which such or the persons related to such may have with the interests of the Company.

Situations where there are conflicts of interest that involve the Directors shall be reported in the Notes to the Financial Statements.

The company may waive the foregoing requirements in individual cases authorising a director or a related person for a specific transaction with the company, the use of certain company assets, the exploitation of a specific business opportunity, or the attainment of an advantage or remuneration from a third party. Such authorisation must be approved by the general meeting when it relates to waiving the prohibition on gaining an advantage or remuneration from third parties, or when it affects a transaction the value of which exceeds ten percent of the company's assets. For all other cases, authorisation may also be granted by the Board of Directors, as long as the independence of those granting authorisation is guaranteed in relation to the Directors receiving any such authorisation. In addition, it will be necessary to ensure the authorised operation does not harm the company's assets or, where applicable, its execution under market conditions and process transparency. The obligation of not to compete with the Company may only be waived in the event that no harm is expected to result for the company or where any harm is expected to be compensated by the expected benefits of a waiver. The waiver shall individually and expressly be granted by the general meeting. In any event, at the request of any partner, the General Meeting may resolve to suspend any director performing competitive activities when the risk of harm to the company becomes relevant. Exceptionally, when the use of company assets has been authorised, directors may be dispensed of the obligation to pay the consideration, but in such cases the economic advantage will be considered an indirect remuneration and must be authorised by the Board, subject to a report from the Appointments and Remuneration Committee. If the Director receives the economic advantage as a partner, the advantage will be acceptable only if the principle of equal treatment of shareholders is abided by.

The Council shall be informed, in any case, of economic or trade relations occurring between the Board Member and the Company.

Likewise, the Company's current procedural Rule for related-party transactions, requires all persons receiving such (board members and senior management) to understand the procedure contained therein, to comply and to implement to the necessary measures to be adhered to by OHL and the Group.

D.7 Is more than one group company listed in Spain?

Yes ☐

No ☒

Identify the listed subsidiaries in Spain:

Listed Subsidiary

Indicate whether they have provided detailed disclosure on the type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies.

Define any possible business relations between the parent company and the listed subsidiary and between the latter and the other Group companies

Indicate the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies:

Mechanisms to resolve possible conflicts of interest

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Describe the risk management system in place at the company, including the tax risks.

OHL Group's Risk Management System works in a comprehensive and continuous manner, through operational divisions and corporate functional areas, consolidating this management at the Group level.

E.2 Identify the bodies responsible for preparing and implementing the risk management system, including the tax system.

RESPONSIBILITIES ATTRIBUTED TO THE BOARD OF DIRECTORS:

The Board of Directors is the most senior decision-making body of the Company and, as detailed in section 5 e) of its Regulations, it takes on the obligation of being directly liable for the "identification of Company's main risks and, in particular, those arising from transactions with derivatives, and implementation and follow-up of internal control systems, risk management systems and appropriate information systems".

The Board of Directors' role in the Risk Management System is to assume the responsibility and follow-up of the risk management system; approve the Group's risk management policy; uphold Management's commitment to improve performance in Risk management; review and approve OHL Group's risk Map; and issue guidelines on how to address risks so as to keep the level of exposure to them within the set limits of tolerance.

The Board carries out its supervisory work through the Audit and Compliance Committee (hereinafter, the "Audit Committee").

RESPONSIBILITIES ATTRIBUTED TO THE AUDIT COMMITTEE:

Notwithstanding any other duty imposed by Law, the Annual General Meeting or the Board of Directors, the Audit Committee's responsibilities include the following, as indicated in section 23 f) of the Bylaws and Art. 15 of the Board Regulations: "Overseeing the efficiency of the company's internal control, internal audit services and risk management systems, reviewing the appointment and replacement of responsible parties, as well as discussing with account auditors the most relevant internal control system weaknesses detected during the audit".

The specific work performed on the Audit Committee's Risk Management System focus on reviewing and approving the Group's risk management policy, the risk tolerance limits, the risk governance model and other documentation related to risk management, such as risk categories, valuation scales and risk maps; maintaining knowledge and an understanding of the set risk tolerance levels, of the main risks that can affect the attainment of the Group's objectives and of the actions that are being carried out to maintain the levels of exposure to risk within the set limits; to issue guidelines and warnings for the treatment of risks with the purpose of maintaining their exposure levels within the set tolerance levels; to keep a direct and independent line of communication open with the Risks and Internal Control Manager at least one every three months and whenever circumstances call for it, and ensure the implementation of adequate procedures to identify, analyse, assess, follow-up and report risks.

E.3 Indicate the main risks, including tax risks, which may prevent the company from achieving its targets.

The OHL Group's business is dependent upon specific elements impacting on the company due to their context and factors common to all other companies in the sector, including the global uncertainty affecting all companies.

The Group's Risk Management System considers all risks that can affect the achievement of the business objectives. These risks are classified into four large risk categories. Risk categories are defined risk groups that enable a consistent organisation of risk identification, evaluation, assessment and follow-up. The use of standardised risk categories in the Group enables aggregation of risks of the different Divisions in order to determine their global impact on the Group.

The risks that may affect the achievement of the business' objectives are classified as follows:

- 1.- Strategic Risks: They are related to the market and environment, to the diversity of markets/countries in which the Group operates, to those derived from partnerships and joint projects, to those arising from the Group's organisational structure, as well as to the risks incidental to the Group's reputation and image.
- 2.- Operating risks: They are related to the Group's operating processes according to the value chain of each of the Group's Divisions. This category identifies more accurately those risks related to contracting and supply, subcontracting and suppliers, production, execution and operation, asset management, labour, environment, technology and systems, force majeure and fraud, and corruption.
- 3.- Compliance risks: They are related to the compliance with applicable legislation, with contracts with third parties and with the Group's internal procedures, rules, and policies.
- 4.- Financial risks: They are related to access to financial markets, cash and tax management, reliability of the economic and financial information, and management of insurance.

Specifically, during 2017, the following risks have been determined as priorities as they could have an impact on the performance of the Group's objectives:

- Liquidity risk and access to financial markets: understood as the capacity to comply with payment obligations or the difficulty of obtaining guarantees or required financing at an adequate time and at a reasonable cost.
- Reputational risk, defined as the potential negative impact on the Group's public image and its perception by the market.

This risk refers specifically to any loss of financial solvency, technical, operational, ethical, social or environmental credibility of the organisation in relation to its stakeholders.

- Risk pertaining to the recognition of the investments made by the Group. This risk is defined as the customer's potential lack of or delay in the technical and economic recognition for the investment, for example, the potential delay or lack of recognition of executed works or economic-financial readjustment.
- Risk derived from the management of legal claims and arbitrations, defined as the risk that the outcome of proceedings or arbitrations due to discrepancies with customers results in decisions being detrimental to the interests of the Group.

Other relevant risks that may affect the fulfilment of the objectives of the OHL Group concern the global and inherent threats of the markets where it operates. Among these are:

- Political and regulatory risks: a large part of the value generation activities conducted by the OHL Group are dependent upon the Public Sector, in the capacity as a customer of public works or infrastructure maintenance services, or as the awarding authority for infrastructure concessions. For this reason, political instability and any changes made to the legal and regulatory environment in the countries in which the OHL Group operates can have a significant impact on the company's ability to achieve its business objectives.
- Risk of natural disasters: the OHL Group is subject to the risk of having its activities interrupted due to natural disasters, such as earthquakes, hurricanes, floods and extreme weather events in the countries where it carries out the core of its activity and the nature of its activity.
- Cybersecurity risk: the OHL Group, like any other company, faces the risk of being adversely affected by cyber-attacks which could cause damages to its assets and systems, whereby interrupting operations or causing the leakage of sensitive information.

E.4 Identify if the company has a risk tolerance level, including the tax risk.

OHL Group has a risk tolerance level (level of acceptable risk) that is established at the corporate level.

Risk tolerance is the expression of the acceptable or unacceptable level of risk, as defined by OHL Group. Risk tolerance reflects OHL's willingness to accept the risk derived from its risk appetite. Risk capacity describes the Group's capacity to assume risks. As an international group of concessions and construction, the Group's risk capacity is based on its capacity to handle both the current risks as well as emerging ones, particularly financial, project and operating risks arising as a result of the main activities of the Group, divided into its five operating divisions: Concessions (financing, transport infrastructure development and management), Construction (civil works and selective building), Industrial (engineering and construction of industrial plants), Developments (development of singular projects in areas of tourist and historical interest) and Services (services handling infrastructure and people). The risk capacity includes the ability to make the most of opportunities, as well as the capacity to adapt to adverse situations or setbacks, or recover from catastrophes.

Risk tolerance focuses on the main risk areas faced by the Group, is included in OHL Group's Risk Management Policy approved by the Group's Board of Directors. To determine the accepted level of risk, factors that are taken into considering include the philosophy towards risk-taking, the profitability-risk ratio, the main focus on risk response and the risk response decision-making criteria.

Likewise, in line with the Strategic Plan 2015 – 2020, the Group has determined for itself a risk tolerance level (risk level accepted in pursuit of sustainable and profitable growth that ensures cash generation) at project level. This translates into the creation of red lines with different levels involving approval ratings according to the risk level assigned.

At the specific risk level, OHL Group expresses its level of tolerance for key risks by valuing them based on their impact and likelihood, and taking into consideration the level of control over them and the speed with which they occur. Valuation scales are allocated to these risks, depending on a series of valuation criteria. After the risk assessment based on their impact and likelihood, they are qualified. For each key risk, OHL Group establishes a level of tolerance through key risk indicator and handles it in such a way as to minimize its impact and/or likelihood and keep it, as far as possible, below the set tolerance level, provided it is feasible and economically possible to do so.

E.5 Identify any risks, including tax risks, which have occurred during the year.

The update of the main risks for the Group in the fiscal year 2017 is:

- i. Liquidity risk and access to financial markets.
- ii. OHL México – Investigations.
- iii. The bankruptcy and liquidation of Autopista Eje Aeropuerto Concesionaria Española S.A. and Aeropistas S.L.U.
- iv. The bankruptcy and liquidation of Cercanías Móstoles Navalcarnero.
- v. Litigious situations for Construction and Industrial projects:
(additional information in section H of the current report).

E.6 Explain the response and monitoring plans for the main risks the company is exposed to, including tax risks.

OHL Group acknowledges that there are certain risks inherent to the sectors in which it operates, and, therefore, in its core business activities.

These risks are divided into:

- a) Untreatable Risks: risks without economic mitigation possibility. An example would be the risk of a change in government or leadership in a country in which OHL Group does business.
- b) Treatable Risks: risks that can be mitigated economically, where the efforts for its mitigation are being carried out or the need for those efforts is or should be acknowledged. An example would be the risk of hiring subcontractors that are not qualified, leading to the impossibility of delivering a project on time, within budget and according to the terms and conditions set forth in the agreement.

The responses to Treatable Risks can be classified as follows:

- Reduce: actions aimed at minimising the impact and/or the vulnerability to the risk.
- Accept: actions aimed at maintaining the risk at acceptable levels.
- Share: actions aimed at sharing the risks with other third parties by hiring insurance, outsourcing processes, distributing risk through contracts or other similar actions.
- Avoid: actions aimed at eliminating, if possible, factors that give rise to risk.

For each one of the risks, a decision is made, as far as possible, with regard to the type of response to give and responsibilities are assigned for carrying this out in such a way that it is in line with the risk tolerance and that it is duly followed upon through the appropriate indicators.

The process used by OHL Group to manage its risks comprises seven stages. This process provides a logic and systematic method for establishing the context of, identifying, analysing, integrating, evaluating, responding to, monitoring and reporting risks in such a way as to enable the Group to make decisions and respond to risks and opportunities in a timely manner as they arise. The adopted process includes elements from ISO31000:2009 "Risk Management – Principles and Guidelines"; and from the Committee of Sponsoring Organisations of the Treadway Commission (COSO) "Enterprise Risk Management – Integrated Framework" (2004). The seven stages of the Group's risk management system are briefly explained below:

- 1.- Reporting and consulting: This stage is an integral part of the creation of a positive culture on risk management within the OHL Group. By adopting a consultative approach for risk management, the parties involved understand the purpose of decision-making and the importance of such decisions when managing the OHL Group's risks, instead of there being a one-way information flow. On the other hand, the multilateral discussions with the parties involved in the risk management process guarantee the understanding and soundness of each step in such process.
- 2.- Establishing the context: This stage consists in setting the internal, external and risk management context in which the process will be carried out.
Once the context is established, the OHL Group may focus its efforts on risk management based on the environment in which it operates and define the necessary categories of common risks, criteria and procedures for managing the OHL Group's risks as a whole.
- 3.- Identify Risks: This stage is aimed at identifying the risks that may affect the achievement of the Group's objectives through categories of common risks, criteria and procedures developed in the "Establishing the context" stage. Whenever risks are to be identified, it is important to understand and document any factors which may trigger the risk events as well as any potential consequences. The identification of the risks and triggers and potential consequences is a first step towards the understanding of the OHL Group's exposure to risk.

4.- Analysing risks: This stage is aimed at understanding the scope of both the positive aspects and negative outcomes of a risk event, as well as the vulnerability to such event (likelihood of occurrence of said outcomes considering the current level of control). Evaluation of the scope (impact) and vulnerability to potential risks enables the OHL Group to prioritise its risks and, therefore, to respond to said risks, focusing on the ones that pose a greater threat to the attainment of its objectives.

5.- Evaluating risks: This stage is aimed at prioritising the risks for addressing or responding to them, by evaluating them against the present risk tolerance criteria. Understanding the level of exposure to risks in relation to risk tolerance enables decision-making on how to address risks optimising risk-taking and maximising the probability of achieving the objectives.

