Obrascón Huarte Lain, S.A.

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

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

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Opinion

We have audited the financial statements of Obrascón Huarte Lain, S.A. (the Company), which comprise the balance sheet as at 31 December 2019, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2019, and its results and its cash flows for the period 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 described in Note 8.4.1 to the accompanying financial statements, the Company's liquidity position has decreased in recent years mainly as a result of the fund requirements of certain loss-making projects, although it trusts that the future achievement of its business plan, as substantially occurred in 2019, together with the financial control measures adopted, the available financial resources and the resources it expects to obtain once the conditions attaching to the disbursement of the financing facility described in Note 8.4.1. have been fulfilled will enable it to reverse this situation and meet its obligations. The aforementioned business plan envisages increases in the profitability of the projects, recurring contracting of future business projects, the optimisation of the Company's working capital management and an improvement in the financial position including, inter alia, the collection of receivables from related entities and divestments of non-strategic assets.

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In this context, taking into account also the health crisis described in Note 24, possible failures to meet the objectives envisaged in the aforementioned plan may significantly affect the Company's ability to meet its future financial obligations, which means that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter

As indicated in Note 8.1 to the accompanying financial statements, the Company has non-current financial assets amounting to EUR 204 million associated with the investment in the concession operator Cercanías Móstoles - Navalcarnero, S.A., in liquidation. In this regard, the evolution of the main events that have occurred in relation to the liquidation process is disclosed in Note 15.3.2, including the latest judgments favourable to the Company's interests, against which the Autonomous Community Government of Madrid has appealed. In this connection, the recoverability of the aforementioned investment is subject to the positive outcome of the liquidation process and to the realisation of the Company's economic rights associated with the aforementioned concession operator.

Also, Note 15.3.2 to the accompanying financial statements refers to the arbitration process in which the Company is involved in relation to the Sidra Hospital (Qatar) project. In this regard, although Note 15.3.2 indicates that partial awards have been given, the arbitration as a whole has not yet been resolved.

Also, as indicated in Note 8.2 to the accompanying financial statements, the Company has granted loans to its main shareholder and companies related to it for a total amount of EUR 126 million, maturing in 2020, for which the Company analysed the credit risk of the counterparties and the recoverability of which is linked to the achievement of a divestment plan of the debtor.

In this context, at the reporting date there were several uncertainties that could affect the ultimate outcome of the three matters indicated above and, therefore, the estimates made by the Company's directors could be significantly modified in the future. 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 of revenue from long-term contracts and of 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 (totalling EUR 143 million at 31 December 2019) 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. It should be noted in this connection that the Company recognises contract modifications and claims when it has received approval for them from the customer. Also, if the parties have agreed to a modification but the related price has yet to be determined, the corresponding revenue is recognised for an amount in relation to which it is highly probable that a significant change therein will not occur when the uncertainty associated therewith is resolved.

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 variations and claims or damage caused affecting the judgements and estimates must be very closely monitored.

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 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 2018 with respect to the actual data for the contracts in 2019.

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 accounting 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 internal and external evidence provided by management. 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 included the related disclosures required by the financial reporting framework. In this regard, the disclosures in Notes 4.10, 11 and 20.1 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 2019, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

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

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 observed that the directors' report included a reference to the fact that the information described in section a) above was presented in the consolidated directors' report of the OHL Group, and that the other information in the directors' report was consistent with that contained in the financial statements for 2019 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors and 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 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 6 and 7, 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 5 May 2020.

Engagement Period

The Annual General Meeting held on 28 May 2019 appointed us as auditors for a period of one year from the year ended 31 December 2018, i.e., for 2019.

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 uninterruptedly 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 R.O.A.C. under no. S0692

Antonio Sánchez-Covisa Martín-González
Registered in R.O.A.C. under no. 21.251

5 May 2020

Appendix I to our auditor's report

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's 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.

2019 Separate Financial Statements
and Directors' Report

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Balance sheets as at 31 December 2019 and 2018

Assets	Note	31/12/19	31/12/18
Non-current assets			
Intangible assets	**5**		
Development expenditure		3,510	4,702
Patents, licences, trademarks and similar items		14	14
Computer software		3,397	4,006
Other intangible assets		502	1,524
		7,423	**10,246**
Property, plant and equipment	**6**		
Land and buildings		683	686
Machinery and plant		4,392	6,686
Other fixtures, tools and furniture		5,066	5,946
Investments in concessions		36	37
Other items of property, plant and equipment		4,078	6,811
Property, plant and equipment in the course of construction and advances		-	372
		14,255	**20,538**
Investment property			
Land		13	13
Buildings		868	884
		881	**897**
Non-current investments in Group companies and associates	**8.3.1**		
Equity instruments		328,180	214,339
Loans to companies		70,488	21,278
		398,668	**235,617**
Non-current financial assets			
Equity instruments	**8.1**	59,924	59,919
Loans to third parties	**8.1**	162,745	162,746
Debt securities	**8.1**	305	299
Other financial assets	**8.1**	5,099	6,117
		228,073	**229,081**
Deferred tax assets	**18.5**	**73,798**	**82,052**
TOTAL NON-CURRENT ASSETS		**723,098**	**578,431**
Current assets			
Inventories	**10**		
Raw materials and other supplies		17,016	19,013
Auxiliary shop projects and site installations		17,287	18,294
Advances to suppliers and subcontractors		11,601	18,480
		45,904	**55,787**
Trade and other receivables			
Trade receivables for sales and services	**11**	264,820	287,818
Trade receivables from Group companies	**12.1**	35,865	49,967
Trade receivables from associates	**12.2**	31,186	23,396
Sundry accounts receivable		24,240	27,834
Employee receivables		451	586
Current tax assets	**18.1**	26,360	28,578
Other accounts receivable from public authorities	**18.1**	12,317	23,421
		395,239	**441,600**
Current investments in Group companies and associates	**8.3.2 & 8.3.3**		
Loans to companies		1,032,371	1,430,165
Other financial assets		52,900	55,715
		1,085,271	**1,485,880**
Current financial assets			
Equity instruments	**8.2**	3	3
Loans to companies	**8.2**	122,603	121,126
Derivatives	**8.2 & 9**	16	-
Other financial assets	**8.2**	159,596	145,307
		282,218	**266,436**
Current prepayments and accrued income		**16,305**	**20,816**
Cash and cash equivalents	**13**		
Cash		197,630	461,987
Cash equivalents		34,490	33,865
		232,120	**495,852**
TOTAL CURRENT ASSETS		**2,057,057**	**2,766,371**
TOTAL ASSETS		**2,780,155**	**3,344,802**

Note: the accompanying Notes 1 to 25 and Appendices I to V are an integral part of the balance sheet as at 31 December 2019.

Thousands of euros

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

Balance sheets as at 31 December 2019 and 2018

Equity and liabilities	Note	31/12/19	31/12/18
Equity			
SHAREHOLDERS' EQUITY			
Share capital			
Registered share capital	**14.1**	171,929	171,929
Share premium	**14.3**	1,265,300	1,265,300
Reserves			
Legal and bylaw reserves	**14.2**	34,386	11,969
Other reserves	**14.4**	26,579	26,470
(Treasury shares)	**14.6**	(535)	(370)
Prior years' losses		(544,435)	(804,975)
Profit (loss) for the year	**3**	(59,886)	382,824
Interim dividend		-	(99,867)
TOTAL SHAREHOLDERS' EQUITY		**893,338**	**953,280**
GRANTS, DONATIONS AND LEGACIES RECEIVED	**14.7**	**609**	**930**
TOTAL EQUITY		**893,947**	**954,210**
Non-current liabilities			
Long-term provisions	**15.1**		
Other provisions		31,083	262,922
		31,083	**262,922**
Non-current payables			
Debt instruments and other marketable securities	**16.1**	587,887	659,298
Bank borrowings	**16.1**	63	1,521
Other financial liabilities	**16.1**	2,692	1,170
		590,642	**661,989**
Deferred tax liabilities	**18.6**	**6,899**	**6,746**
TOTAL NON-CURRENT LIABILITIES		**628,624**	**931,657**
Current liabilities			
Short-term provisions	**15.1**	**164,678**	**104,533**
Current payables			
Debt instruments and other marketable securities	**16.1**	83,691	14,132
Bank borrowings	**16.1**	2,886	8,930
Derivatives	**9 & 16.1**	180	421
Other financial liabilities	**16.1**	11,077	6,040
		97,834	**29,523**
Current payables to Group companies and associates	**16.2**	**341,246**	**487,835**
Trade and other payables			
Payables for purchases and services		327,227	456,259
Notes payable		32,586	22,087
Trade payables to Group companies	**17.2**	17,700	35,868
Trade payables to associates	**17.2**	23,270	18,489
Remuneration payable		5,138	4,486
Current tax liabilities	**18.1**	15,670	14,497
Other accounts payable to public authorities	**18.1**	24,714	25,397
Customer advances	**11**	207,521	259,961
		653,826	**837,044**
TOTAL CURRENT LIABILITIES		**1,257,584**	**1,458,935**
TOTAL EQUITY AND LIABILITIES		**2,780,155**	**3,344,802**

Note: the accompanying Notes 1 to 25 and Appendices I to V are an integral part of the balance sheet as at 31 December 2019.