6.- Responding to risks: This stage is aimed at identifying, evaluating and implementing the options for addressing or responding to risks. Risks are addressed not only to minimise any potential damages, but also to maximise the growth potential of opportunities.

7.- Monitoring and reviewing: This last stage is aimed at carrying out a continuous evaluation of the effectiveness and relevance of the OHL Group's risk management programme. A continuous follow-up on the risks and effectiveness of their treatment enables the OHL Group to refine its risk management programmes to be in line with the dynamic context in which it operates.

The Group is adopting specific measures aimed at reducing and/or avoiding the risks detailed in section E.5, materialised in fiscal year 2017.

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO FINANCIAL REPORTING (ICFR)

Describe the mechanisms which comprise the internal control over financial reporting (ICFR) risk control and management system at the company.

F.1 The entity's control environment

Specify at least the following components with a description of their main characteristics:

F.1.1. The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

RESPONSIBILITIES ATTRIBUTED TO THE BOARD OF DIRECTORS:

The Board of Directors is the most senior decision-making body of the Company and, as detailed in section 5 e) of its Regulations, it takes on the obligation of being directly liable for the "identification of Company's main risks and, in particular, those arising from transactions with derivatives, and implementation and follow-up of internal control systems, risk management systems and appropriate information systems."

The Board of Directors has a supervisory role regarding the ICFR, understanding the risks related to the financial information objectives of the Group and the controls set forth by the Board to mitigate them.

The Board carries out its supervisory work through the Audit and Compliance Committee (hereinafter, the Audit Committee) and the Internal Audit Division.

RESPONSIBILITIES ATTRIBUTED TO THE AUDIT COMMITTEE:

Notwithstanding any other duty imposed by Law, the Annual General Meeting or the Board of Directors, the Audit Committee's responsibilities include the following, as indicated in section 23 f) of the Bylaws and Art. section 15 of the Board Regulations:

1.- Overseeing the efficiency of the company's internal control, internal audit services and risk management systems, reviewing the appointment and replacement of responsible parties, as well as discussing with account auditors the most relevant internal control system weaknesses detected during the audit.

2.- Overseeing the financial reporting preparation and presentation process and checking the appointment and replacement of the individuals responsible.

3.- Reviewing the Company's financial statements, monitoring compliance with legal requirements and the proper application of generally accepted accounting principles, and reporting on the proposals for amendments to the accounting principles and standards suggested by management.

RESPONSIBILITIES ATTRIBUTED TO THE MANAGEMENT:

The General Economic and Financial Division is globally liable for the internal control system of the financial information of the Group. Such liability includes the design, implementation, and maintenance of the internal controls necessary to ensure the quality of the information. Said responsibility is included in the Duties' Manual and the Oversight Model of the Group's Financial Reporting System.

The head of each company and/or Division and its Economic and Financial Manager are responsible for the Internal Control System over Financial Reporting.

The Internal Control and Risk Division works closely with the General Economic and Financial Division to assess the impact of any reported incidents and to follow up on the execution of action plans for their resolution.

This responsibility is laid down in the instructions on Maintenance and Reporting of the Financial Information System.

OHL Group's Internal Audit Division is responsible for checking the reliability of the risk management and internal control systems and the quality of information and, in particular, for reviewing the Internal Control System of Financial Information and the adequacy of the controls in place. Said responsibility is included in the Duties' Manual and the Oversight Model of the Group's Financial Reporting System.

F.1.2. The existence of the following components, especially in connection with the financial reporting process

- The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the company.

The Board of Directors has the policy of delegating the regular management of the Company to the executive bodies and the executive team, and to focus its activity on defining the business and organisational policy as well the general supervision duty.

In this sense, the CEO of the Group is responsible for the design and review of the organisational structure, who proposes any changes in the basic organisational chart for the Group.

The General Human Resources and Organisation Division, is liable for proposing the implementation of improvements to the organic structure of the Group and also drives and coordinates the creation and update of charts and the description of duties of the corporate structure and the Group's Divisions, and submits them to the Steering Committee.

Relevant changes to such organisational structure are presented to and approved by the Board of Directors through the Appointments and Remuneration Committee, which among other basic duties, has to propose to the Board of Directors an annual remuneration amount and a remuneration system for the members of the Executive Committee, as well as the remuneration criteria for the rest of the Group's executive staff.

The Group has basic and detailed charts of its entire organisation. The Group's employees can access the basic and detailed charts of the whole organisation through the intranet.

Furthermore, there is a Duties' Manual updated on 6 October 2017, describing the reporting obligations, composition and basic duties of each governing body, structure and Group operating Divisions. Group employees may access said Manual through the intranet.

The Company's Chart and Duties' Manual are updated regularly and/ when the circumstances so require.

- Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

Full content in section H.1.

- Whistle-blowing channel', for the reporting to the Audit Committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

The 'Whistle-blowing channel', enables the reporting to the Audit Committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

The Ethics Communication Channel is available in the Group's five main languages through the corporate intranet and in English and Spanish through the Group's website, which makes it easily accessible.

The Group demands the staff's report of unlawful behaviours as it helps improve the prevention policy and quality policies, becoming an essential tool for the Code of Ethics to be fully effective.

OHL Group's Ethical Communications Channel has been created for all employees and other interested parties to report a possible non-compliance or breach of said Code, guaranteeing user confidentiality, with a procedure intended to do so. It may also be used to ask questions regarding its application to professional practice.

The Compliance Division is responsible for receiving and managing the complaints and queries received through the Ethical Channel can be reached by the intranet, Internet (www.ohl.es/compromiso/canal-etico) or by mail (addressed to: Canal Ético de Comunicación del Grupo OHL – Dirección de Cumplimiento). Pº Castellana, 259 D. Torre Espacio. 28046 Madrid.).

As previously mentioned, the main duty of the Ethical Channel is to be the means for employees or other interested parties to inform any possible non-compliance or breach of the Code of Ethics, as well as to channel the doubts or questions about such Code.

The Group's Ethical Communications Channel specifies, among others, the procedures for dealing with reports in order to guarantee confidentiality, fair treatment and avoid reprisals: Notification, analyses, investigation and resolution. Before the Audit Committee examines the reports, the Compliance Management Committee collects all information deemed necessary to form an opinion about the possible existence of any indications for determining whether investigation proceedings should be initiated. This state ends with the decision by the Ethic Channel Manager (Compliance Division) to act on the complaint. In case of conflict of interest, proposal for rejection of the complaint or other urgent grounds, the complaint shall be reported to the Audit Committee.

After completing the investigation, the Compliance Division informs the Committee about the conclusions drawn from the reports prepared at this stage and puts forward the adoption of any measure deemed necessary for final resolution.

During 2017, a total of 60 complaints have been submitted to the Ethics Communication Channel, of which 48 had been made through the Ethics Communication Channel and the remaining 12 via other channels; 29 of these complaints were investigated and 31 were dismissed for not representing any violation of the Code of Ethics. Disciplinary actions were taken in 11 of the investigated cases.

Every admitted complaint was duly investigated, in line with the internal procedures in place, with fourteen investigations still underway by the end of the year.

Additionally, 907 hours of training were provided on the Due Diligence Process of third parties whose main objective is to explain in detail how to perform third party analyses for the three main perspectives (compliance, financial performance and technical performance), and in which 301 people have participated. This training shall continue in 2018.

- Training and update courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

With regard to the regular training and update aimed at the staff involved in the preparation and review of the financial information, topics related to economic and financial improvements and updates have been included in the Group's training catalogue.

In 2017, a total of 60 persons, devoting a total of 1,520 attending hours.

The participants, of different categories, are involved with the financial information at different responsibility levels. On the other hand, a digital file containing all the ICFR's regulations, the Group's Accounting Policies Manual and other accounting regulations ordinarily used is available for all the senior staff responsible for the Group financial reporting. Likewise, all the internal regulations related to financial reporting and its processes can be accessed through the Group's intranet.

F.2 Risk assessment in financial reporting

Report at least:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- The process exists and is documented.

See section H.1.

- Whether the process covers all financial information objectives (existence and occurrence, completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.

See section H.1.

- Whether a process is in place to define the consolidation scope, considering, without limitation, any complex corporate structures, special purpose vehicles or similar entities.

See section H.1.

- Whether the process considers the effects of other kinds of risks (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.

See section H.1.

- Finally, which of the company's governing bodies is responsible for overseeing the process.

See section H.1.

F.3 Control activities

Indicate the existence of at least the following components, and specify their main characteristics:

F.3.1. Financial information review and authorisation procedures and ICFR description to be disclosed to securities markets, specifying responsible officers, and explanatory documentation of the flows of activity and control (including those relating to risk of fraud) of the various transactions which might materially affect financial statements, including the procedure for closing reporting periods, and specific review of relevant assessments, estimates, measurements and projections.

The Group has a detailed procedure for financial information disclosure to third parties so that both preparation and disclosure offer the maximum guarantees.

The Group's General Economic and Financial Division is liable for the preparation of financial information.

Before disclosure to the markets and after receiving a favourable report from its Audit Committee, the Board of Directors is liable for the approval of said financial information, analysing it and requesting any clarification it deems necessary, both internally and from the Group's external auditor.

These activities are conducted for both the interim, quarterly and half-yearly financial reporting, as well as annual reporting. The half-yearly and yearly reporting is subject to the approval of the Board of Directors of OHL, S.A.

The procedure for disclosure of financial information to third parties regulates how to act regarding other issues such as:

- Relevant facts
- Financial information for other securities markets
- Financial information for analysts and investors, financial institutions and rating agencies
- Statistics
- Tenders and offers
- Financial information required in agreements

Individuals in charge of preparing public financial information, authorisations, and those in charge of disclosure are established for each case.

Documentation on controls and activities' flows

To guarantee the information reliability it is key the analysis of critical processes and subprocesses affecting the preparation of such information in order to facilitate the abovementioned risk identification and implementation of controls. In this regards, the following work is carried out:

- 1.- Identification of critical processes, and subprocesses composing each one of them, which intervene, directly or indirectly, in the preparation of financial information for the companies included in the scope.
- 2.- Description of activities' flow with flowcharts of processes and subprocesses.
- 3.- Identification of key control activities that mitigate the risks identified which may affect the preparation of financial information identifying the person in charge of control, frequency of the activity, type of control (to detect or to predict), type of execution (manual or automatic) and its evidence.

During 2017, we have continued to review and update all processes and sub-processes, analysing the incidents reported.

Documented processes include the end of reporting period, reporting, and consolidation process considering within them the specific review of relevant judgments and estimates.

The information supported by the ICFR of the Group is stored in a digital file that serves as a database for all material processes and sub-processes of the Group companies.

The Group has implemented Governance, Risk and Compliance IT tool was implemented, which allows for the integrated management of reporting and supervision of the Financial Information Internal Control System for all the Group's material subprocesses.

The Group's General Economic and Financial Division is responsible for updating critical processes and activities and it reports periodically to the Audit Committee on the progress of works related to the Financial Information Internal Control System and all improvement processes.

F.3.2. Internal control procedures and policies referring to information systems (including, among others, access security, change control, their implementation, continuity of operations, and segregation of duties) supported by the entity's relevant processes with regard to the preparation and publication of financial information.

OHL's internal control system over financial reporting encompasses the IT processes that include the environment, architecture and infrastructure of the information technologies, as well as any applications related to transactions that directly affect the main processes of the company and, therefore, the financial reporting and fiscal year closing processes.

The Group's Information Systems Department is responsible for the information systems, and its duties include the definition and follow-up of the security policies and standards for applications and infrastructures supporting the internal control model within the field of information technologies.

In reference to the internal control framework of information systems, areas related to security and control of access to programs and data, and to developments in applications in response to the Group's needs have been considered priority. With respect to these areas, the following items related to the applications supporting the financial reporting system are considered particularly relevant:

- Physical security of the Data Processing Centres.
- Roles and responsibilities matrices.
- Management of the demand for developments and functional changes.
- IT developments flow managements.
- Incident management.
- Management of the continuity of economic processes.
- Risk control computerisation.

Additionally, during the 2017 fiscal year, actions were put in place to increase the control, monitoring and reporting of computer systems supporting business processes that have an impact on financial information, such as:

- In the area of infrastructure, work has continued on the review and improvement of the office data centres, as well as the opening of new centres under the OHL Group security guidelines (Chile, Peru, Norway and Sweden). Moreover, the standard model has been revised and improved for all users of computer equipment, being arranged on the Group's defined security standards and by following the best industry practices.
- As for the new ERP applications, work has been done on the design and implementation tasks, which will enter production in 2018 for some of the OHL Group Companies and will continue to be deployed over the following years. This change seeks to improve the monitoring, control and reporting of the OHL Group's financial information in the various regions, which is a homogeneous system allowing it to adapt to all the markets where the Group operates. Additionally, this ERP integrates an advanced control and management system for the separation of functions.
- Similarly, progress has been made in the implementation of projects for the assurance of regulatory compliance regarding personal data protection (specifically in compliance with the new requirements imposed by Regulation (EU) 2016/679 of the Parliament of the European Union and of the Council of Europe, of 27 April 2016).
- Finally, "informational bulletins" were disseminated during the 2017 fiscal year over the intranet on information security and the content of an online course was developed to increase the OHL Group staff awareness in matters relating to the information security and the use of systems (user equipment, mobile devices, internet browsing, e-mail communications, etc.)

There is an Information Security Committee created for the purposes of the appropriate monitoring of all the actions under way to improve and reinforce system security, as well as to address all relevant security issues deemed appropriate, which holds regular meetings and whose membership is formed by those responsible for IT in the various business areas and divisions, along with other internal specialists.

F.3.3. Internal control policies and procedures aimed at supervising the management of outsourced activities, as well as those assessment, calculation or measurement tasks assigned to independent experts, which may materially affect the financial statements.

The Group has internal control procedures in place aimed at supervising the information included in the financial statements of the joint ventures (JV) in which it holds interest.

This procedure makes a difference between the joint ventures which are administered by the Group and those which are not. In the first case, when this information is managed in the Group's systems, the same controls as in the rest of the Group are applied.

When the Group is not responsible for the administration of the joint ventures, information review and unification processes are carried out, where necessary and the basic criteria are set by mutual agreement with the partners. In both cases, review activities are also performed through the representatives of the Joint Ventures' Management Boards.

With regard to the valuations when entrusted to independent experts, the criteria used are analysed to verify their adequacy and said valuations are stated in detail. In the event the reports are not conclusive or controversial aspects have been found, additional opinions are requested for their clarification.

For the rest of the relevant opinions, estimates and projections, a detailed reviewed is carried out, paying particular attention to the criteria upon which they are based in the medium and long term projections performed by the companies.

F.4 Information and reporting

Indicate the existence of at least the following components, and specify their main characteristics:

- F.4.1. A specific function in charge of defining and keeping the accounting policies updated (accounting policies area or department), and of addressing any inquiry or settling any dispute arising from the interpretation thereof, maintaining a fluent communication with the persons responsible for the organisation's transactions, as well as an updated accounting policies manual that must be communicated to the units through which the Company operates.

Accounting Procedures Manual

The Group has an Accounting Procedures' Manual with the purpose of highlighting the general accounting principles, valuation standards, and general accounting policies of the Group and specific policies of each Division, and it is mandatory for all OHL Group companies.

The responsibility of the internal implementation of the accounting policies rests with the Directorate of Economics and Finance of the Group.

In addition, said Division is the responsible for updating the Manual, at least, once a year, in order to include all changes in legislation and, if relevant, the update is made immediately.

In both cases, the Audit Committee is previously informed by the General Economic and Financial Division of any update to be made.

Responsibilities of the Audit Committee

OHL S.A.'s Board Regulations specify in section 15 i) that the Audit and Compliance Committee has the basic responsibility for the following: "Review Company's statements, oversee compliance with legal requirements and correct application of generally accepted accounting principles and also inform about the proposals for changes in the accounting policies and methods suggested by Management."

This responsibility is accomplished by the Audit Committee as it entails being informed of the updates proposed by the Group's General Economic and Financial Division, as well as of accounting legislation, to be approved by the IASB, which may affect the Group.

This information is also compared with that of the Group's Auditors in periodic meetings held with the Audit Committee.

Additionally, reports raised by Internal Audit, which are also received by the Audit and Compliance Committee, usually address the review of the proper application of the accounting principles by the departments or review projects within its work program.

- F.4.2. Criteria for collecting and preparing the financial information with standard formats, to be applied and used by all of the company's or group's units, which may support the main financial statements and notes, as well as ICFR related information.

The Group has a financial reporting procedure for all Divisions managed by the Group's Economic and Financial Department. Said procedure describes the financial reporting models that the Group subsidiaries must send on a regular basis, indicating the persons responsible for their preparation and update.

Such procedure includes:

- *Group's end of reporting period schedule

- *Standardised and mandatory monthly financial reporting, in most cases with information traceability, from the information system, following detailed instructions.

- *Annual standardised financial reporting for preparation of the Group's Notes to the Financial Statements, following detailed instructions.

- *Internal system of sending corporate information.

Any significant changes to the established procedure are reported to the Audit and Compliance Committee.

ICFR MAINTENANCE AND REPORTING

There is a maintenance and reporting procedure related to the ICFR, for internal control purposes and with the aim of informing about its operation on a regular basis.

The persons responsible for updating and maintaining the ICFR in the companies included within the scope of each of the continuous processes up-to-date, pursuant to a specified assignment of responsibilities.

Likewise, in order to facilitate internal knowledge about the degree of compliance with the ICFR, a half-year reporting procedure was established.

The Reporting Model is submitted on a half-yearly basis to the Directorate of Economics and Finance of the Group, by the Chief Economic and Financial Officer responsible of each Group subsidiary.

F.5 Monitoring

Indicate the existence of at least the following components, describing their main characteristics:

- F.5.1. The ICFR supervision activities carried out by the Audit Committee, as well as whether the company has an internal audit function responsible for supporting the Committee in supervising the internal control system, including the ICFR. Furthermore, information will be reported on the scope of the ICFR assessment carried out during the fiscal year and on the procedure through which the assessor reports on its outcomes, as well as whether the company has an action plan describing any corrective measures, if applicable, and whether their impact on the financial information has been considered.

INTERNAL AUDIT DEPARTMENT

The Board of Directors created the Internal Audit Management in the Group in order to provide independent and objective assurance, internal control, and consultation services, in order to support the organisation in the effective performance of its responsibilities.

The Internal Audit Department forms part of OHL Group's organisation, although it is not an executive body, and is subject to the policies established by the Board of Directors through its Audit and Compliance Committee.

Internal Audit Department reports to the Audit and Compliance Committee and this Department's basic roles are to:

- Review the truth, reliability, quality and integrity of the records and the financial and operating information, both internal and external. Verify the reliability and efficiency of the internal control and risk management systems, as well as the the procedures. Specifically, to review the Financial Information Internal Control System and the sufficiency of the implemented controls.
- Provide information to the Board of Directors through the Audit and Compliance Committee in order to facilitate the potential assessment on the adequate and efficient use of Group's resources.
- Supervise that risk management is aligned with OHL Group's policies and Code of Ethics.
- Verify the existence and status of assets, and prove that measures to protect their integrity are adequate.
- Verify the existence of rules and procedures that duly govern the main activities and that allow for the correct measurement of the economy and their efficiency.
- Evaluate the degree of compliance with the standards, instruction and procedures established in the Group.
- Propose the amendments, reviews or adaptations of the documents mentioned in the above point that are necessary to improve operations.
- Review the OHL Group's new issue of internal regulations or their amendments, before their final approval.
- Verify the control systems for the compliance of the agreements established by OHL Group.
- Follow up on OHL's approved investment and divestment transactions.
- Keep coordinated relations with external audit works, as a supplementary activity (not as a subsidiary or substitute activity).
- Make recommendations to contribute to the correction of anomalies detected in the course of the work and follow-up their execution.
- Prepare annual work schedules, activities' reports, among others, and keep them updated.
- Perform any specific task requested by the Chairman of the Audit and Compliance Committee.
- An up-to-date inventory of fraud risks and their related controls, checking for the efficiency of said controls on a yearly basis.
- Take part in various Committees as a guest: Management, Investments, Regulation, Information security, Quality and Environment, Corporate Social Responsibility, Systems Implementation, etc.

All such duties are carried out by the members of the Internal Audit Division exclusively and will not be combined with other duties.

INTERNAL CONTROL AND RISK DEPARTMENT

In order to promote internal control and risk management, the Group has the Internal Control and Risk Department, which reports to the Audit Committee. The main functions of this Department in relation to risk management are the following:

- To coordinate, guide and support the strategic, operational, organisational and legislative actions concerning risk management across the OHL Group.
- To establish the methodologies and tools for preparing the Risk Map, as well as to cooperate in identifying and analysing the risks that may arise from OHL Group's activities.
- To define, implement and update, in collaboration with the different Divisions, the management and follow-up procedures relating to the main risks and action proposals deemed necessary.
- To prepare the corresponding reports on the risk position (risk indicators) to be reported to the Division, the Audit Committee and/or the Board of Directors.
- To perform training and dissemination tasks regarding the relevant risk management policies.
- Prepare proposals for action to reduce the level of, or exposure to, certain types of risks and to minimise their impact.

The main duties of this Department in relation to internal control are the following:

- Prepare, support and maintain the Internal Control System, whose compliance by the different Divisions guarantees that operational and financial information risks are duly mitigated.
- Identify and communicate the Internal Control deficiencies detected.

ACTIVITIES CARRIED OUT BY THE AUDIT COMMITTEE IN THE YEAR 2017

The Audit Committee has the main purpose of supporting the Board of Directors in overseeing and supervising the Group's operation. Its main duties are:

- * Monitor the preparation and presentation of financial information on a regular basis.
- * Supervision of the efficacy of the internal control, the internal audit services and the risk management systems.
- * Guaranteeing the independence of the external auditor and knowing their opinion on the significant weaknesses of the internal control system.

Audit Committee reviews all public financial information sent by the Group to the National Securities Market Commission, before approval by the Board of Directors and after publication, and gathers all clarifications it deems convenient from the Group's General Economic and Financial Division or from any other responsible party.

At the meetings held it reviews all the reports issued by the Internal Audit Division on the Group's subsidiaries on projects carried out, whether directly or with external partners, and on compliance with internal regulations and any other aspect requested by such Committee, as well as the reports issued by the Internal Control and Risks Division on the main weaknesses identified and any proposed recommendation.

The content of the Annual Plan of the Internal Audit Department, which is approved every year by the Audit and Compliance Committee is defined according to OHL Group's general and specific objectives, and the risks that can threaten its execution, giving priority to the matters requiring special attention in each functional area, which is why it includes the selection of the area, processes or activities in which:

- Possible contingencies for the OHL Group are detected.
- There has been a special problem before or there is any signal about a possible anomaly.
- A significant period has elapsed since the last audit performed.
- The Board of Directors or the Management of the OHL Group may identify such risks.

In order to plan audit activities, the Internal Audit Department pays special attention to the Risk Map, considering the potential impact of those risks on the process map.

In 2017, audits were performed in the Construction, Concessions, Development and Industrial and Services Line of Business, covering the following processes:

- Construction works, concessions and industrial and service projects, including accounting/financial, operating and compliance aspects, from external and internal ruling perspectives.
- Creation of indicators/alerts on specific parameters thereof.
- Economic control and other relevant aspects of the implementation of new systems.
- Insurance.
- Variable remunerations
- Financial Information Internal Control System

Although cross-cutting activities were carried out in a fair number of additional geographies, the review of specific construction/concession and other projects was conducted in the following countries:

- United States of America
- Mexico
- Spain
- Chile
- Colombia
- Peru
- Czech Republic
- Algeria

Regarding the monitoring of the Financial Information Internal Control System, in 2017 control procedures have been audited by means of a sample thereof in several companies representing 59% of the Group's revenue. No significant failure has been identified through the internal audit. Likewise, Internal Audit, which has a specialised fraud prevention and investigation unit, has carried out continuous actions in this same undertaking.

During the 2017 fiscal year, the verification of compliance related aspects concerning Human Rights and the support of the relevant environmental parameters employed by the Group in reports related to sustainability have continued.

The appropriate corrective measures are carried out for all weaknesses or recommendations included in the reports. For relevant recommendations a regular follow up is implemented in the Steering Committee.

The actions taken are included in the Internal Audit Report submitted to the Audit Committee.

The implementation of any new internal regulation or policy is supervised by the Internal Audit Management, as well as any modification to an existing regulation or policy, guaranteeing consistency and compliance with policies set forth by the Board of Directors.

It also holds follow-up meetings of the Internal Control System's operation, specially addressing the Financial Information Internal Control system, together with the Group's General Economic and Financial Division, and the managers of Divisions, carrying out specialised sessions on concrete aspects of the system.

- F.5.2. A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its Audit Committee or Board of Directors. Likewise, it will report on the availability (or not) of an action plan aimed at correcting or mitigating any weakness observed.

OHL S.A.'s Board Regulations include the following responsibilities of the Audit Committee in section 15:

Section c): establish relations with the external auditors, assess the results of each audit and the management team's response to their recommendations, and intervene in case of discrepancies between them with regard to policies and methods applicable upon preparation of financial statements, as well as gathering information on matters that may call the auditor's independence into question, and any other matters relating to the auditing process, including other disclosures stipulated in accounting and auditing legislation as well as auditing standards.

Section g): oversee the efficiency of the company's internal control, internal audit services and risk management systems, reviewing the appointment and replacement of responsible parties, as well as discussing with account auditors the most relevant internal control system weaknesses detected during the audit.

Such responsibilities are carried out actively, by means of periodic meetings of the Audit Committee with the Group's external auditors and with those liable for management of the Divisions, as well as the Group's General Economic and Financial Manager, Risk and Internal Control Manager, Internal Audit Manager and Compliance Manager, which are permanently invited to all of the Committee's meetings.

Thus, and in accordance with an annual schedule, the Audit Committee summons the heads of each of these areas in advance to appear and make a specific presentation to the members of the Committee on how they manage risks in their respective areas.

As to the external auditors, meetings are held at least on an annual basis, to better understand any internal control weaknesses identified during the audit, if applicable these are corrected by updating the pertinent policies or rules and controls covered by the Internal Control System. In 2017 the External Auditor attended the Audit Committee five times. Regarding Internal Audit Management, Risk and Internal Control Management and Compliance Management, it should be mentioned that their actions use information from the Audit Committee, receiving a follow-up report of weaknesses identified and compliance of all relevant recommendations made in the course of their works.

Those three divisions have permanent communication with the Audit Committee in the duties described above, highlighting the duty of preparing and keeping updated the following documents:

- * Annual planning of works
- * Management's annual budget
- * Reports of each work carried out
- * The Division's Rules of Organisation and Procedures.

The foregoing will have the purpose of following up all activities carried out, as an effective means to develop and comply with all supervision duties of the Audit Committee.

F.6 Other relevant information

Non applicable

F.7 External auditor's report

State whether:

- F.7.1 If the information of the ICFR sent to the markets has been reviewed by the external auditor, the entity should include the relevant report as annex. Otherwise, explain the reasons for the absence of this review.

Deloitte, S.L.'s report:

The Group has requested to the external auditor a review report on the information related to the ICFR described in this document, which is attached as Annex, pursuant to the Action Guide on the Auditor's Report concerning the information related to the ICFR of listed companies, published by the National Securities Market Commission in its website.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE REGULATIONS

Indicate the degree of the company's compliance with Corporate Governance recommendations for listed companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the Company by means of share purchases on the market.