OBRASCÓN HUARTE LAIN, S.A. Thousands of euros

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

Statements of profit or loss for the years ended 31 December 2019 and 2018

	Note	2019	2018
Revenue:	**20.1**		
Sales		632,900	328,050
Sales at UTEs (based on % of ownership)		242,882	280,677
		875,782	608,727
Change in inventories of auxiliary shops and site facilities		(1,008)	50
In-house work on non-current assets		-	144
Procurements:	**20.2**		
Cost of construction materials and machinery spare parts used		(109,141)	(123,895)
Work performed by other companies		(447,407)	(567,611)
Other operating income:			
Non-core and other current operating income		48,645	63,746
Income-related grants transferred to profit or loss		659	454
Staff costs:			
Wages, salaries and similar expenses		(144,900)	(183,246)
Employee benefit costs		(24,924)	(27,986)
Other operating expenses:			
Outside services		(161,983)	(186,994)
Taxes other than income tax		(5,873)	(6,016)
Losses on and write-down of trade receivables and changes in provisions for commerc	**20.3**	(51,709)	(134,836)
Other current operating expenses	**20.4**	(13,488)	(255,151)
Depreciation and amortisation charge	**4.4, 5 & 6**	(11,097)	(15,147)
Excessive provisions	**15.1**	233,674	-
Impairment and gains or losses on disposals of non-current assets			
Impairment and other losses	**5 & 6**	-	(9,070)
Gains or losses on disposals and other	**5 & 6**	5,302	435
I. PROFIT (LOSS) FROM OPERATIONS		**192,532**	**(836,396)**
Finance income:			
From investments in equity instruments:			
Group companies and associates	**21.1**	79,464	580,629
Third parties	**20.5**	6	3
From marketable securities and other financial instruments:			
Group companies and associates	**21.1**	67,485	61,709
Third parties	**20.5**	10,700	10,560
Finance costs:			
On debts to Group companies and associates	**21.1**	(20,847)	(32,789)
On debts to third parties	**20.5**	(46,318)	(64,148)
Change in fair value of financial instruments			
Held-for-trading financial assets/liabilities and other		679	(89,628)
Exchange differences		(25,679)	(3,157)
Impairment and gains or losses on disposals of financial instruments			
Impairment and other losses	**20.6**	(305,517)	(659,210)
Gains or losses on disposals and other	**20.6**	(1,848)	1,402,879
II. FINANCIAL PROFIT (LOSS)		**(241,875)**	**1,206,848**
III. PROFIT (LOSS) BEFORE TAX (I+II)		**(49,343)**	**370,452**
Income tax	**18.2**	(10,543)	12,372
IV. PROFIT (LOSS) FOR THE YEAR		**(59,886)**	**382,824**

Note: the accompanying Notes 1 to 25 and Appendices I to V are an integral part of the statement of profit or loss for 2019.

OBRASCÓN HUARTE LAIN, S.A. Thousands of euros

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

Statements of changes in equity for the years ended 31 December 2019 and 2018

A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

	2019	2018
PROFIT (LOSS) FOR THE YEAR (per statement of profit or loss)	**(59,886)**	**382,824**
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY:	**22**	**52**
Arising from revaluation of financial instruments:		
a) Available-for-sale financial assets	-	-
b) Other income/(expenses)	-	-
Arising from cash flow hedges	-	-
Grants, donations and legacies received	30	69
Arising from actuarial gains and losses and other adjustments	-	-
Other income and expenses recognised directly in equity	-	-
Tax effect	(8)	(17)
TRANSFERS TO PROFIT OR LOSS:	**(343)**	**(364)**
Arising from revaluation of financial instruments:		
a) Available-for-sale financial assets	-	-
b) Other income/(expenses)	-	-
Arising from cash flow hedges	-	-
Grants, donations and legacies received	(458)	(485)
Other income and expenses recognised directly in equity	**-**	**-**
Tax effect	115	121
TOTAL RECOGNISED INCOME/(EXPENSE)	**(60,207)**	**382,512**

Note: the accompanying Notes 1 to 25 and Appendices I to V are an integral part of the statement of changes in equity for 2019.

OBRASCÓN HUARTE LAIN, S.A.

Thousands of euros

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

Statements of changes in equity for the years ended 31 December 2019 and 2018

B) STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

	Shareholders' equity							Grants, donations and legacies received	Total equity
	Share capital	Share premium	Reserves	(Treasury shares)	Prior years' losses	Profit (loss) for the year	Interim dividend		
Ending balance at 31/12/17	**179,255**	**1,265,300**	**79,958**	**(48,638)**	**(743,195)**	**(61,780)**	**-**	**1,242**	**672,142**
Total recognised income/(expense)	**-**	**-**	**-**	**-**	**-**	**382,824**	**-**	**(312)**	**382,512**
Transactions with shareholders or owners	**(7,326)**	**-**	**(41,519)**	**48,268**	**-**	**-**	**(99,867)**	**-**	**(100,444)**
Capital increases/(reductions)	(7,326)	-	(39,694)	47,020	-	-	-	-	**-**
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	**-**
Dividends paid	-	-	-	-	-	-	(99,867)	-	**(99,867)**
Treasury share transactions (net)	-	-	(1,825)	1,248	-	-	-	-	(577)
Increases/(decreases) due to business combinations	-	-	-	-	-	-	-	-	**-**
Other transactions with shareholders or owners	-	-	-	-	-	-	-	-	**-**
Other changes in equity	**-**	**-**		**-**	**(61,780)**	**61,780**	-	**-**	**-**
Ending balance at 31/12/18	**171,929**	**1,265,300**	**38,439**	**(370)**	**(804,975)**	**382,824**	**(99,867)**	**930**	**954,210**
Total recognised income/(expense)	**-**	**-**	**-**	**-**	**-**	**(59,886)**	**-**	**(321)**	**(60,207)**
Transactions with shareholders or owners	**-**	**-**	**109**	**(165)**	**-**	**-**	**-**	**-**	**(56)**
Capital increases/(reductions)	-	-		-	-	-	-	-	**-**
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	**-**
Dividends paid	-	-	-	-	-		-	-	**-**
Treasury share transactions (net)	-	-	109	(165)	-	-	-	-	**(56)**
Increases/(decreases) due to business combinations	-	-	-	-	-	-	-	-	**-**
Other transactions with shareholders or owners	-	-	-	-	-	-	-	-	**-**
Other changes in equity	**-**	**-**	**22,417**	**-**	**260,540**	**(382,824)**	**99,867**	**-**	**-**
Ending balance at 31/12/19	**171,929**	**1,265,300**	**60,965**	**(535)**	**(544,435)**	**(59,886)**	**-**	**609**	**893,947**

Note: the accompanying Notes 1 to 25 and Appendices I to V are an integral part of the statement of changes in equity for 2019.

Thousands of euros

OBRASCÓN HUARTE LAIN, S.A.

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

Statements of cash flows for the years ended 31 December 2019 and 2018

	2019	2018
A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3+4)	**(221,359)**	**(633,547)**
1. Profit (Loss) before tax	**(49,343)**	**370,452**
2. Adjustments to profit (loss)	**68,974**	**(799,879)**
(+) Depreciation and amortisation charge	11,097	15,147
(+/-) Other (net) adjustments to profit (loss) (Note 24.3)	57,877	(815,026)
3. Changes in working capital	**(303,556)**	**(637,655)**
4. Other cash flows from operating activities:	**62,566**	**433,535**
(-) Interest paid	(67,232)	(91,696)
(+) Dividends received	79,470	580,632
(+) Interest received	71,246	62,661
(+/-) Income tax recovered/(paid)	(4,062)	(11,193)
(+/-) Other amounts received/(paid) relating to operating activities	(16,856)	(106,869)
B) CASH FLOWS FROM INVESTING ACTIVITIES (1+2)	**(32,993)**	**1,910,881**
1. Payments due to investment:	**(38,476)**	**(252,621)**
(-) Group companies, associates and business units	(35,248)	(13,704)
(-) Property, plant and equipment, intangible assets and investment property	(2,156)	(11,995)
(-) Other financial assets	(1,072)	(226,922)
2. Proceeds from disposal:	**5,483**	**2,163,502**
(+) Group companies, associates and business units	-	2,158,073
(+) Property, plant and equipment, intangible assets and investment property	5,483	3,881
(+) Other financial assets	-	1,548
C) CASH FLOWS FROM FINANCING ACTIVITIES (1+2+3)	**(9,380)**	**(918,988)**
1. Proceeds and (payments) relating to equity instruments:	**(26)**	**(508)**
(-) Purchase	(34,321)	(65,592)
(+) Disposal	34,265	65,015
(+) Grants	30	69
2. Proceeds and (payments) relating to financial liability instruments	**(9,354)**	**(818,613)**
(+) Proceeds from issue	911	13,850
(-) Repayment and redemption	(10,265)	(832,463)
3. Dividends and returns on other equity instruments paid	**-**	**(99,867)**
D) EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**-**	**-**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**(263,732)**	**358,346**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**495,852**	**137,506**
G) CASH AND CASH EQUIVALENTS AT END OF YEAR (E+F)	**232,120**	**495,852**

Note: the accompanying Notes 1 to 25 and Appendices I to V are an integral part of the statement of cash flows for 2019.

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

OBRASCÓN HUARTE LAIN, S.A.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019. 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 2018 were approved by the shareholders at the Annual General Meeting held on 28 May 2019.

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.

The 2019 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 627,011 thousand and consolidated assets and losses attributable to the Parent of EUR 3,624,316 thousand and EUR (142,960) thousand, respectively.

The consolidated financial statements of the Obrascón Huarte Lain Group for 2019, prepared by the directors, will also be submitted for approval by the shareholders at the Annual General Meeting. The consolidated financial statements for 2018 were approved by the shareholders at the Annual General Meeting held on 28 May 2019.

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 4.10).
- The amount of certain provisions (see Notes 4.11 and 15).
- The fair value of certain financial instruments (see Note 9).
- The assessment of possible contingencies relating to employment, tax and legal risks (see Notes 4.12, 15 and 18.7.).
- Financial risk management (see Note 8.4.1).

Although these estimates were made on the basis of the best information available at 2019 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 for the loss for 2019 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
2019 loss	**(59,886)**
Allocation to:	
Prior years' losses	(59,886)

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.

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. In 2019 a depreciation charge of EUR 16 thousand was recognised (2018: EUR 16 thousand).

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

4.5 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.

4.6 Financial instruments

4.6.1 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.

4.6.2 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.

4.6.3 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.

4.6.4 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.

4.7 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.

4.8 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.

4.9 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 2019, the Company was head of the Obrascón Huarte Lain consolidated tax group.

4.10 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.

The estimates used to calculate the stage of completion only include the effect on the outcome of projects of the margin on certain contract modifications, addenda and settlements when it is highly probable that they will be realisable. An expected loss on a construction contract is recognised as an expense immediately.

Claims against customers arising from litigation or arbitration proceedings are in no case included in the final objective and are only recognised as income when the resolution thereof occurs and if it is favourable.

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.

4.11 Provisions

The Company's financial statements include all the material provisions with respect to which it is considered that it is probable that the obligation covered by them will have to be settled (see Note 15.1). Contingent liabilities are not recognised in the financial statements, but rather are disclosed (see Note 15.3).

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 other construction costs..

4.12 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 15.1).

Termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision is taken.

4.13 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.

4.14 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.

4.15 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 2019 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 4.10.

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.

4.16 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.

4.17 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 2019 and 2018 were as follows:

2019

	Thousands of euros					
	Beginning balance	Additions or charge for the year	Disposals or reductions	Exchange differences	Transfers	Ending balance
Development expenditure:						
Cost	19,678	-	(144)	-	-	19,534
Accumulated amortisation	(14,976)	(1,048)	-	-	-	(16,024)
	4,702	**(1,048)**	**(144)**	**-**	**-**	**3,510**
Computer software:						
Cost	32,459	330	(279)	13	1,266	33,789
Accumulated amortisation	(19,726)	(2,191)	263	(11)	-	(21,665)
Impairment	(8,727)	-	-	-	-	(8,727)
	4,006	**(1,861)**	**(16)**	**2**	**1,266**	**3,397**
Patents, licences and trademarks						
Cost	169	1	-	-	-	170
Accumulated amortisation	(155)	(1)	-	-	-	(156)
	14	**-**	**-**	**-**	**-**	**14**
Other intangible assets in progress						
Cost	1,524	694	(450)	-	(1,266)	502
	1,524	**694**	**(450)**	**-**	**(1,266)**	**502**
Total:						
Cost	**53,830**	**1,025**	**(873)**	**13**	**-**	**53,995**
Accumulated amortisation	**(34,857)**	**(3,240)**	**263**	**(11)**	**-**	**(37,845)**
Impairment	**(8,727)**	**-**	**-**	**-**	**-**	**(8,727)**
Total intangible assets	**10,246**	**(2,215)**	**(610)**	**2**	**-**	**7,423**

2018

	Thousands of euros					
	Beginning balance	**Additions or charge for the year**	**Disposals or reductions**	**Exchange differences**	**Transfers**	**Ending balance**
Development expenditure:						
Cost	19,692	144	(158)	-	-	19,678
Accumulated amortisation	(13,511)	(1,465)	-	-	-	(14,976)
	6,181	**(1,321)**	**(158)**	**-**	**-**	**4,702**
Computer software:						
Cost	22,260	1,320	(322)	10	9,191	32,459
Accumulated amortisation	(16,946)	(2,838)	68	(10)	-	(19,726)
Impairment	-	(8,727)	-	-	-	(8,727)
	5,314	**(10,245)**	**(254)**	**-**	**9,191**	**4,006**
Patents, licences and trademarks						
Cost	158	11	-	-	-	169
Accumulated amortisation	(127)	(28)	-	-	-	(155)
	31	**(17)**	**-**	**-**	**-**	**14**
Other intangible assets in progress						
Cost	6,021	5,884	(1,190)	-	(9,191)	1,524
	6,021	**5,884**	**(1,190)**	**-**	**(9,191)**	**1,524**
Total:						
Cost	**48,131**	**7,359**	**(1,670)**	**10**	**-**	**53,830**
Accumulated amortisation	**(30,584)**	**(4,331)**	**68**	**(10)**	**-**	**(34,857)**
Impairment	**-**	**(8,727)**	**-**	**-**	**-**	**(8,727)**
Total intangible assets	**17,547**	**(5,699)**	**(1,602)**	**-**	**-**	**10,246**

“Development Expenditure” relates to various R&D projects.

The net loss on disposal of intangible asset items in 2019 amounted to EUR 610 thousand (2018: net loss of EUR 1,597 thousand).

At 31 December 2019, the cost and accumulated amortisation included EUR 659 thousand and EUR 611 thousand, respectively, related to UTEs (31 December 2018: EUR 651 thousand and EUR 587 thousand, respectively).

At 31 December 2019, the cost and accumulated amortisation of intangible assets located abroad amounted to EUR 860 thousand and EUR 713 thousand, respectively (31 December 2018: EUR 807 thousand and EUR 686 thousand, respectively).

At 31 December 2019, fully amortised intangible assets in use amounted to EUR 31,050 thousand (31 December 2018: EUR 22,941 thousand).