Complies ☒ Explain ☐

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

- a) The type of activity they engage in, and any business dealings between them, as well as between the listed subsidiary and other group companies;
b) The mechanisms in place to resolve possible conflicts of interest.

Complies ☐ Partly complies ☐ Explain ☐ Not applicable ☒

3. During the General Annual Shareholders' Meeting, in addition to the written dissemination of the annual corporate governance report, the Chairman of the Board of Directors orally informs the shareholders, in sufficient detail, of the most relevant aspects of the company's corporate governance and, in particular:

- a) Any changes that have taken place since the last annual general meeting.
b) The specific reasons why the company is not following a recommendation in the Code of Corporate Governance and, if any, the alternative rules it is then applying.

Complies ☒ Partly complies ☐ Explain ☐

4. The company establishes and furthers a policy of communication and contact with the shareholders, institutional investors and proxy advisors that is fully in line with the rules on market abuse and provides for equal treatment of shareholders in the same position.

In addition, the company makes said policy publicly available on its website, including information concerning the way in which it has been implemented in practice, identifying the representatives or authorities responsible for executing that policy.

Complies ☒ Partly complies ☐ Explain ☐

5. The board of directors does not submit to the shareholders for discussion at a general meeting a proposed delegation of powers, to issue stock or convertible securities without pre-emptive rights for a sum exceeding 20% of the capital at the time of such delegation.

In addition, when the board of directors approves any issue of stock or convertible securities without pre-emptive rights, the company immediately posts the reports on such exclusion provided for in commercial laws on its website.

Complies ☒ Partly complies ☐ Explain ☐

6. Any listed companies that prepare the following reports, either mandatorily or voluntarily, post them on their websites sufficiently in advance of the annual general shareholders' meeting, even if the disclosure of such reports is not a mandatory requirement:

- a) Report on the auditor's independence.
- b) Reports on the operation of the audit and appointments and remuneration committees.
- c) Report of the audit committee on related-party transactions.
- d) Report on the corporate social responsibility policy.

Complies ☒ Partly complies ☐ Explain ☐

7. The company provides a live broadcast of the general shareholders' meetings on its website.

Complies ☒ Explain ☐

8. The Audit Committee ensures that the board of Directors presents the annual accounts to the General Shareholders' Meeting without qualifications in the audit report. Should such qualifications exist, both the chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

Complies ☒ Partly complies ☐ Explain ☐

9. The company's website permanently features the requirements and procedures that will be accepted to establish shares ownership or the right attend the general shareholders' meeting and the exercise or delegation of voting rights.

In addition, such requirements and procedures favour attendance and the exercise of shareholder rights, and apply in a non-discriminatory manner.

Complies ☒ Partly complies ☐ Explain ☐

10. When a recognized shareholder has, prior to the general shareholders' meeting, exercised the right to add to the agenda or submit new proposed decisions, the company:

- a) Immediately publicises such additional agenda items and new proposed decisions.
- b) Makes the form of attendance, proxy or remote voting card publicly available with the necessary changes in order that the new items on the agenda and alternative

proposals may be voted on subject to the same terms as proposed by the due to board of directors.

- c) Submits all such items and alternative proposals for voting and subjects them to the same voting rules as established by the board of directors, including, in particular, any presumptions or inferences on the direction of a given vote.
- d) After the general shareholders' meeting, it reports a breakdown of how such additional items or alternative proposals were voted on.

Complies ☐ Partly complies ☐ Explain ☐ Not applicable ☒

11. If the company has decided to offer attendance fees for the general shareholders' meeting, it has established in advance a general policy on such fees, and such policy is stable.

Complies ☐ Partly complies ☐ Explain ☐ Not applicable ☒

12. The Board of Directors must perform its functions with a single purpose and an independent criterion, provide the same treatment to all shareholders under the same circumstances and follow social interest, which is understood to imply seeking a profitable and sustainable business in the long term, promoting its continuity and maximising the Company's economic value.

In its efforts to act in the company's best interest, in addition to abiding by the laws and regulations and behaving based on good faith, ethics and the observance of generally accepted conventions and good practices, it strives to reconcile its own corporate interests with, as the case may be, the legitimate interests of its employees, providers, customers and any other stakeholders that might be affected, as well as the impact of the company's activities in the life of the community as a whole and the environment.

Complies ☒ Partly complies ☐ Explain ☐

13. The Board of Directors must have a sufficient structure to operate effectively and attain participation; thus, it is suggested to include from five to fifteen members.

Complies ☒ Explain ☐

14. The Board should approve a director selection policy that:

- a) Is specific and verifiable;
- b) Ensures that proposals for appointment or reappointment are based on a previous analysis of the Board's needs;
- c) Favours diversity of knowledge, experience and gender.

The result of the previous analysis of the Board's needs should be rendered from the Appointments Committee's supporting report disclosed when convening the Annual General Meeting in which each Director will be ratified, appointed or reappointed.

The director selection policy should promote the objective that by 2020 at least 30% of the Board members will be female directors.

The Appointments Committee will monitor compliance with the director selection policy annually and will report on it in the Annual Corporate Governance Report.

Complies ☒ Partly complies ☐ Explain ☐

15. Proprietary and independent directors should occupy an ample majority of board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Complies ☒ Partly complies ☐ Explain ☐

16. The percentage of proprietary directors over all non-executive directors should be no greater than the proportion between the capital represented on the Board by said proprietary directors and the remainder of the Company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the Board but not otherwise related.

Complies ☐ Explain ☒

The percentage representing the six proprietary directors on a total of non-executive directors is greater than the ratio between the vesting percentage of Grupo Villar Mir, S.A.U., shareholder they represent, and the rest of the capital, but neither the Company has a plurality of shareholders with significant and stable share nor any shareholder has requested its right to appoint directors.

The percentage of the 6 proprietary directors of the total of 11 non-executive directors is practically the same as that represented by the percentage of share capital owned by Grupo Villar Mir, SA in relation to the entire share capital.

17. The number of independent directors should represent at least one half of all board members.

However, when the company is not large cap or when, despite being so, it has one shareholder or shareholders acting concertedly controlling over 30% of share capital, the number of independent directors should represent at least one third of all Board members.

Complies ☒ Explain ☐

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

- a) Professional experience and background.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, regardless of their nature.
- c) An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with.
- d) The date of their first and subsequent appointments as a Company director.
- e) Shares held in the Company and any options on the same.

Complies ☒ Partly complies ☐ Explain ☐

19. The Annual Corporate Governance Report, upon verification by the Appointments Committee, should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3% of capital; and explain any

rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies ☐ Partly complies ☐ Explain ☐ Not applicable ☒

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where just cause is found by the board, based on a proposal from the Appointments Committee.

In particular, just cause will be presumed when directors incur new obligations or hold new positions preventing them from dedicating the time needed to the proper performance of the directors' relevant duties; when they are in breach of their fiduciary duties or come under one of the disqualifying grounds for being independent directors.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 16.

Complies ☒ Explain ☐

22. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in the Companies Law, the Board should examine the matter and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report.

Complies ☒ Partly complies ☐ Explain ☐

23. All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation should also apply to the Secretary of the board, director or otherwise.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

25. The Appointment Committee should ensure that the non-executive directors have enough free time for the right performance of their duties.

And the Board Regulations should determine the number of directorships their Board members can hold.

Complies ☒ Partly complies ☐ Explain ☐

26. The board should meet with the necessary frequency to properly perform its functions, and at least 8 times a year, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

Complies ☒ Partly complies ☐ Explain ☐

27. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. And that, when they should occur, a representation with instructions must be provided.

Complies ☒ Partly complies ☐ Explain ☐

28. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

29. The company should establish suitable channels for directors to receive the advice and guidance they need to carry out their duties, including, if applicable, external advice at the company's expense.

Complies ☒ Partly complies ☐ Explain ☐

30. Regardless of the knowledge directors must have to perform their duties, they should also be offered ongoing learning programs when circumstances so dictate.

Complies ☒ Explain ☐ Not applicable ☐

31. The agenda of the meetings should clearly state the matters about which the Board shall make a decision or reach an agreement so directors may obtain or assess accurate information in advance for its application.

When, in urgent and exceptional cases, the Chairman wishes to submit for the approval by the Board decisions or agreements that were not included in the agenda, the prior express consent of the majority of the attending directors shall be required, which will be recorded in the minute book.

Complies ☒ Partly complies ☐ Explain ☐

32. Directors should be informed on a regular basis about shareholding changes and about the opinion that significant shareholders, investors and rating agencies keep of the Company and the Group.

Complies ☒ Partly complies ☐ Explain ☐

33. The Chairman, as the person responsible for the proper operation of the Board, in addition to carrying law or Bylaws and statutory duties, should prepare and submit to the Board a calendar and agenda; he should organise and coordinate the regular evaluations of the Board and, where appropriate, those of the company's chief executive; he should be responsible for the Board's direction and its proper operation; he should ensure enough time is devoted to discuss strategic matters, as well as accept and review ongoing learning programs for each director when circumstances so dictate.

Complies ☒ Partly complies ☐ Explain ☐

34. When there is a coordinating director, in addition to powers conferred by law, the By-laws or the Board regulations should delegate the following duties to said director: to chair the Board of Directors when the chairman and deputy chairmen, if applicable, are not present; hearing the concerns of non-executive directors, to be in contact with investors and shareholders in order to learn their points of view and form an opinion about their concerns, especially about the Company's corporate governance; and to coordinate a succession plan for the chairman.

Complies ☐ Partly complies ☐ Explain ☐ Not applicable ☒

35. The Secretary should take care to ensure that the Board's actions and decisions consider the good governance recommendations of the Unified Code that are applicable to the Company.

Complies ☒ Explain ☐

36. The Board in full should evaluate and adopt, on an annual basis, if applicable, an action plan aimed at correcting deficiencies found regarding:

- a) The quality and efficiency of the Board's operation.
- b) The operation and structure of its committees.
- c) The diversity of membership and faculties of the Board of Directors.
- d) The performance of the Board's Chairman and of the Company's chief executive.
- e) The performance and contribution of each director, paying special attention to those in charge of the different committees of the Board.

The evaluation of the different committees will be based on the reports submitted by said committees to the Board, and the evaluation of the Board will be based on the report submitted by the Appointments Committee.

Every three years, the Board will perform the evaluation with the support of an external advisor, whose independence will be verified by the Appointments Committee.

Business dealings between the advisor or any company of his group and the company or any company of its group shall be detailed in the Annual Corporate Governance Report.

The process and the assessed areas will be described in the Annual Corporate Governance Report.

Complies ☒ Partly complies ☐ Explain ☐

37. When the company has an Executive Committee, the breakdown of its members by director category should be similar to that of the board itself. The Secretary of the board should also act as secretary to the Executive Committee.

Complies ☐ Partly complies ☐ Explain ☐ Not applicable ☒

38. The board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all board members should receive a copy of the Executive Committee's minutes.

Complies ☐ Partly complies ☐ Explain ☐ Not applicable ☒

39. Audit committee members, particularly the Chairman, are appointed in light of their knowledge and experience of accounting, audit or risk management and the majority of those members should be independent directors.

Complies ☒ Partly complies ☐ Explain ☐

40. Under the supervision of the Audit Committee, there should be a unit in charge of internal audit that ensures the proper operation of internal control and reporting systems, and the operation of this unit will be dependent on the non-executive chairman of the Board or of the Audit Committee.

Complies ☒ Partly complies ☐ Explain ☐

41. The head of internal audit should submit an annual work programme to the Audit Committee, report to it directly on any incidents arising during its implementation, submit an activities report at the end of each year.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

42. In addition to those established by law, the Audit Committee should have the following functions:

1. With regard to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the Group, checking for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.
- b) Monitor the independence and efficacy of the division performing the internal audit function; proposing the selection, appointment, reappointment and removal of the head of internal audit; propose the budget for this service; approving work plans and orientation, ensuring that its activity is mainly focused on the company's material risks; receive periodic financial information on its activities; and check that senior management is considering its recommendations and conclusions.

- c) Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2. With respect to the external auditor:

- a) In the event of the resignation of the external auditor, investigate the issues giving rise to that resignation.
- b) Ensure that the external auditor's compensation for his work does not compromise its quality or independence.
- c) Ensure that the Company notifies any change of auditor to the National Securities Market Commission as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor the reasons for the same.
- d) Ensure that the external auditor holds an annual meeting with the Board in plenary session to report on the work carried out, the progress in the accounting situation, and the risks the Company faces.
- e) Ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence.

Complies ☒ Partly complies ☐ Explain ☐

43. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Complies ☒ Partly complies ☐ Explain ☐

44. The Audit Committee should be informed on the structural and corporate changes intended by the Company for reviewing and submitting the report to the Board of directors on the economic conditions and the accounting effects and, specifically, on the swap ratio proposed.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

45. Control and risk management policy should specify at least:

- a) The different types of financial and non financial risks affecting the Company (operational, technology, social, legal, environmental, reputational, political, fiscal etc.) with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.
- b) The determination of the risk level the Company sees as acceptable.
- c) Measures in place to mitigate the impact of risk events should they occur.
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Complies ☒ Partly complies ☐ Explain ☐

46. Under direct supervision of the Audit Committee or, if applicable, of a specialised committee of the Board, there should be an internal function of risk control and

management carried out by a unit or internal department of the Company with the following functions:

- a) Ensure the proper operation of risk control and management systems and, specifically, that all important risks faced by the Company are properly identified, managed and quantified.
- b) Actively participate in the development of the risk strategy and in the important decisions about its management.
- c) Ensure that risk control and management systems mitigate risks adequately in accordance with the policy framework set forth by the Board.

Complies ☒ Partly complies ☐ Explain ☐

47. The members of the Appointments and Remuneration Committee —or of the Appointments Committee and the Remuneration Committee, if they are separated— should be designated seeking to ensure that they have the knowledge, skills and experience required for the duties they will perform, and that the majority of said members are independent directors.

Complies ☒ Partly complies ☐ Explain ☐

48. Large cap companies should have two separate committees, an Appointments Committee and a Remuneration Committee.

Complies ☐ Explain ☐ Not applicable ☒

49. The Appointments Committee should consult with the Board's Chairman and company's chief executive, especially on matters relating to executive directors.

Any board member may suggest directorship candidates to the Appointments Committee for its consideration.

Complies ☒ Partly complies ☐ Explain ☐

50. The Remuneration Committee should perform its duties independently, and in addition to those conferred by law, it should have the following functions:

- a) Propose standard conditions for senior officer employment contracts to the Board.
- b) Oversee compliance with the remuneration policy set by the Company.
- c) Reviewing periodically the remuneration policy applied to directors and high executives, including share-based compensation systems and their application, as well as ensuring that their individual compensation is proportionate to that paid to the Company's other directors and high executives.
- d) Ensure that potential conflicts of interests do not compromise the independence of the external advice received by the committee.
- e) Check the information on the remuneration received by directors and senior officers contained in different corporate documents, including the Annual Report on Director's Remuneration.

Complies ☒ Partly complies ☐ Explain ☐

51. The Remuneration Committee should consult with the Chairman and Chief Executive, especially on matters relating to executive directors and senior officers.

Complies ☒ Partly complies ☐ Explain ☐

52. The rules on structure and operation of the supervision and control committees should be established on the Regulations of the Board of Directors and should be consistent with those that are legally binding and applicable to committees, pursuant to previous recommendations, including:

- a) They must be exclusively made up of non-executive directors, with a majority of independent directors.
- b) Committees should be chaired by an independent director.
- c) The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each Committee, and it should discuss their proposals and reports and be responsible for overseeing and evaluating their work, which should be reported to the first board plenary following each meeting.
- d) The Committees may engage external advisors, when they feel this is necessary for the discharge of their duties.
- e) Minutes of meeting proceedings should be drawn up and made available to all Board members.

Complies ☐ Partly complies ☐ Explain ☐ Not applicable ☒

53. The job of supervising compliance with corporate governance rules, internal codes of conduct and the corporate social responsibility policy should be entrusted to one or several committees of the Board, namely, the Audit Committee, the Appointments Committee, the Corporate Social Responsibility Committee, if applicable, or a specialised committee created by the Board, exercising its power to self-organise, which should have the following minimum functions:

- a) Supervising compliance with internal codes of conduct and the corporate governance rules of the Company.
- b) Supervising the strategies of communication and relation with shareholders and investors, including small and medium shareholders.
- c) Evaluating, on a regular basis, the adequacy of the Company's corporate governance rules and procedures, so it can accomplish its mission of promoting social interest, considering, accordingly, the legitimate interests of the remaining stakeholders.
- d) Reviewing the corporate social responsibility policy of the Company, ensuring it is directed towards the creation of value.
- e) Monitoring strategies and actions of corporate social responsibility, and evaluating the degree of compliance.
- f) Supervising and evaluating the relations with the different stakeholders.
- g) Evaluating everything related to the Company's non-financial risks, including operational, technological, financial, legal, social, environmental, political and reputational risks.
- h) Coordinating the process of reporting non-financial and diversity information, according to the applicable regulations and the international standards of reference.

Complies ☒ Partly complies ☐ Explain ☐

54. The corporate social responsibility policy should include the principles and commitments the Company takes on voluntarily in relation to the different stakeholders, and it should identify, at least:
- a) The objectives of the corporate social responsibility policy and the development of support instruments.
 - b) The corporate strategy related to sustainability, the environment and social affairs.
 - c) Specific practices in matters related to: shareholders, employees, clients, suppliers, social affairs, the environment, diversity, fiscal responsibility, related to human rights and the prevention of illegal behaviour.
 - d) Methods or systems to monitor the results of the implementation of the specific practices detailed in the preceding item, the associated risks and their management.
 - e) Mechanisms for the supervision of non-financial risks, business conduct and ethics.
 - f) Channels of communication, participation and dialogue with stakeholders.
 - g) Responsible communication practices that prevent information manipulation and protect integrity and honour.

Complies ☒ Partly complies ☐ Explain ☐

55. The Company should report, in a separate document or in the directors' report, matters related to corporate social responsibility using some of the internationally accepted methods.

Complies ☒ Partly complies ☐ Explain ☐

56. Directors remuneration should be sufficient to attract and retain directors with the desired profile and to compensate them for the dedication, abilities and responsibility that the position entails; but should not be so high as to compromise the independence of criterion of non-executive directors.

Complies ☒ Explain ☐

57. Variable remuneration linked to the Company's performance, individual performance, and remuneration comprising the delivery of shares, share options or other share-based instruments, and long-term saving systems such as pension plans, retirement systems or other systems of social provision should be confined to executive directors.

The delivery of shares for the remuneration of non-executive directors may be considered when they are obliged to retain them until the end of their tenure. The foregoing will not be applicable to shares that the director needs to sell in order to afford the expenses related to their acquisition.

Complies ☒ Partly complies ☐ Explain ☐

58. In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not only the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

And, specifically, variable components of remuneration should:

- a) Be linked to predetermined and measurable performance criteria that consider the risk incurred to obtain a result.
- b) Promote the Company's sustainability and include non-financial criteria adequate for the creation of long term value, in addition to compliance with the Company's rules and internal procedures, and its risk management and control policies.
- c) Be designed based on a balance between the accomplishment of short, medium and long term objectives that allow for the remuneration of continuous performance over a period that is sufficiently long to appreciate their contribution to the creation of value, in a way that the measurement elements of that performance do not only revolve around specific, occasional or extraordinary events.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

59. Payment of a relevant part of the variable components of remuneration should be postponed during a period sufficiently long to verify that previously established performance conditions have been fulfilled.

Complies ☐ Partly complies ☐ Explain ☒ Not applicable ☐

The variable remuneration of the Executive Directors of OHL has a yearly component, which is associated with the compliance of certain strategic annual targets for the Company.

As part of the deferred component of their variable remuneration, during 2016, the "Equity Holding Plan" was in effect, having been approved by the Board of Directors of OHL on 22 March 2013 for the 2013-2016 period, which covered certain executives of the OHL Group, including Executive Directors, and that would be in the form of a variable compensation scheme with a deferral period of three years.

The Plan came to a close in March 2016, where the management group that was included would not receive any amount whatsoever, since the target for the OHL share price was not achieved.

The remuneration policy of OHL Directors, contemplates the possibility that, within their variable remuneration, the Executive Directors may receive a deferred variable remuneration associated with the medium- and long-term targets of the Company. The Board of Directors, upon the proposal raised by the Appointments and Remuneration Committee, shall present, as the case may be, for the consideration of the General Shareholders' Meeting, the terms and conditions of the variable medium- and long-term remuneration system, in the event that the scheme be associated with the share price of the Company. In turn, the main points of this remuneration are incorporated, where appropriate, in the Annual Remuneration Report.

60. In the case of remuneration linked to Company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

61. A relevant percentage of the variable remuneration of non-executive directors should be linked to the delivery of shares or other share-based financial instruments.

Complies ☐ Partly complies ☐ Explain ☒ Not applicable ☐

As explained in Section 59, in 2016 the Company had a remuneration scheme associated with the share price of the Company, however, no shares were delivered as the established targets were not achieved.

For the 2018 fiscal year, it has not been envisaged the variable remuneration of the CEO to be associated with the delivery of shares or other share-based financial instruments.

62. Once the shares or options or the rights to shares related to the compensation systems have been allocated, directors shall not transfer the ownership of a number of shares equivalent to twice their annual fixed compensation or exercise the options or rights until a term of at least three years from allocation has elapsed.

The foregoing will not be applicable to shares that the director needs to sell in order to afford the expenses related to their acquisition.

Complies ☐ Partly complies ☐ Explain ☒ Not applicable ☐

As explained in section 61, for the 2018 fiscal year it has not been envisaged the variable remuneration of the CEO to be associated with the delivery of shares or other share-based financial instruments.

63. Contractual agreements should include a clause allowing the company to ask for a reimbursement of the variable components of remuneration when payment was not adjusted to performance conditions or when payment was made pursuant to data that is later deemed inaccurate.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

64. Payments due to the termination of the agreement should not exceed the established amount equivalent to two years of the total annual remuneration and should not be paid until the company can verify that the director has fulfilled the performance criteria that were previously established.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

H. OTHER INFORMATION OF INTEREST

1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.
2. This section can include any other information, clarification or qualification relating to the previous sections of the report, provided that it is material and not repetitive.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. The Company may also indicate if it has voluntarily adhered to other codes of ethical principles or good practices, whether international, sector-specific or otherwise. If so, please state the code in question and the date of adherence.

A.1 COMPLETE THE FOLLOWING TABLE ON THE COMPANY'S SHARE CAPITAL.

On 4 December 2017, an extraordinary general meeting of shareholders was called, previously notified through a Significant Event (no. 259098), held on 9 January 2018 and which, among other agreements, approved the EUR 7,326,425.40 capital reduction. As a result the share capital remains fixed following the agreed capital reduction for the amount of EUR 171,928,973.40, represented by 286,548,289 shares with a par value of EUR 0.60 each. The capital reduction agreement has been registered on the Company's record at the Company Registry of Madrid, dated 6 February 2018 (Significant Event No. 261611).

A.2 LIST THE DIRECT AND INDIRECT HOLDERS OF SIGNIFICANT OWNERSHIP INTERESTS IN YOUR COMPANY AT YEAR-END, EXCLUDING DIRECTORS.

In accordance with the information provided by the National Securities Market Commission (CNMV), for the record, "SANTANDER ASSET MANAGEMENT, S.A. SGIIC" has an indirect voting right amounting to 3.022%. It has been stated, in Section A.2 herein, that the 3.001% of voting rights are direct voting rights, since the number of votes, nor the percentage it has throughout the companies "Santander Small Caps España, FI" and "Santander Acciones Españolas, FI" have not been identified in its report submitted before the CNMV, which prevents it from being duly included under Section A.2. herein.

A.6. INDICATE WHETHER THE COMPANY HAS BEEN NOTIFIED OF ANY SHAREHOLDERS AGREEMENTS THAT MAY AFFECT IT PURSUANT TO SECTIONS 530 AND 531 OF COMPANIES LAW. PROVIDE A BRIEF DESCRIPTION AND LIST THE SHAREHOLDERS BOUND BY THE AGREEMENT, AS APPLICABLE.

Partial transcript of the Significant event reported by the Company on 12 October 2015 (number 229583):

"In connection with the significant events published on 7 October 2015 with registration numbers 229461 and 229485, the Company announces that, in the context of its capital increase, it has been informed by Grupo Villar Mir, S.A.U. that:

- "1. Grupo Villar Mir, S.A.U. ("GVM") has sold to Tyrus Capital Event S.à.R.L. ("Tyrus"), 10,890,000 preferential subscription rights (the "Preferential Subscription Rights") for the acquisition of 21,780,000 common shares (the "New Shares") of OHL, which shall be issued in the context of OHL's capital increase.
2. Tyrus is committed to exercise the Preferential Subscription Rights and, therefore, to acquire the New Shares.
3. GVM and Tyrus have undertaken that the provision and sale of the New Shares is done in an orderly manner as may be agreed at any time upon request of either Party.
4. During the eighteen (18) months following the date New Shares are admitted to trading, GVM shall have a right of first offer in the event that Tyrus intends to sell a block of New Shares exceeding 0.25% of OHL's share capital.
5. Likewise, during this period of eighteen (18) months, if GVM intends to transfer at least two percent (2%) of OHL's share capital, Tyrus shall be entitled to participate in such sale on a percentage proportional to their respective shares in OHL's share capital.
6. At the end of the referred period of eighteen (18) months, GVM shall have the option to purchase, and Tyrus the option to sell the remaining New Shares still held by Tyrus, at the same exercise price both.
7. Tyrus is committed not to lend the New Shares or derivative transactions on them.
8. Tyrus has expressed to GVM that it considers its investment in OHL as financial and therefore today Tyrus does not intend to access the OHL's Board of Directors or to request the right to appoint a director.
9. After the sale to Tyrus of the Preferential Subscription Rights, the number of Preferential Subscription Rights held by GVM in excess of those required to maintain a 50.01% stake in OHL's capital after the capital increase operation, is 458,415 (0.46% of total Preferential Subscription Rights available).

Likewise, the literal transcription of those clauses in the contract between GVM and Tyrus imposing restrictions on the free transferability of OHL's shares is attached as Annex 1 to this communication, whose summary has been included in the previous paragraphs, and we request you to transfer them to the Comisión Nacional del Mercado de Valores (CNMV), in compliance with article 531 of the Companies Law). [..]"

Partial transcript of the Significant event reported by the Company on 30 November 2016 (number 245639): The Company has been informed by Grupo Villar Mir, S.A.U. ("GVM") that the agreement, originally signed on 12 October 2015, between Tyrus Capital Event S.a.r.l ("Tyrus") and GVM, was being amended (as it has been amended after such date).

The literal transcription of these clauses of the agreement between GVM and Tyrus is attached hereto as Annex 1, in the manner in which it was amended on today's date, which impose restrictions on the free transfer of OHL shares and replace the restrictions notified in view of the significant event published on 12 October 2015, under registration number 229583, pursuant to Article 531 of the Spanish Capital Companies Law. [..]."

C.1.2. COMPLETE THE FOLLOWING TABLE WITH BOARD MEMBERS' DETAILS.