In 2019 the Company received Government grants amounting to EUR 30 thousand earmarked for various R&D projects (2018: EUR 69 thousand) (see Note 14.7). At the end of 2019 EUR 68 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 2019 and 2018 were as follows:

2019

	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	(111)	(3)	-	-	-	(114)
	686	**(3)**	**-**	**-**	**-**	**683**
Machinery and plant:						
Cost	89,231	686	(13,724)	938	145	77,276
Accumulated depreciation	(82,545)	(3,302)	13,589	(481)	(145)	(72,884)
	6,686	**(2,616)**	**(135)**	**457**	**-**	**4,392**
Other fixtures, tools and furniture:						
Cost	61,589	438	(2,564)	637	(6)	60,094
Accumulated depreciation	(52,535)	(1,095)	2,491	(725)	-	(51,864)
Impairment	(3,108)	-	-	(56)		(3,164)
	5,946	**(657)**	**(73)**	**(144)**	**(6)**	**5,066**
Investments in concessions:						
Cost	119	-	-	-	-	119
Accumulated depreciation	(14)	(1)	-	-	-	(15)
Impairment	(68)	-	-	-	-	(68)
	37	**(1)**	**-**	**-**	**-**	**36**
Other items of property, plant and equipment:						
Cost	32,827	595	(6,332)	(131)	142	27,101
Accumulated depreciation	(25,539)	(3,440)	6,176	115	145	(22,543)
Impairment	(477)	-	-	(3)	-	(480)
	6,811	**(2,845)**	**(156)**	**(19)**	**287**	**4,078**
Property, plant and equipment in the course of construction and advances:						
Cost	372	-	(91)	-	(281)	-
	372	**-**	**(91)**	**-**	**(281)**	**-**
Total:						
Cost	**184,935**	**1,719**	**(22,711)**	**1,444**	**-**	**165,387**
Accumulated depreciation	**(160,744)**	**(7,841)**	**22,256**	**(1,091)**	**-**	**(147,420)**
Impairment	**(3,653)**	**-**	**-**	**(59)**	**-**	**(3,712)**
Total property, plant and equipment	**20,538**	**(6,122)**	**(455)**	**294**	**-**	**14,255**

2018

	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	(107)	(4)	-	-	-	(111)
	690	**(4)**	**-**	**-**	**-**	**686**
Machinery and plant:						
Cost	90,948	2,571	(3,319)	(830)	(139)	89,231
Accumulated depreciation	(81,344)	(4,389)	1,967	1,079	142	(82,545)
	9,604	**(1,818)**	**(1,352)**	**249**	**3**	**6,686**
Other fixtures, tools and furniture:						
Cost	61,550	850	(1,434)	620	3	61,589
Accumulated depreciation	(50,536)	(2,411)	1,267	(857)	2	(52,535)
Impairment	(2,956)	-	-	(152)	-	(3,108)
	8,058	**(1,561)**	**(167)**	**(389)**	**5**	**5,946**
Investments in concessions:						
Cost	119	-	-	-	-	119
Accumulated depreciation	(13)	(1)	-	-	-	(14)
Impairment	(68)	-	-	-	-	(68)
	38	**(1)**	**-**	**-**	**-**	**37**
Other items of property, plant and equipment:						
Cost	37,089	766	(4,890)	(765)	627	32,827
Accumulated depreciation	(26,462)	(3,995)	4,625	437	(144)	(25,539)
Impairment	(128)	(343)	-	(6)	-	(477)
	10,499	**(3,572)**	**(265)**	**(334)**	**483**	**6,811**
Property, plant and equipment in the course of construction and advances:						
Cost	-	863	-	-	(491)	372
	-	**863**	**-**	**-**	**(491)**	**372**
Total:						
Cost	**190,503**	**5,050**	**(9,643)**	**(975)**	**-**	**184,935**
Accumulated depreciation	**(158,462)**	**(10,800)**	**7,859**	**659**	**-**	**(160,744)**
Impairment	**(3,152)**	**(343)**	**-**	**(158)**	**-**	**(3,653)**
Total property, plant and equipment	**28,889**	**(6,093)**	**(1,784)**	**(474)**	**-**	**20,538**

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 2019 amounted to EUR 5,912 thousand (2018: net gain of EUR 2,032 thousand).

At 31 December 2019, the cost, accumulated depreciation and impairment included EUR 30,238 thousand, EUR 24,874 thousand and EUR 3,301 thousand, respectively, related to UTEs (31 December 2018: EUR 30,500 thousand, EUR 24,470 thousand and EUR 3,242 thousand, respectively).

At 2019 year-end the cost, accumulated depreciation and impairment of property, plant and equipment located abroad amounted to EUR 128,697 thousand, EUR 114,648 thousand and EUR 3,301 thousand, respectively (2018 year-end: EUR 145,024 thousand, EUR 125,103 thousand and EUR 3,243 thousand, respectively).

At 31 December 2019, fully depreciated property, plant and equipment in use amounted to EUR 109,304 thousand (31 December 2018: EUR 117,254 thousand).

As indicated in Note 8, at the end of 2019 the Company did not hold any 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.- LEASES

7.1 Finance leases

At the end of 2019 and 2018 the Company did not have any finance lease arrangements.

7.2 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 2019 and 2018, the future minimum payments under non-cancellable leases were as follows:

	Thousands of euros	
	2019	2018
Within one year	10,601	9,547
Between one and five years	12,981	14,110
After five years	-	-
Total	**23,582**	**23,657**

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

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

8.1 Non-current financial assets

The detail of "Non-Current Financial Assets" at the end of 2019 and 2018 is as follows:

2019

	Thousands of euros				
	Non-current financial instruments				
Classification	Equity instruments	Loans to third parties	Debt securities	Other financial assets	Total
Held-to-maturity investments	-	-	305	-	305
Available-for-sale financial assets	59,924	-	-	-	59,924
Loans and receivables	-	162,745	-	5,099	167,844
Total non-current financial assets	**59,924**	**162,745**	**305**	**5,099**	**228,073**

2018

Classification	Thousands of euros				
	Non-current financial instruments				
	Equity instruments	Loans to third parties	Debt securities	Other financial assets	Total
Held-to-maturity investments	-	-	299	-	299
Available-for-sale financial assets	59,919	-	-	-	59,919
Loans and receivables	-	162,746	-	6,117	168,863
Total non-current financial assets	**59,919**	**162,746**	**299**	**6,117**	**229,081**

“Equity Instruments” included mainly the investment in Cercanías Móstoles Navalcarnero, S.A., a concession operator in liquidation that was acquired by OHL Concesiones, S.A.U. in 2018, as a result of the sale of its share capital. This investment is carried at the net cost recognised by OHL Concesiones, S.A.U.

“Loans to Third Parties” included mainly the participating loan of EUR 125,879 thousand granted to Cercanías Móstoles Navalcarnero, S.A., a concession operator in liquidation, and EUR 15,865 thousand relating to the costs of the enforcement of guarantees in relation to Cercanías Móstoles Navalcarnero, S.A. by the Autonomous Community Government of Madrid, which the Company considers, based on the opinion of its legal advisers, to be recoverable (see Note 15.3.2).

In addition, “Loans to Third Parties” includes a participating loan of EUR 18,587 thousand relating to Aeropistas, S.L. (company in liquidation), the recoverability of which is based on the success of the appeal for judicial review filed by the insolvency practitioners of the investee at the Supreme Court against the resolution adopted by the Spanish Cabinet on 26 April 2019 interpreting certain toll road concession arrangements in connection with the method used for calculating the “Governmental Liability” (Responsabilidad Patrimonial de la Administración). This appeal challenged, inter alia: (1) the infrastructure amortisation method, which the Spanish Cabinet decided must be straight-line amortisation; and (2) the maximum limit of the Government Liability for the M12 toll road concession arrangement granted to Autopista Eje Aeropuerto Concesionaria Española, S.A. which the Spanish Cabinet set at EUR 305,471 thousand.

These loans were acquired in 2018 from OHL Concesiones S.A.U. as a result of the sale of all the share capital thereof.