On 4 December 2017, an extraordinary general meeting of shareholders was called, previously notified through a Significant Event (no. 259098), held on 9 January 2018 and which, among other agreements, ratified the appointment by cooption of Mr. Juan Luis Osuna Gómez as Company's Director, approved by the Board of Directors on 25 October 2017.

C.1.11. IDENTIFY, AS APPROPRIATE, THE BOARD MEMBERS WHO HOLD OFFICE AS ADMINISTRATION OR EXECUTIVES AT OTHER COMPANIES FORMING PART OF THE LISTED COMPANY'S GROUP:

During the 2017 fiscal year, Mr. Juan Villar-Mir de Fuentes was the Chairman of OHL CONCESIONES, S.A.U., until his resignation on 1 June 2017; In addition, Mr. Javier López Madrid was Board Director of OHL CONCESIONES, S.A.U. until his resignation on the same date.

Until 25 October 2017, Mr. Tomás García Madrid was the Chairman and CEO of OHL CONCESIONES, S.L.U., was Board Director of MAGENTA INFRASTRUCTURA, S.L., OBRASCON HUARTE LAIN DESARROLLOS, S.L.U. and OHL MEXICO SA de CV. and Chairman of OHL INDUSTRIAL, S.L.U.

C.1.12. GIVE DETAILS, AS APPROPRIATE, OF ANY DIRECTORS OF THE COMPANY WHO ARE MEMBERS OF THE BOARDS OF DIRECTORS OF OTHER NON-GROUP COMPANIES THAT ARE LISTED ON OFFICIAL SECURITIES MARKETS IN SPAIN, AS DISCLOSED TO THE COMPANY.

For clarification purposes, Mr Juan Villar-Mir de Fuentes was Board Director of INMOBILIARIA COLONIAL, S.A. until 22 May 2017.

For clarification purposes, Mrs. Reyes Calderón Cuadrado was Board Director of BANCO POPULAR, S.A. until 7 June 2017.

C.1.15. INDICATE THE OVERALL REMUNERATION OF THE BOARD OF DIRECTORS.

The global remuneration of the Board of Directors includes the fixed annual remuneration of the Board of Directors, amounting to EUR 600,000, in accordance with the Remuneration Policy approved by the Ordinary General Shareholders' Meeting on 9 May 2017 and the remuneration received by the executive directors for the exercise of their senior management roles.

C.1.16. IDENTIFY THE SENIOR EXECUTIVES WHO ARE NOT EXECUTIVE DIRECTORS, AND INDICATE THE TOTAL REMUNERATION PAID TO THEM DURING THE YEAR:

The total compensation amount detailed in Section C.1.16 includes the amount accrued by Mr. Alfonso Gordon, Mr. Luis García-Linares, Mr. Alberto Sicre, Mr. Alfonso Orantes and Mr. Ignacio Botella don't belong to the Company's Senior Management at the date of the current report.

C.1.17 INDICATE, AS APPROPRIATE, WHICH BOARD MEMBERS ARE, IN TURN, MEMBERS OF THE BOARD OF DIRECTORS OF COMPANIES OF SIGNIFICANT SHAREHOLDERS AND/OR GROUP COMPANIES.

For clarification purposes, Mr Juan Villar-Mir de Fuentes holds the role of natural person Sole Administrator representative of the company Playas Españolas, and S.A.U. and natural person board member representative of the companies Inmobiliaria Espacio, S.A. and Grupo Villar Mir, S.A.U Grupo Villar Mir, S.A.U., Espacio Conil, S.A.U., Gestión Integral de Servicios Inmobiliarios, S.L.U. and de Arinver, S.L.U.

For clarification purposes, Mr Álvaro Villar-Mir de Fuentes holds the role of natural person board member representative of the companies, Inmobiliaria Espacio, S.A. and Grupo Villar Mir, S.A.U.

For clarification purposes, Mrs. Silvia Villar-Mir de Fuentes holds the role of natural person board member representative of the companies, Inmobiliaria Espacio, S.A. and Grupo Villar Mir, S.A.U.

For clarification purposes, Mr Manuel Garrido y Ruano holds the role of natural person Sole Administrator representative of the companies: Alnab, S.A, Cartera Vimira 18, S.L.U., Cartera Vimira 21, S.L.U., Espacio Adriano, S.L.U., Pacadar, S.A.U., Espacio Aviation Management, S.L. Espacio Aviation Maintenance, SLU, Espacio Falcon, SLU, Formula Jet, S.L., Pacadar, SAU, Torre Espacio Gestión, SLU.

C.1.18. INDICATE THE AMENDMENTS, IF ANY, TO THE BOARD REGULATIONS DURING THE YEAR:

Following the amendment approved by the Board of Directors on 29 March 2017, the text of Articles 14, 15 and 16 of the Regulations of the Board is expressed below, when reporting with that pertaining to Section C.2.1. herein:

"Article 14. Delegated Bodies and Specialised Committees of the Board of Directors.

1. Without prejudice to the powers delegated individually to the Chairman or the CEO, the Board of Directors shall form at least two Specialised Committees: An Audit and Compliance Committee, which shall indistinctively be called the "Audit Committee" or the "Audit and Compliance Committee", as well as an Appointments and Remuneration Committee with information, advisory and proposal powers regarding the matters set forth in the following articles.

2. Without prejudice to the powers conferred by the Law and the bylaws of the Company, the Appointments and Remuneration Committee will evaluate the profile of the most suitable persons to sit on the various Committees and will present any corresponding proposals before the Board. In any case, all suggestions made by the Chairman, the Corporate Vice-Chairman and the CEO will be taken into consideration.

3. Except as set forth in the Bylaws and in these Regulations, the Committees may be self-governing and appoint a Chairman from among their own membership. They will also appoint a Secretary, who does not need to be a member of the Committee and will meet after being called by the Committee Chairman. The Committees will prepare an annual action plan that will be reported to the Board. For any matters that are not specifically defined, these will be governed by the rules of procedure stipulated in the Bylaws and these Regulations regarding the Board, provided that they are consistent with the nature of duties of the Committee.

C.1.2. INDICATE ANY REMOVALS OF DIRECTORS DURING THE REPORTING PERIOD:

During the 2017 fiscal year, Mr. Juan Osuna Gómez held the position of executive director until his resignation on 24 February; following the resignation of Mr. Tomás García Madrid on 25 October, the Board of Directors appointed, by cooption, the former as director and since such time he has held the position of Second Vice-Chairman and CEO. The Extraordinary General Shareholders' Meeting held on 9 January 2018, approved the appointment of Mr. Osuna as Company director, where he continues to hold the same positions.

C.1.29. INDICATE THE NUMBER OF BOARD MEETINGS HELD DURING THE YEAR AND HOW MANY TIMES THE BOARD HAS MET WITHOUT THE CHAIRMAN'S ATTENDANCE.

The Chairman shall leave the meeting when the Board evaluates the Chairman's office.

C.1.39 INDICATE THE NUMBER OF YEARS THAT THE CURRENT AUDIT FIRM HAS BEEN UNINTERRUPTEDLY AUDITING THE FINANCIAL STATEMENTS OF THE COMPANY AND/OR THE GROUP. LIKEWISE, INDICATE FOR HOW MANY YEARS THE CURRENT FIRM HAS BEEN AUDITING THE FINANCIAL STATEMENTS AS A PERCENTAGE OF THE TOTAL NUMBER OF YEARS OVER WHICH THE FINANCIAL STATEMENTS HAVE BEEN AUDITED.

In 2002, DELOITTE, S.L. was appointed as auditor both for the Company and the Group. Arthur Andersen performed the audit services of the Company for the previous 14 years and of the Group for the previous 12 years.

C.1.43. STATE WHETHER ANY BOARD MEMBER HAS ADVISED THE COMPANY THAT HE OR SHE HAS BEEN PROSECUTED OR ORDERED TO STAND TRIAL FOR ANY OF THE CRIMINAL OFFENCES REFERRED TO IN ARTICLE 213 OF THE COMPANIES LAW:

During the 2017 fiscal year, Mr. Javier Lopez Madrid, after having resigned as Director on 8 May 2017, informed the Board of Directors, appropriately, with an update on his procedural situation so as to comply with his duty to inform.

C.2.1. GIVE DETAILS OF ALL THE BOARD COMMITTEES, THEIR MEMBERS AND THE PROPORTION OF EXECUTIVE, PROPRIETARY, INDEPENDENT AND OTHER NON-EXECUTIVE DIRECTORS.

FUNCTIONS, PROCEDURES AND RULES OF ORGANIZATION AND FUNCTIONING OF THE AUDIT, COMPLIANCE AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE: The functions assigned to the Audit, Compliance and Corporate Social Responsibility Committee, along with its procedures and rules of organisation and functioning are described in Article 15 of the Board of Directors' Regulations. "Article 15. Audit and Compliance Committee. 1.- The number of members at the Audit Committee shall not be less than three or more than seven, and shall be fixed by the Board of Directors. All Audit Committee members shall be Directors who are not executives of the company or maintain a contractual relationship other than the condition for which they are appointed.

At least two of them shall be independent directors and one of them shall be appointed considering their knowledge and experience on accounting, auditing or both. Without prejudice to the provisions of the Law and the Company's Bylaws, the Audit Committee shall have the powers and be governed by the operating rules listed below. 2.- Notwithstanding any other duty imposed by Law, the Bylaws, the General Owners' Meeting

or the Board of Directors, the Audit and Compliance Committee's responsibilities include the following: a) Report to the General Shareholders' Meeting matters therein raised by shareholders regarding their competence, and consider suggestions on such matters shareholders, the Board of Directors and Company managers may pose; b) Propose the appointment of the auditor, the terms of engagement of the auditor, monitoring and observance of the audit contract and, if applicable, his/her revocation or non-renewal; c) Maintain any other relationships with the external auditors, assess the results of each audit and the management team's response to their recommendations, and intervene in case of discrepancies between the latter and them with regard to policies and methods applicable in preparing financial statements, as well as gathering information on matters that may call the auditor's independence into question, and any other matters relating to the auditing process, including receiving information and the other disclosures stipulated in accounting and auditing legislation and auditing standards; d) In any case, receive from the auditors or audit companies an annual written confirmation of their independence from the Company or companies directly or indirectly related to the them, as well as information concerning the additional services of any kind rendered to the Company by said auditors or companies, or by the individuals or companies related to them pursuant to Law 1988/19 of 12 July on Account Auditing; e) Issue an annual report stating its opinion on the auditors' or audit companies' independence before the audit report is issued. In all cases, this report must express an opinion on the provision of the additional services referred to in the previous paragraph; f) Monitor compliance of auditing contract, always attempting a clear and precise drafting of the views of statements and audit report's main contents; g) Oversee the efficiency of the company's internal control, internal audit services and risk management systems, reviewing the appointment and replacement of responsible parties, as well as discussing with account auditors the most relevant internal control system weaknesses detected during the audit; h) Overseeing the financial reporting preparation and presentation process and checking the appointment and replacement of the individuals responsible; i) Review Company's statements, oversee compliance with legal requirements and correct application of generally accepted accounting principles and also inform on the proposals for changes in the accounting policies and methods suggested by management; j) Review bulletins and periodic financial information to be submitted by the Board to the markets and their regulatory bodies; k) Examine compliance with the Internal Rules of Conduct in Securities Markets, the Regulations of the Board of Directors, the Regulations of the General Shareholders' Meeting, Code of Conduct of Ethics of OHL Group and, in general, the Company's rules of governance, and make proposals for improving them. The Audit Committee is particularly responsible for receiving information and, if applicable, issuing a report on the disciplinary measures applied to the Company's senior executive team; l) Report to the Board prior to the adoption of resolutions related to the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens; m) Report in advance to the Board of Directors on all matters under the Law, bylaws and the Board's Regulations; and particularly on: 1) the financial information to be published by the Company from time to time; 2) the creation or acquisition of equity interests from special-purpose vehicles or entities domiciled at jurisdictions considered tax havens; and 3) the proposal to amend the Board of Directors' Regulations; n) Identify, propose, direct, promote and supervise the Corporate Social Responsibility policy of OHL Group, and to prepare the Corporate Social Responsibility report on an annual basis. 3.- The Audit Committee shall appoint among its members a Chairman who shall be an independent director. In the absence of the Chairman, the meeting shall be chaired by the most senior independent director. The Chairman shall be replaced every four years and may be re-elected after stepping down for one year. The Board of Director's Secretary shall be the Committee's Secretary and, in his/her absence, the Board's Vice-secretary shall replace him/her. The Committee's Secretary shall draw up the minutes of the adopted resolutions, which shall, in turn, be notified to the Board. 4.- The Audit Committee shall meet periodically as required and, at least, four times a year. One of the meetings shall be necessarily devoted to evaluate the Company's governance rules and procedures efficacy and compliance and to prepare the information the Board of Directors shall approve and include in its annual public report. It will be convened by the Chairman, who must make the call at the request of the Board of Directors' Chairman or two Committee members. The Committee shall be duly convened when half of the members plus one, present or represented, attend the meeting. Resolutions shall be adopted by majority vote of the Directors attending the the Committee's meeting. Written votes without a meeting shall only be accepted when none of the members objects to this procedure. 5. Any member of the Company's management team or staff required to this end shall be obliged to attend the Audit Committee's meetings and to cooperate and provide access to information at their disposal. The Committee may also request Auditors to attend its meetings. 6.- For the best performance of its duties, the Audit and Compliance Committee shall seek the advice of external professionals, whose recruitment shall be requested to the Board of Directors, which may not refuse it if not in a reasoned manner, considering the Company's best interests."

MOST IMPORTANT ACTIONS DURING THE YEAR: During its 19 meetings, the Audit and Compliance Committee within their basic responsibilities has carried out the review of periodic and annual financial information, the review of internal and external audits performed, the external auditor's appointment and independence, the approval of the annual Report of sustainability and Group's activities and state of CSR, the monitoring of the implementation and improvement process of the Group's internal control system over financial reporting and the Company's risk map, the monitoring of the Compliance Department's actions, and its self-assessment. During 2017, the Committee followed up and approved the responses to the requests for information made by the CNMV and reported favourably to the board on the Group's tax Policy approved, among other agreements.