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

	Thousands of euros					
Classification	2021	2022	2023	2024	Other	Total
Held-to-maturity investments	-	-	-	-	305	305
Available-for-sale financial assets	-	-	-	-	59,924	59,924
Loans and receivables	3,324	565	1,210	-	162,745	167,844
Total non-current financial assets	**3,324**	**565**	**1,210**	**-**	**222,974**	**228,073**

Impairment losses:

The changes arising from the impairment losses/reversals recognised in 2019 and 2018 were as follows:

2019

Classification	Thousands of euros		
	Accumulated impairment losses at beginning of year	Impairment losses / Reversals recognised in the year	Accumulated impairment losses at end of year
Loans and receivables	4,381	464	4,845

2018

Classification	Thousands of euros		
	Accumulated impairment losses at beginning of year	Impairment losses / Reversals recognised in the year	Accumulated impairment losses at end of year
Loans and receivables	4,254	127	4,381

8.2 Current financial assets

The detail of “Current Financial Assets” at the end of 2019 and 2018 is as follows:

2019

Category	Thousands of euros				
	Current financial instruments				
	Equity instruments	Loans to companies	Derivatives	Other financial assets	Total
Held-to-maturity investments	3	-	-	2,003	2,006
Loans and receivables	-	122,603	-	157,593	280,196
Derivatives	-	-	16	-	16
Total current financial assets	**3**	**122,603**	**16**	**159,596**	**282,218**

2018

Category	Thousands of euros				
	Current financial instruments				
	Equity instruments	Loans to companies	Derivatives	Other financial assets	Total
Held-to-maturity investments	3	-	-	1,965	1,968
Loans and receivables	-	121,126	-	143,342	264,468
Derivatives	-	-	-	-	-
Total current financial assets	**3**	**121,126**	**-**	**145,307**	**266,436**

“Loans to Companies” included mainly the following loans to related companies:

- A nominal amount of EUR 88,150 thousand (2018: EUR 83,878 thousand) relating to a loan to Grupo Villar Mir, S.A.U. This loan is secured by a security interest in all the shares of Pacadar, S.A. and earns annual interest at 5.5 %; and

- a nominal amount of EUR 37,547 thousand (2018: EUR 35,223 thousand) relating to a loan to Pacadar, S.A., which earns annual interest at 5% and has additional security provided by Grupo Villar Mir, S.A.U. This loan was acquired from OHL Concesiones, S.A.U. as a result of the sale of all its share capital.

In 2019 the Company entered into an agreement with Grupo Villar Mir, S.A.U. and Pacadar, S.A., as a result of the negotiations held with a view to ensuring the full recovery of the loans granted and which led, on the one hand, to the extension of the maturities until 30 September 2020 and, on the other, to the reinforcement of the economic terms and conditions and the terms and conditions relating to the collateral provided to the Parent, including a security interest in all the shares of Pacadar, S.A.

As a result of the foregoing, the Company's directors consider that the recoverable amount of the loans approximates their carrying amount.

"Other Financial Assets" included EUR 140,000 thousand (2018: EUR 140,000 thousand) relating to a deposit provided to secure the guarantee lines for the multi-product syndicated financing agreement (see Note 8.4.1).

"Other Financial Assets" included term deposits (held-to-maturity investments) and short-term deposits.

8.3 Investments in Group companies and associates

8.3.1 Non-current investments in Group companies and associates

The changes in 2019 and 2018 in "Non-Current Investments in Group Companies and Associates" were as follows:

2019

	Thousands of euros			
	Beginning balance	Additions or charge for the year	Disposals or reductions	Ending balance
Equity instruments of Group companies:				
Cost	1,340,875	352,941	-	1,693,816
Impairment	(1,134,776)	(240,869)	-	(1,375,645)
Capital payments payable	(140)	8	-	(132)
	205,959	**112,080**	**-**	**318,039**
Equity instruments of associates:				
Cost	19,961	1,761	-	21,722
Impairment	(11,570)	-	-	(11,570)
Capital payments payable	(11)	-	-	(11)
	8,380	**1,761**	**-**	**10,141**
Loans to Group companies:				
Cost	112,471	103,487	-	215,958
Impairment	(97,857)	(60,184)	-	(158,041)
	14,614	**43,303**	**-**	**57,917**
Loans to associates:				
Cost	6,664	5,907	-	12,571
	6,664	**5,907**	**-**	**12,571**
Total:				
Cost	**1,479,971**	**464,096**	**-**	**1,944,067**
Impairment	**(1,244,203)**	**(301,053)**	**-**	**(1,545,256)**
Capital payments payable	**(151)**	**8**	**-**	**(143)**
Total non-current investments in Group companies and associates	**235,617**	**163,051**	**-**	**398,668**

2018

	Thousands of euros			
	Beginning balance	Additions or charge for the year	Disposals or reductions	Ending balance
Equity instruments of Group companies:				
Cost	1,222,909	131,412	(13,446)	1,340,875
Impairment	(537,800)	(607,780)	10,804	(1,134,776)
Capital payments payable	(186)	(15)	61	(140)
	684,923	**(476,383)**	**(2,581)**	**205,959**
Equity instruments of associates:				
Cost	19,955	6	-	19,961
Impairment	(150)	(11,420)	-	(11,570)
Capital payments payable	(4,219)	-	4,208	(11)
	15,586	**(11,414)**	**4,208**	**8,380**
Loans to Group companies:				
Cost	109,439	3,032	-	112,471
Impairment	(56,974)	(40,883)	-	(97,857)
	52,465	**(37,851)**	**-**	**14,614**
Loans to associates:				
Cost	-	6,664	-	6,664
	-	**6,664**	**-**	**6,664**
Total:				
Cost	**1,352,303**	**141,114**	**(13,446)**	**1,479,971**
Impairment	**(594,924)**	**(660,083)**	**10,804**	**(1,244,203)**
Capital payments payable	**(4,405)**	**(15)**	**4,269**	**(151)**
Total non-current investments in Group companies and associates	**752,974**	**(518,984)**	**1,627**	**235,617**

The main additions in 2019 to equity instruments of Group companies were the subscriptions of capital increases at OHL Construcción Internacional, S.L.U., OHL Desarrollos, S.L. and OHL Construcciones Colombianas, S.A.S. amounting to EUR 285,000 thousand, EUR 25,000 thousand and EUR 11,573 thousand, respectively, covered through conversion into capital of the loans granted in prior years. Also, a capital increase of EUR 30,000 thousand was subscribed and paid in full at OHL Industrial, S.L.

The main impairment losses on equity instruments recognised in 2019 relate to OHL Construcción Internacional, S.L., OHL Desarrollos, S.L., OHL Industrial, S.L. and OHL Construcciones Colombianas, S.A.S. amounting to EUR 148,461 thousand, EUR 49,729 thousand, EUR 30,000 thousand and EUR 11,573 thousand, respectively.

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 of each of the construction backlogs for the investees of OHL Construcción Internacional, S.L. These investments were measured by discounting the expected cash flows for the shareholder, using a discount rate 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 for the activity and taking into account the leverage of the business carried on. This analysis concluded that no further valuation adjustments were required for the investee in 2019. The impairment loss recognised on the investment in 2019 is the result of a valuation adjustment accounted for in the previous year when the Company covered the equity deficit of the investee by means of a provision for contingencies and charges amounting to EUR 148,861 thousand, which was reversed and recognised for the same amount in accordance with its nature.

In relation to OHL Industrial, S.L., in 2018 the Company recognised a provision for contingencies and charges amounting to EUR 73,615 thousand, after its carrying amount was reduced to zero, in order to cover the additional obligations relating to the investee. In 2019, the Company recognised an impairment loss on the ownership interest amounting to EUR 30,000 thousand, reversing the provision for contingencies and charges recognised in 2018 (see Note 16.1).

The Company also assessed the fair value of its ownership interest in OHL Desarrollos, S.L. To carry out this analysis, the Company used the underlying carrying amount of the investee, which takes into account the updated fair value of the underlying assets in which it has ownership interests (the Canalejas Project and Old War Office).

In addition, in 2018 the Company recognised a provision for contingencies and charges amounting to EUR 23,265 thousand in relation to its ownership interest in OHL Construcciones Colombianas, S.A.S., after its carrying amount was reduced to zero, in order to cover the additional obligations relating to the investee. In 2019, after converting the loan granted to the investee into capital, the Company recognised an impairment loss of EUR 11,573 thousand and reversed the provision for the same amount recognised for contingencies and charges at 2018 year-end (see Note 15.1).

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 2019, 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 and Associates”, net of allowances, at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
Company	**2019**	**2018**
Loans to Group companies:		
OHL Industrial, S.L.	46,385	-
Sociedad Concesionaria Aguas de Navarra, S.L.	5,834	5,347
Asfaltos y Construcciones Elsan, S.A.	5,000	5,000
Tenedora de Participaciones Tecnológicas, S.A.	630	4,199
Mantohledo, S.A.	68	68
Total loans to Group companies	**57,917**	**14,614**
Loans to associates:		
Nuevo Hospital de Toledo, S.A.	12,571	6,664
Total loans to associates	**12,571**	**6,664**

The net increase relating to the loan granted to OHL Industrial, S.L. is due to its increase by EUR 100,000 thousand on which impairment losses of EUR 53,615 thousand were recognised in 2019.

The net decrease relating to the loan granted to Tenedora de Participaciones Tecnológicas, S.A. is due to its increase by EUR 3,000 thousand on which impairment losses of EUR 6,569 thousand were recognised in 2019.

The average interest rate applied to non-current loans to Group companies and associates in 2019 was 10.67 % and finance income amounted to EUR 1,639 thousand.

8.3.2 Current investments in Group companies

The detail of “Current Investments in Group Companies” at 31 December 2019 and 2018 is as follows:

2019

Company	Thousands of euros		
	Loans	Other financial assets	Total
Obrascón Huarte Lain, Construcción Internacional, S.L.	660,586	-	660,586
Obrascón Huarte Lain Desarrollos, S.L.	295,520	-	295,520
OHL Servicios - Ingesán, S.A.U.	39,420	37	39,457
OHL Colombia, S.A.S.	12,323	83	12,406
Tenedora de Participaciones Tecnológicas, S.A.	6,299	-	6,299
Agrupación Guinovart Obras y Servicios Hispania, S.A.	5,637	-	5,637
OHL Construction Pacific PTY Ltda.	-	5,321	5,321
Constructora e Inmobiliaria Huarte, Ltda.	4,731	-	4,731
OHL Infrastructure, INC	-	3,351	3,351
Asfaltos y Construcciones Elsan, S.A.	1,948	4	1,952
Construcciones Colombianas OHL, S.A.S.	623	583	1,206
EyM Instalaciones, S.A.	1,151	-	1,151
OHL Uruguay, S.A.	878	206	1,084
Vacua, S.A.	-	1,034	1,034
OHL Industrial, S.L.	715	3	718
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	-	674	674
OHL Industrial Chile, S.A.	527	-	527
Consorcio OHL AIA, S.A.	-	439	439
OHL Industrial Mining & Cement, S.A.	412	-	412
Less than EUR 300 thousand	759	134	893
TOTAL	**1,031,529**	**11,869**	**1,043,398**

2018

Company	Thousands of euros		
	Loans	Other financial assets	Total
Obrascón Huarte Lain, Construcción Internacional, S.L.	857,552	-	857,552
Obrascón Huarte Lain Desarrollos, S.L.	300,769	-	300,769
OHL Andina, S.A.	90,040	-	90,040
OHL Industrial, S.L.	81,700	21	81,721
OHL Servicios - Ingesán, S.A.U.	35,434	103	35,537
EyM Instalaciones, S.A.	34,680	-	34,680
Tenedora de Participaciones Tecnológicas, S.A.	8,745	-	8,745
OHL Construction Pacific PTY Ltda.	-	5,035	5,035
OHL Arabia, LLC	4,910	89	4,999
Constructora e Inmobiliaria Huarte, Ltda.	4,886	-	4,886
Agrupación Guinovart Obras y Servicios Hispania, S.A.	3,822	-	3,822
OHL Colombia, S.A.S.	2,692	82	2,774
OHL Infrastructure, INC	-	2,572	2,572
Asfaltos y Construcciones Elsan, S.A.	1,033	72	1,105
Vacua, S.A.	-	1,099	1,099
OHL Uruguay, S.A.	878	96	974
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	-	636	636
Construcciones Colombianas OHL, S.A.S.	15	547	562
OHL Industrial Chile, S.A.	547	-	547
Less than EUR 300 thousand	546	336	882
TOTAL	**1,428,249**	**10,688**	**1,438,937**

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

In 2019 note should be made of the decrease recognised at OHL Construcción Internacional, S.L. resulting from the capital increase through the conversion of loans.

The average interest rate applied in 2019 to the financial contributions included under "Loans" was 4.76% (2018: 4.21%). The finance income arising from the financial contributions in 2019 amounted to EUR 65,846 thousand (2018: EUR 60,232 thousand).

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

8.3.3 Current investments in associates

The detail of "Current Investments in Associates" and the investments in the UTEs at 31 December 2019 and 2018, after proportionate consolidation of their balance sheets and the corresponding eliminations, is as follows:

2019	Thousands of euros		
Entity	Loans	Other financial assets	Total
UTE Hospital Sidra. Qatar	-	26,510	26,510
UTE Estaciones Metro Doha. Qatar	-	6,163	6,163
UTE Rizzani OHL (JV2). Kuwait	-	4,421	4,421
Consorcio Rio Piura. Peru	-	1,022	1,022
UTE Rizzani OHL Boodai Trevi (JV4). Kuwait	-	943	943
UTE Angiozar. Spain	-	688	688
Consorcio Español Alta Velocidad Meca Medina, S.A. Spain	687	-	687
UTE Centro Botín. Spain	-	359	359
Less than EUR 300 thousand	155	925	1,080
Total current investments in associates	**842**	**41,031**	**41,873**

In 2019 the financial contributions presented under "Loans" earned average interest of 4.41% (2018: 4.42%).

2018	Thousands of euros		
Entity	Loans	Other financial assets	Total
UTE Hospital Sidra. Qatar	-	28,705	28,705
UTE Estaciones Metro Doha. Qatar	-	6,054	6,054
UTE Rizzani OHL (JV2). Kuwait	-	5,448	5,448
UTE Centro Botín. Spain	-	1,170	1,170
UTE Rizzani OHL Boodai Trevi (JV4). Kuwait	-	924	924
Consorcio Rio Piura. Peru	-	855	855
Consorcio Español Alta Velocidad Meca Medina, S.A. Spain	687	-	687
Constructora Vespucio Oriente, S.A. Chile	678	-	678
UTE Bidasoa I. Spain	-	449	449
UTE Túneles Cerro San Eduardo. Ecuador	384	-	384
Less than EUR 300 thousand	167	1,422	1,589
Total current investments in associates	**1,916**	**45,027**	**46,943**

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

8.4 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 Company'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.
- 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.
- 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.

8.4.1 Financial risk management

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

No derivative financial instruments had been designated as hedges of the Company's total debt at 31 December 2019, and bank borrowings tied to fixed interest rates, mainly debt associated with bond issues, represented 99.78%.

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 8 thousand on the Company's pre-tax loss.

Foreign currency risk

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.

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 2019 and 2018. The net impact on profit or loss was as follows:

(Expense) / Income Currency	Thousands of euros Profit / (Loss) 2019	2018
Norwegian krone	(2,884)	(3,567)
Algerian dinar	(830)	(517)
Kuwaiti dinar	(1,895)	(2,631)
US dollar	(2,054)	(4,590)
Argentine peso	(51)	(45)
Chilean peso	(743)	6,005
Mexican peso	(6,506)	(7,224)
Qatari riyal	(1,602)	(2,738)
Peruvian nuevo sol	(1,370)	(1,159)
Polish zloty	(47)	(79)
Total	**(17,982)**	**(16,545)**

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 2019 and 2018, the net impact on profit or loss would be as follows:

(Expense) / Income Currency	Thousands of euros Profit / (Loss) 2019	2018
Norwegian krone	2,622	3,243
Algerian dinar	755	470
Kuwaiti dinar	1,722	2,392
US dollar	1,867	4,173
Argentine peso	47	41
Chilean peso	676	(5,459)
Mexican peso	5,915	6,567
Qatari riyal	1,457	2,489
Peruvian nuevo sol	1,245	1,053
Polish zloty	43	71
Total	**16,349**	**15,040**

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.