APPOINTMENTS AND REMUNERATIONS COMMITTEE:

On 29 March 2017, Mrs. Reyes Calderón Cuadrado, independent director, and Mr. Juan Antonio Santamera Sánchez, proprietary director, were appointed members of the Appointments and Remuneration Committee.

FUNCTIONS, PROCEDURES AND RULES OF ORGANIZATION AND OPERATION OF THE APPOINTMENTS AND REMUNERATION COMMITTEE:

On 29 March 2017, the Board of Directors approved the roles corresponding to Corporate Social Responsibility and Corporate Governance, which until such date were assigned to the Appointments and Remuneration Committee, whereby modifying, accordingly, the Regulations of the Board of Directors with regard to the role attributed to such Committee.

The functions, procedures and rules of organisation and operation thereof, are described in Article 16 of the Regulations of the Board of Directors: "Article 16. Appointments and Remuneration Committee.

1.- The Board of Directors shall designate among its members an Appointments and Remuneration Committee. The number of members at the Appointments and Remuneration Committee shall not be less than three or more than seven, and shall be fixed by the Board of Directors. All Appointments and Remuneration Committee members shall be Directors who are not executives of the company or maintain a contractual relationship other than the condition for which they are appointed and at least two of them shall be independent. The Appointments and Remuneration Committee shall have the powers and be governed by the operating rules listed below.

2.- Without prejudice to any other functions assigned by law, the Company's Bylaws or the Board, the Appointments and Remuneration Committee shall have at least the following functions:

- a) Evaluate the balance of skills, knowledge and experience on the Board. Define the candidates' roles and capabilities to fill each vacancy; and decide the time and dedication necessary for them to properly perform their duties.
- b) Set an objective for the representation of the gender that is underrepresented on the Board of Directors, drawing up guidelines on how to achieve this objective.
- c) Submit to the Board proposals for Independent Directors' appointment through cooption or, if applicable, for the General Shareholders' Meeting consideration, together with the proposals made by the General Meeting for such Directors' re-election or removal.
- d) Report on the proposals for Directors' appointment through cooption or, if applicable, for the General Shareholders' Meeting consideration, together with the proposals made by the General Meeting for Directors' re-election or removal.
- e) Propose to the Board appointment of Committee members.
- f) Report on proposals for appointment and removal of senior managers and the basic terms of their contracts.
- g) Examine and organise the succession of the Board of Directors' Chairman and the company's chief executive and, where appropriate, make proposals to the Board of Directors for such succession to occur in an orderly and planned manner.
- h) Propose to the Board of Directors the remuneration policy for directors and general managers or those who carry out their senior management functions under direct control of the Board, Executive Committees or Managing Directors, as well as the individual remuneration and other contractual conditions of executive directors and the criteria for the rest of the Group's senior management, ensuring compliance.
- i) Verify periodically remuneration programs, assessing their adequacy and return.
- j) Monitor remuneration transparency.
- k) Reporting on the list of transactions that imply or may imply a conflict of interests and, in general, on the matters included in chapter on IX of this Regulation.
- l) Consider suggestions made by the Company's Chairman, members of the Committee, senior executives or shareholders.
- m) Report the full Board on the proposal of appointment and removal of the Board of Directors' Secretary.
- n) Annually report the full Board on the evaluation of the Board of Directors' Chairman performance.
- n) Identify, propose, direct, promote and supervise the Corporate Social Responsibility policy of OHL Group, and to prepare the Corporate Social Responsibility report on an annual basis.
- ñ) - Review the regulations and practices of the Company relating to Corporate Governance, by proposing any amendments it deems appropriate so that they remain in line with the standards, recommendations and best practices in this matter.

3.- The Appointments and Remuneration Committee shall meet whenever the Board or its Chairman requests a report or the adoption of proposals and, in any case, whenever convenient for the appropriate furtherance of its duties.

In any case, it shall meet to draw up the specific report on the Company's remuneration policy proposed to be submitted to the Annual General Meeting. Regardless of this, it shall meet at least three times a year. One of these meetings shall be devoted to determining the directors' remuneration that the Board of Directors must approve by implementing the Company's remuneration policy, and preparing the information to be included in the annual public documentation. It will be convened by the Chairman, who must make the call at the request of the Board of Directors' Chairman or any of the Committee members.

4.- The Audit Committee shall appoint among its members an independent director as Chairman. In the absence of the Chairman, the meeting shall be chaired by the most senior independent director. The Board of Directors' Secretary shall be the Committee's Secretary and, in his/her absence, the Board's Vice-secretary shall replace him/her. The Committee's Secretary shall draw up the minutes of the adopted resolutions, which shall, in turn, be notified to the Board.

5.- Any member of the Company's executive team or personnel so required is obliged to attend Committee meetings, as well as to offer assistance and access to information at their disposal. The Committee may also request Auditors to attend its meetings.

6.- For the best fulfilment of their duties, the Appointments and Remuneration Committee may seek the advice of external professionals, for which Article 26 of these Regulations shall apply."

MOST IMPORTANT ACTIONS DURING THE YEAR: During its 11 meetings, the Appointments and Remuneration Committee within its basic responsibilities has carried out actions relating to the variable remuneration of directors and general managers, reporting favourably on the Annual Remuneration Report; proposed the appointment of two independent directors to fill two vacancies, reported favourably on the proposal of the appointment and ratification of proprietary directors and reported favourably on the appointment of the Chairman CEO during the year. Additionally, it reported on related-party transactions and made its self-assessment.

D.2. LIST ANY RELEVANT TRANSACTIONS, BY VIRTUE OF THEIR AMOUNT OR IMPORTANCE, BETWEEN THE COMPANY OR ITS GROUP OF COMPANIES AND THE COMPANY'S SIGNIFICANT SHAREHOLDERS.

For the record, these transactions, which are of a contractual nature, have been made at market value, with the significant shareholder INMOBILIARIA ESPACIO, S.A. and subsidiaries.

The transactions performed during the fiscal year 2017 by the companies being part of the discontinued operations of OHL CONCESIONES, S.A.U, also performed on an arm's length basis and with the significant shareholder INMOBILIARIA ESPACIO, S.A. and subsidiaries, are detailed separately.

Name of the Group Company	Nature of relationship	Type of transaction	Thousands of euros
Terminales Marítimas del Sureste, S.A.	Services received	Contractual	250
OHL Concesiones, S.A.U.	Services received	Contractual	301

E.5. IDENTIFY ANY RISKS, INCLUDING TAX RISKS, WHICH HAVE OCCURRED DURING THE YEAR.

The update of the main risks for the Group in the fiscal year 2017 is:

i. Liquidity risk and access to financial markets: This risk is managed by maintaining adequate levels of cash and marketable securities, as well as acquiring and keeping lines of sufficient funding to cover all financing needs, as cash maintaining, at all times, a level of financial flexibility that is adequate for its activity. Throughout 2016, on four occasions, the credit rating was reduced for the Group, in three levels by Moody's and in one level by Fitch, finally being rated as Caa1 and B+ (both with negative outlooks), respectively. To avoid a possible significant negative impact on its liquidity profile, the OHL Group commenced a process for the joint dialogue and negotiation with its main related entities (the "Group of Entities"), with a two-fold purpose: (i) to ensure the ongoing support for the OHL Group by signing a formal agreement (standstill) that includes the terms and conditions, availability and limits of existing loans with the Group of Entities, and (ii) to negotiate a new financing package that would allow the OHL Group to have the guaranteed coverage for its future working capital needs arising from the implementation of its Business Plan. On 30 March 2017, the OHL Group entered into a Syndicated Multiproduct Loan Agreement, novated on 29 November 2018 for a total aggregate amount of EUR 684 million, for the issuance of guarantees (EUR 402 million) and confirming operations (EUR 92 million), including as well a revolving credit line amounting to EUR 190 million.

All of such mature in 18 months, whereby consequently extending the standstill period until such date, and with the guarantee of the shares of OHL Concesiones, S.A. and OHL Desarrollos.

This financing package, together with the Debt Reduction Measures carried out during the 2017 fiscal year, focused on the undertaking of a divestment plan and a determined action for cash generation/project control, which have strengthened the Group's liquidity profile at 31 December 2017.

Moreover, it is worth highlighting the important purchase agreement between OHL and IFM Investors, signed on 30 November 2017, for the full sale of our ownership interest in OHL Concesiones, which should be effective during the first quarter of 2018, accounting for an important cash in-flow for the Company, which will produce a substantial reduction of the Gross Recourse Debt and the improvement in pro-forma Liquidity with available resources being above EUR 2,800 million.

This situation has had an additional consequence since, at the beginning of December 2017, the credit rating agency, Moody's Investors Service, has improved the corporate and senior unsecured debt rating of OHL from Caa1 to B3 and placed this rating under review due to a possible rise.

ii. OHL Mexico - Investigations: as for the investigations on the Mexican concessionaire Companies, initiated in 2016 by CNBV and other agencies, these have practically come to a close in 2017 where there has been no case determining the existence of mens rea or any fraudulent action, nor the existence of any impact on the Mexican financial system or for third parties, nor any infringement by issuers or natural persons (see Note 4.6.2.6 of the Notes to the Financial Statements).

iii. The bankruptcy and liquidation of Autopista Eje Aeropuerto Concesionaria Española S.A and Aeropistas S.L.U.: these companies are under insolvency proceedings as of January 2014 and as of October 2015 their liquidation was requested. The legal proceedings are still ongoing for the various aspects of the liquidation for the concession and other contracts (see Note 4.6.2.5 in the Notes to the Financial Statements).

iv. The bankruptcy and liquidation of Cercanías Móstoles Navalcarnero: during May 2016, voluntary bankruptcy was filed, where it was admitted and entered into insolvency proceedings on 16 August 2016.

On 15 March 2017, it was issued an Order for the liquidation whereby commencing the liquidation phase, declaring the company dissolved, where its directors were relieved of their duties, having been replaced by the insolvency administration.

On 25 April 2017, the insolvency administrator submitted the Liquidation Plan or the realisation of property and rights comprising the assets of the insolvency proceedings, which is pending approval.

Lastly, on 20 June 2017, as a result of the aforementioned enforcement of the penalty on the Company, the Community of Madrid ordered the execution of the guarantees that OHL, S.A. and OHL Concesiones, S.A.U. had provided as collateral to ensure the fulfilment of its obligations under the concession contract of the Company. The amount of the executed guarantees stood at EUR 15,869,300.60.

Finally, on 21 July, it was notified of the Order issued by the Minister of Transport, Housing and Infrastructure, which declared the Concession Contract terminated, whereby seizing the collateral and declaring the obligation to provide compensation to cover damages inflicted upon the Administration in the amount determined in the corresponding contradictory procedure. This administrative decision is subject to appeal.

Notwithstanding to the foregoing situation, the Group deems that the concession contract upholds the right to recuperate the net investment and the amounts contributed as loans for the Company.

v. Litigious situations for Construction and Industrial projects: The Group is still involved in litigious situations with certain projects (see Note 4.6.2.5 of the Notes to the Financial Statements), where it is doing its best to reach a settlement for payment.

Notwithstanding the foregoing and as a consequence of a careful assessment on the current situation for each of these, while considering the technical, legal and the negotiation status of the Clients, it has been decided to undertake a reassessment of its objectives, as it was done in 2016, which has resulted in a significant effect on the results of this year. During the 2017 fiscal year, all ongoing efforts were focused on obtaining the highest possible collection and there has been no negative impact on the income statement for the year.

F.1.2 CODE OF CONDUCT, APPROVING BODY, DISSEMINATION AND INSTRUCTION, STANDARDS AND VALUES INCLUDED (SPECIFYING WHETHER THERE IS ANY EXPRESS REQUIREMENT AS TO REGISTRATION OF

TRANSACTIONS AND PREPARATION OF FINANCIAL INFORMATION), BODY IN CHARGE OF EXAMINING BREACHES AND SUGGESTING CORRECTIVE MEASURES AND PENALTIES.

Approval body and date of update:

OHL Group has a Code of Ethics in place that represents the express statement of the values, principles and conduct guidelines which must lead the behaviour of all persons of the Group in their professional activity.

Its scope includes all members of the Board of Directors, executive staff and all Group employees.

The Board of Directors, the approval body of the Code of Ethics, approved the last update on 21 January 2015.

The Code will remain in force until the Board of Directors approves its update, review or repeal.

Principle on information transparency and accuracy:

The Code of Ethics is the main criterion to develop the Group's corporate values:

- * Professional ethics, integrity, honesty, loyalty, efficacy and responsibility before our stakeholders, for every action of the Group, always in full compliance with current legal provisions.
- * Spirit to continuously excel and improve professional performance, always focused on excellence.
- * Transparency in information disclosure, which must be appropriate, truthful, comparative and complete.
- * Creation of value, always striving for sustainable growth and profitability.
- * Continuous encouragement of the quality offered, innovation, security and respect for the environment.

Based on the basic principle of behaviour required to all the Group's staff regarding 'the respect to lawfulness', information transparency and accuracy are considered a key conduct guideline in the relationship with the market.

In this regard, the Code of Ethics specifies that:

"OHL undertakes to transmit complete and truthful information of the Group companies which allows shareholders, analysts and other interested parties to reach an objective opinion on the Group. Similarly, OHL undertakes to collaborate with the supervising or inspection bodies or entities in any way it may be required in order to facilitate administrative supervision. Group's staff will verify that all transactions with economic relevance are made on behalf of the Company and that they are included clearly and accurately in the appropriate accounting records so as to represent a faithful image of the transactions made. Accounting principles and standards must be strictly followed, preparing complete and accurate financial reports. It is also necessary to implement suitable internal procedures and controls ensuring that financial and accounting reporting complies with the law, regulations and stock exchange requirements. Conducts tending to avoid tax liabilities or to obtain benefits against the Tax Authority, Social Security or similar bodies are expressly forbidden."