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 the Company's needs, in order to maintain at all times adequate levels of financial flexibility for the Company's activity.

The Company’s liquidity position at 31 December 2019 consisted of:

- Drawable credit lines and discount facilities amounting to EUR 1,000 thousand (see Note 16.1).
- Current financial assets, cash and cash equivalents amounting to EUR 514,338 thousand (see Notes 8.2 and 13).

  It is important to note that the above amount includes a deposit of EUR 140,000 thousand securing a line of guarantees for the multi-product syndicated financing agreement, which represents 27.2 % of the total.

Despite this liquidity, which arose from divestments made and, particularly, the sale of the Concessions Division, in recent years the Company’s liquidity position has decreased as it has had to cater for significant fund requirements of its loss-making projects, which will also occur in the next two years. Also, the Company has financial obligations it will have to meet in the coming years (see Note 16.1.).

In this context, the Company's directors consider that the Company's business plan for 2020 and subsequent years will enable this risk to be mitigated sufficiently. This plan is based on the following:

- Obtainment of gross margins of between 6% - 7% and recovery of profit levels in projects.
- Strictly controlling and reducing the Company's costs, both in terms of production costs and overheads.
- Obtainment of business volumes that allow the Company to cover its backlog, guaranteeing the growth/maintenance of its activities.
- Focus on the generation of cash by the projects, performing ongoing monitoring of working capital.
- Divestment of non-strategic assets and collection of loans from related entities. In this regard, note should be made of the collection of the borrowings of the Villar Mir and Pacadar Group amounting to EUR 125,697 thousand, plus the related interest, expected on 30 September 2020 (see Note 8.2).

It should also be noted that the Company reached substantially the objectives set in its business plan for 2019 (improved net and gross profit from operations, reduction in overheads, obtainment of contracts totalling EUR 599 million, notable fall in the outflow of cash relating to projects, obtainment of funds from divestments of non-strategic assets, etc.).

In 2020 efforts will continue to be focused on reinforcing the measures successfully applied in 2019 to strengthen liquidity, including the following:

- Actions to improve cost control and performance risk in projects, and exhaustive monitoring of their profitability.
- Strengthening of the Contract and Working Capital Committees:
    - The Contract Committee aims to control the level of risk assumed in bids, avoiding bidding where future profitability could be compromised beyond the normal risk and reward level of the activity.
    - The Working Capital Committee monitors and promotes active management of collections and the recovery of guarantees in all projects and geographical areas. Also, strict control is carried out in order to minimise cash outflow in loss-making projects.
- Active management of divestments of non-strategic assets and collection of receivables from related entities.

To ensure that sufficient guarantees exist to cover the obligations arising from new contracts, the Company is in negotiations with the signatory banks of the multi-product syndicated financing (MSF) agreement, which was initially entered into in December 2016 and has been novated on several occasions, most recently on 15 January 2020. At the date hereof, the MSF matures on 31 May 2020, and negotiations are ongoing for future extensions to the line of guarantees drawn down in the amount of EUR 313 million. Also, on 15 January 2020 the Company obtained a new guarantee line amounting to EUR 40 million, granted by the same banks that had entered into the MSF agreement, with maturity at 12 months and 50% of which was secured by the CESCE (the Spanish Export Credit Insurance Company).

In 2019 the Company also increased the guarantee lines of the surety companies in the US and in other countries, securing the conditions for maintaining a sustainable backlog in one of the Company's main markets.

The Company's directors estimate that the mitigating measures in place will enable it to ensure the continuity of its activity and meet all its obligations.

However, there are aspects that may represent uncertainties with regard to compliance with the business plan for 2020 and therefore generate possible deviations from it (failure to meet the contract forecasts, unforeseen mismatches in working capital, etc.). Specifically, the impact on the performance of the Company's activity arising from the health crisis caused by COVID-19 (see Note 24), the effects of which on the Company's activity and liquidity are currently difficult to quantify.

In order to mitigate the liquidity pressures caused by this situation, on 30 April 2020 the Company entered into an agreement with the banks of the MSF agreement for the granting of a financing facility amounting to EUR 140,000 thousand, maturing on 30 October 2021. The availability of this facility is dependent on the fulfilment of a series of conditions precedent, the most important of which being the granting of a guarantee of up to 70% of the facility by Instituto de Crédito Oficial (ICO), as part of the COVID-19 state aid programme.

This loan is secured by OHL Desarrollos, S.L. and by other OHL Group subsidiaries, and bears interest at Euribor plus a spread of between 3.5% and 5.5%, based on various time periods.

9.- 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 4.6. Set forth below is a description of how the fair values of the derivatives arranged by the Company were accounted for at 31 December 2019 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.

Following is a detail of the outstanding currency forwards at 31 December 2019, 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)		
		Within three months	After three months	Asset derivatives	Liability derivatives		Range of exchange rates	
Derivatives not considered as hedges for accounting purposes at the Company's discretion								
Future US dollar sales against euros	2,018	2,018	-	-	(180)	(135)	1.1147	2,250
Future US dollar purchases against euros	21,749	21,749	-	16	-	12	1.1147	24,244
Total	**23,767**	**23,767**	**-**	**16**	**(180)**	**(123)**		

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 2019. The result of this analysis is as follows:

	Thousands of euros	
	2019	
	Fair value	Impact on equity
US dollar	2,022	1,415
Total	**2,022**	**1,415**

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 2019, the impact would be as follows:

	Thousands of euros	
	2019	
	Fair value	Impact on equity
US dollar	(1,932)	(1,352)
Total	**(1,932)**	**(1,352)**

The detail of the currency forwards arranged at 31 December 2018 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	1,852	-	1,852	-	(74)	(55)	1.2146	2,250
Future US dollar purchases against euros	26,394	26,394	-	-	(347)	(260)	1.13003	29,826
Total	**28,246**	**26,394**	**1,852**	**-**	**(421)**	**(315)**		

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 2019, the Company had not arranged any interest rate swaps.

10.- INVENTORIES

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

2019

	Thousands of euros		
	Gross balance	Impairment losses	Net balance
Raw materials and other supplies	17,510	(494)	17,016
Auxiliary shop projects and site installations	17,287	-	17,287
Advances to suppliers and subcontractors	11,601	-	11,601
Total inventories	**46,398**	**(494)**	**45,904**

2018

	Thousands of euros		
	Gross balance	Impairment losses	Net balance
Raw materials and other supplies	19,507	(494)	19,013
Auxiliary shop projects and site installations	18,294	-	18,294
Advances to suppliers and subcontractors	18,480	-	18,480
Total inventories	**56,281**	**(494)**	**55,787**

At 31 December 2019, EUR 22,199 thousand of the total net balance of "Inventories" relate to UTEs (31 December 2018: EUR 29,803 thousand).

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

There are no indications of impairment at the Company other than those recognised by the Company in previous years, which amounted to EUR 494 thousand.

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

The detail of “Trade Receivables for Sales and Services” and "Customer Advances" at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Trade receivables for sales and services:		
Amounts to be billed for work or services performed	143,297	135,697
Progress billings	151,605	166,428
Trade notes receivable	1,139	4,617
Retentions	26,988	39,312
Subtotal	**323,029**	**346,054**
Provisions	(58,209)	(58,236)
Total net of provisions	**264,820**	**287,818**
Customer advances	(207,521)	(259,961)
Total, net	**57,299**	**27,857**

In 2019 no trade bills corresponding to this balance sheet heading were traded at banks (2018: EUR 15,614 thousand).

At 31 December 2019, the balance of trade receivables was net of EUR 22,804 thousand (31 December 2018: EUR 34,243 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 2019, EUR (10,015) thousand of the net balance of "Trade Receivables for Sales and Services" and "Customer Advances" relate to UTEs (31 December 2018: EUR (37,476) 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:

	Thousands of euros	
Type of customer	2019	2018
Spain:	**168,033**	**166,458**
Public sector:	**53,033**	**47,487**
Central government	4,749	7,638
Autonomous community government	23,346	21,323
Local government	3,639	3,716
Other agencies	21,299	14,810
Private sector	**115,000**	**118,971**
Abroad:	**154,996**	**179,596**
Public sector	**81,039**	**125,023**
Private sector	**73,957**	**54,573**
Total	**323,029**	**346,054**

At 31 December 2019, 42% (EUR 134,072 thousand) of the balance of "Trade Receivables for Sales and Services" related to the public sector and 58% (EUR 188,957 thousand) to the private sector (31 December 2018: 49% and 51%, respectively).