Audit and Compliance Committee:

Section 15.k) of the Board Regulations details the Audit Committee's responsibilities as follows: "Examine compliance with the Internal Rules of Conduct in Securities Markets, the Code of Ethics of OHL Group and, in general, the Company's rules of governance, and make proposals for improving them."

Thus, the Group's Code of Ethics itself states that "any doubt, criticism or suggestion made to improve must be made known to the Audit, Committee, which is the competent body to ensure compliance with this Code and to promote both its disclosure and the specific training for its correct application".

In this regard, and given the importance of the Code's compliance for the Group, the necessary means to achieve the goals set forth (among others, the creation of a Compliance Management Committee and the start-up of an Ethical Communications Channel) have been provided.

Since early 2015, the Group has an Anti-Corruption policy developing the commitment expressed in the Code of Ethics, which is to work against corruption and bribery worldwide. This policy reflects the Group's position of zero tolerance for any form of corruption and affects all the people working in the Group. Any event of default with features described in the Code shall be investigated and may lead, if necessary, to the imposition of appropriate disciplinary and legal measures.

Code of Ethics' communication, distribution and training plan:

The content of the Code of Ethics must be known and understood by any person composing the OHL Group. For this reason, the Group performs different actions of communication, training and distribution measures necessary to its knowledge.

The main actions are:

- * Availability of the Code of Ethics in the corporate intranet and on OHL Group's website (path: www.ohl.es/compromiso/canalético), Translation into the four main languages of the Group.
- * Personalised delivery of the Code of Ethics to recently joined executive, technical and administrative staff for its observance.
- * Inclusion of an additional clause in the employment contract, requiring the knowledge, understanding and compliance of the Code of Ethics. Design of specific training actions for the Group's operating staff.
- * Disclosure to relevant third parties. Where deemed necessary, the commercial contract between the OHL Group and the subcontractor includes a provision that refers to the existence of the Code of Ethics of the OHL Group, as well as to the obligation to comply with said code in delivering services to the OHL Group.
- * The e-mail dissemination of "informational bulletins", these being specific reminders about certain subject matter, which are intended to reinforce our Compliance culture.

During 2017 there was ongoing work regarding the strengthening of the set objectives:

The Code of Ethics and Anti-Corruption Policy course is mandatory and during 2015, 2016 and 2017 a total of 5,404 people participated in over 54,040 training hours, with the following distribution:

Countries Trained employees Hours of training %

Spain / 2,701/ 27,010/ 49%

USA and Canada 919 9,190 17%

Mexico/ 473/ 4,730/ 9%

Czech Republic/ 580/ 5,800/ 11%

Other countries 731 7,310 14%

Total (5,404) 54,040 100%

During 2017, the Code of Ethics and Anti-Corruption Policy course was updated, which migrated to an interactive online platform. The facilitative work that saw the fruition of this training during 2015 and 2016 will continue throughout the 2018 fiscal year.

The Human Resources and Organisation management is responsible for the distribution and knowledge of the Code of Ethics while the Internal Audit Management is responsible for the monitoring actions.

On an annual basis, the Audit Committee receives a report from the Internal Audit Department of the OHL Group stating the actions taken by each delegated area during the last fiscal year ended, in order to monitor the degree of compliance with and application of the Code of Ethics of the OHL Group.

A significant matter worth mentioning is that on 1 October 2013, the Board of Directors of OHL S.A., at the proposal of the Audit and Compliance Committee, agreed to create the Compliance Department, which depends on the Board of Directors' Secretary and reports to this Committee.

The main roles of this Department are:

- * Identify legal risks, especially those that result from the criminal liability of legal entities or entail reputational risks.
- * Promote the implementation of the processes necessary to avoid legal breaches related to criminal or reputational risks, and limit, as far as possible, the cases of criminal liability at the Company, actively contributing to preventing and stopping criminal activity.
- * Promote a clear organizational culture, shared by all Group employees at all levels, which is favourable to avoiding conduct liable to trigger any criminal liability on the part of the Company, its managers and directors.
- * Establish in an objective and demonstrable manner, the control and supervisory measures intended to avoid this conduct by employees, at all levels and propose the disciplinary measures that would be implemented if this conduct were to take place.
- * Regular reporting to the Audit Committee on the execution of the Annual Action Plan in its Division.
- * Establishes measures to prevent criminal activity.
- * Carries out the application of the Code of Ethics and proposes its review, so as to adapt it to the amendments in the current legal framework at any given time.
- * Proposes the approval the Code of Ethics' internal regulation development, which will include a system of penalties for breaches.
- * Receive and address reports received through the Ethics Channel.
- * Promote and supervise training activities on the Code of Ethics.

F. 2. FINANCIAL INFORMATION RISK ASSESSMENT EXPLAIN, AT LEAST:

F.2.1 THE MAIN CHARACTERISTICS OF THE RISK IDENTIFICATION PROCESS, INCLUDING RISKS OF ERROR OR FRAUD, STATING WHETHER: WHETHER THE PROCESS EXISTS AND IS DOCUMENTED. WHETHER THE PROCESS COVERS ALL FINANCIAL INFORMATION OBJECTIVES (EXISTENCE AND OCCURRENCE, COMPLETENESS; VALUATION; SUBMISSION; BREAKDOWN AND COMPARABILITY, RIGHTS AND OBLIGATIONS), WHETHER IT IS UPDATED, AND HOW OFTEN. WHETHER A PROCESS IS IN PLACE TO DEFINE THE CONSOLIDATION SCOPE, CONSIDERING, WITHOUT LIMITATION, ANY COMPLEX CORPORATE STRUCTURES, SPECIAL PURPOSE VEHICLES OR SIMILAR ENTITIES. WHETHER THE PROCESS CONSIDERS THE EFFECTS OF OTHER KIND OF RISKS (OPERATIONAL, TECHNOLOGICAL, FINANCIAL, LEGAL, REPUTATIONAL, ENVIRONMENTAL, ETC.) INsofar AS THEY MAY AFFECT THE FINANCIAL STATEMENTS. GOVERNANCE BODY IN CHARGE OF SUPERVISING THE PROCESS.

The main strategic goals with respect to Risk Management are geared to successfully implement and keep a reliable Risk Management system, as well as to use it as a management tool at all decision-making levels.

This system develops and implements a common set of processes, risk categories, and risk management tools and techniques with the aim of:

- * Identifying and managing risks at Group, Division and project level.
- * Developing an integrated report that allows for identification and follow-up of critical risks;
- * Adjusting risk tolerance levels to the Group's objectives;
- * Enhancing risk reporting and information;
- * Improving decision-making regarding response to risk.
- * Integrating the management risk into the decision-making processes.
- * Reducing the Group's vulnerability to adverse events;
- * Establish and keep a culture of risk awareness.
- * Boosting the confidence and certainty of the Board of Directors and stakeholders in that material risks are being managed and reported in due time.

Risk management is essential for the organisational culture of the OHL Group. All risks must be identified, prioritised, in line with the strategic and operational objectives and evaluated. To achieve this, the OHL Group follows the Governance Model on Risk Management and the Risk Management Framework that contains the Risk Management Policy.

The risk management system covers four large risk categories:

1.- Strategic Risks: This category includes risks related to changing and specific circumstances of the markets in which the Group operates, in particular, possible regulatory changes, country risk, risks of partnerships or joint ventures, and reputation and image risks.

2.- Operating risks: The Group's main operating risks include:

- Contracting/Supply
- Subcontracting and suppliers.
- Production
- Quality
- Employment
- Environmental
- Technology and systems

For all such risks, the Group has processes that provide a framework and, together with the procedures set forth, follow up such risks establishing measures which should be applied if a risk of breach of the goals set forth is observed.

3.- Compliance risks: risks related to compliance with applicable legislation, contractual commitments and internal regulations.

4.- Financial risks: They are related to access to financial markets, cash and tax management, reliability of the economic and financial information, and management of insurance.

Each operating division and functional area performs periodic reviews of their risk lists at least once a year. A key aspect for the overall success of risk management is the explicit belief of the OHL Group that all employees must be supportive of a culture of transparency, awareness and open dialogue when it comes to risk. The OHL Group desires to have open, timely and frank discussions on risk, besides being more aware of risks, whereby following the Risk Management System and attending training sessions on risk management and by following corporate communications concerning risk management. The OHL Group Management provides the tools required for its employees to take full advantage of the opportunities related to the risks and, in this manner, facilitate risk reporting, monitoring and measurement.

The documentation of the processes which may materially affect financial reporting is subject to ongoing follow-up and enhancement.

An important part of this follow up and improvement process is determining the scope of the Financial Information System in order to establish, within the Group, relevant companies and also identify the significant operating or support processes for such companies and their risks. All that based on the materiality and risk factors inherent to each Division.

This scope is determined based on materiality criteria, both qualitative and quantitative, so that relevant areas and critical processes with significant impact on financial information, relevant items of the financial statements and of financial information in general, and the most relevant transactions are identified, as well as material Companies, considering the existing degree of centralisation/decentralisation.

Based on the scope determined at each time and on the processes involved in the creation of the financial information, risks which may affect said information are identified, covering all financial reporting goals (existence and occurrence; completeness; valuation; rights and obligations; and submission and reporting) and taking into account the different abovementioned risk categories to the extent they affect financial information.

The scope of the Financial Information Internal Control System is reviewed, at least, annually before establishing the financial information delivery schedule for subsidiaries, and whenever a new company with a significant impact is incorporated to or removed from the Group's consolidation scope. In this regard, the Group has an identification process of the consolidation scope whereby the Group's Control and Administration Division, updates said scope considering notices of changes received based on the defined procedure. In the fiscal year 2017, four new companies have been added to the consolidation scope.

The Group's General Economic and Financial Division, through its Control and Administration Division, is liable for the maintenance of the scope and financial information risk identification process, and is also in charge of informing the external and internal audit of any changes on the scope.

ENDORSEMENT OF THE CODE OF GOOD TAX PRACTISES

The company reports that by the Board of Directors' agreement dated 12 May 2015, the OHL Group has adhered to the Code of Good Tax Practices with the Spanish Ministry of Economy and Finance, taking its principles as their own.

This Annual Corporate Governance Report was approved by the Company's Board of Directors at its meeting held on 28/02/2018.

State if there were any directors who voted against or abstained from the approval of this Report.

Yes ☐

No ☒

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

AUDITOR'S REPORT ON THE "INFORMATION RELATING TO THE SYSTEM OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF OBRASCÓN HUARTE LAIN, S.A. FOR 2017

To the Directors of OBRASCÓN HUARTE LAIN, S.A.,

As requested by the Board of Directors of Obrascón Huarte Lain, S.A. ("the Company") and in accordance with our proposal-letter of 8 November 2017, we have applied certain procedures to the information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report of Obrascón Huarte Lain, S.A. for 2017, which summarises the internal control procedures of the Company in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the information relating to the ICFR system included in section F of the accompanying Annual Corporate Governance Report (ACGR).

It should be noted in this regard that, irrespective of the quality of the design and operational effectiveness of the internal control system adopted by the Company in relation to its annual financial reporting, the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Company was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Company's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the "Guidelines on the Auditor's Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies", published by the Spanish National Securities Market Commission (CNMV) on its website, which establish the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Company's annual financial reporting for 2017 described in the information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the system of internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the audit regulations in force in Spain, we do not express an audit opinion in the terms provided for in those regulations.

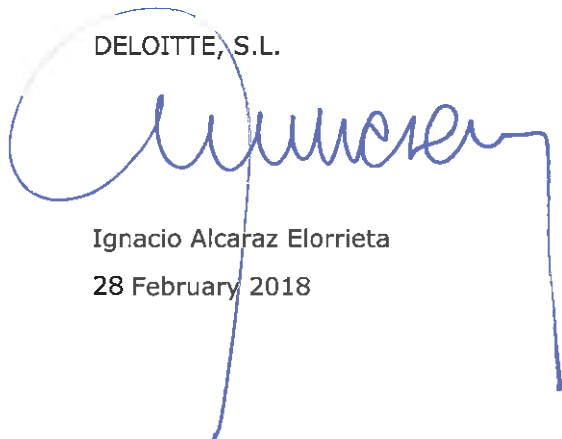
The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Company in relation to the ICFR system - disclosure information included in the directors' report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in section F), relating to the description of the ICFR system, of the model Annual Corporate Governance Report established in CNMV Circular no. 7/2015, of 22 December 2015.
2. Inquiries of personnel responsible for preparing the information detailed in point 1 above for the purpose of: (i) obtaining an understanding of the process that goes into drawing up the information; (ii) obtaining information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) obtaining information on whether the control procedures described are in place and functioning at the Company.
3. Review of the explanatory documentation supporting the information detailed in point 1 above, including mainly the documentation furnished directly to the personnel in charge of preparing the information describing the ICFR system. In this regard, the aforementioned documentation includes reports prepared for the Audit and Compliance Committee by internal audit, senior management and other internal or external specialists.
4. Comparison of the information detailed in point 1 above with the knowledge on the Company's ICFR obtained through the procedures applied during the financial statement audit work.
5. Reading of the minutes taken at meetings of the Board of Directors, Audit and Compliance Committee and other committees of the Company to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.
6. Obtainment of the representation letter concerning the work performed, duly signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of Article 540 of the Consolidated Spanish Limited Liability Companies Law, and of CNMV Circular no. 7/2015 of 22 December, published by the Spanish National Securities Market Commission for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.



Ignacio Alcaraz Elorrieta

28 February 2018