Of the balance of "Progress Billings Receivable" and "Trade Notes Receivable", totalling EUR 152,744 thousand at 31 December 2019 (31 December 2018: EUR 171,045 thousand), 33% (EUR 50,581 thousand) relates to the public sector and 67% (EUR 102,163 thousand) to the private sector (31 December 2018: 46% and 54%, respectively).

The detail of the aging of these balances at 31 December 2019 is as follows:

	Thousands of euros		
	Type of customer		
	Public	Private	Total
0–90 days	18,485	33,388	51,873
91–180 days	1,563	3,751	5,314
181–360 days	83	1,215	1,298
More than 360 days	30,450	63,809	94,259
Total	**50,581**	**102,163**	**152,744**

The detail of the aging of these balances at 31 December 2018 is as follows:

	Thousands of euros		
	Type of customer		
	Public	Private	Total
0–90 days	47,493	20,782	68,275
91–180 days	7,261	6,730	13,991
181–360 days	10,837	191	11,028
More than 360 days	13,882	63,869	77,751
Total	**79,473**	**91,572**	**171,045**

"Trade Receivables for Sales and Services – Amounts to Be Billed for Work or Services Performed" includes both the balances relating to delays in billing work performed and the balances relating to work performed the billing of which the Company considers to be highly probable. Consequently, the Company does not recognise amounts that are subject to a dispute or claim against a customer. However, the Company continues to take the actions that it deems necessary to claim the amounts to which it considers that it is entitled.

The Company under no circumstances recognises claims made against customers as revenue until they are approved.

The changes in provisions in 2019 and 2018 were as follows:

	Thousands of euros	
	2019	2018
Beginning balance	(58,236)	(262,888)
Provisions recognised	-	(34)
Provisions used	27	204,686
Ending balance	**(58,209)**	**(58,236)**

There were no significant changes in 2019. At 31 December 2019 and 2018, the balance of provisions related in full to doubtful receivables associated with unpaid progress billings.

To determine the amount of these allowances for doubtful debts, estimates are made taking into account any failure to meet contractual payment obligations and the probability of default, analysing each contract and each customer.

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 4.10.

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 2019 and 2018 is as follows:

	Thousands of euros			
	2019	2018	Difference	% change
Amounts to be billed for work performed, net	143,297	135,697	7,600	5.60%
Customer advances	(207,521)	(259,961)	52,440	(20.17%)
Construction contracts, net	**(64,224)**	**(124,264)**	**60,040**	**(48.32%)**
Retentions	26,988	39,312	(12,324)	(31.35%)
Net advances and retentions	**(37,236)**	**(84,952)**	**47,716**	**(56.17%)**

12.- TRADE RECEIVABLES FROM GROUP COMPANIES AND ASSOCIATES

12.1 Trade receivables from Group companies

The detail, by company, of "Trade Receivables from Group Companies" at 31 December 2019 and 2018 is as follows:

Company	Thousands of	
	2019	2018
Constructora de Proyectos Viales de México, S.A. de C.V.	7,545	16,214
OHL USA, Inc.	6,869	4,535
OHL Construction Canada, Inc.	5,780	5,385
Sociedad Concesionaria Aguas Navarra, S.A.	5,719	6,118
EYM Instalaciones, S.A.	3,051	3,205
OHL Ireland Construction and Engineering Limited	1,180	-
OHL Arabia, LLC	782	5,353
OHL Industrial, S.L.	485	1,186
Consorcio Instalaciones Mecánicas Hospital Dr. Gustavo Fricke, SpA	-	2,912
Less than EUR 1,000 thousand in both years	4,454	5,059
Total trade receivables from Group companies	**35,865**	**49,967**

The foregoing balances do not earn interest and relate to balances arising in the normal course of the Company's business.

12.2 Trade receivables from associates

"Trade Receivables from Associates" includes the trade receivables from associates and the trade receivables at 31 December 2019 and 2018 resulting from the UTEs, after the proportionate consolidation of their balance sheets and the related eliminations.

The detail of "Trade Receivables from Associates" is as follows:

Company	Thousands of euros	
	2019	2018
Centro Canalejas Madrid, S.L. Spain	24,615	12,712
Nuevo Hospital de Toledo, S.A. Spain	3,626	1,737
Whitehall Residences Limited. UK	1,231	1,703
UTE Rizzani OHL Boodai Trevi (JV4). Kuwait	1,130	1,489
Consorcio Muna. Peru	375	5,128
Less than EUR 1,000 thousand in both years	209	627
Total trade receivables from associates	**31,186**	**23,396**

The foregoing balances do not earn interest and relate to balances arising in the normal course of the Company's business.

13.- 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 2019, EUR 69,346 thousand of the total balance of "Cash and Cash Equivalents" relate to UTEs (31 December 2018: EUR 108,161 thousand).

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

14.- EQUITY AND SHAREHOLDERS' EQUITY

14.1 Share capital

The changes in the share capital of the Company in 2019 and 2018 were as follows:

	No. of shares	Thousands of euros
Number of shares and par value of the share capital at 1 January 2018	298,758,998	179,255
Capital reduction in February 2018	(12,210,709)	(7,326)
Number of shares and par value of the share capital at 31 December 2018	286,548,289	171,929
Number of shares and par value of the share capital at 31 December 2019	286,548,289	171,929

On 6 February 2018, the public deed was filed at the Madrid Mercantile Registry recording the capital reduction approved by the shareholders at the Extraordinary General Meeting, by which the Company's share capital was reduced by EUR 7,326,425.40 through the retirement of 12,210,709 treasury shares of EUR 0.60 par value each, representing a total of 4.087% of the share capital.

The capital reduction was charged to unrestricted reserves and did not give rise to a reimbursement of shareholder contributions. The Company allocated to a reserve an amount equal to the par value of the retired shares (EUR 7,326,425.40), the 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.

Following this reduction the Company's share capital amounted to EUR 171,928,973.40, represented by 286,548,289 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 2019 is as follows:

Company	% of ownership
Inmobiliaria Espacio, S.A.	33.317
Simon Davies	3.282
Sand Grove Opportunities Master Fund, Ltd	3.032

14.2 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.

At year-end the legal reserve had reached the legally required minimum.

14.3 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.

14.4 Other reserves

At 31 December 2019, "Other Reserves" included voluntary reserves amounting to EUR 15,306 thousand, the reserve for retired capital amounting to EUR 11,182 thousand and the reserve for the adjustment of share capital to euros amounting to EUR 91 thousand.

The reserve for retired capital is the result of the capital reductions carried out through the retirement of treasury shares in 2006, 2009 and 2018 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.

14.5 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 2019 EUR 3,510 thousand of the Company's "Share Premium" and "Other Reserves" were restricted (see Note 5).

14.6 Treasury shares

At 2019 year-end the Company held 515,037 treasury shares with a total value of EUR 535 thousand.

The changes in treasury shares in 2019 and 2018 were as follows:

	No. of shares	Thousands of euros
Balance at 31 December 2017	**12,531,939**	**48,638**
Purchases	24,897,366	65,592
Sales	(24,706,785)	(66,840)
Amount retired due to capital reduction	(12,210,709)	(47,020)
Balance at 31 December 2018	**511,811**	**370**
Purchases	33,379,697	34,321
Sales	(33,376,471)	(34,156)
Balance at 31 December 2019	**515,037**	**535**

14.7 Grants

The information on the grants received by the Company in 2019 and 2018, which form part of equity, and on the amounts taken to income in this connection is as follows:

2019

Grantor	Private sector/Level of government	Thousands of euros Beginning balance	Increase	Amount taken to income	Ending balance
Spanish Centre for Industrial Technological Development	National government	502	-	(159)	343
Madrid Development Institute	Local government	5	-	(5)	-
European Commission	Other agencies	655	30	(274)	411
Extremadura Autonomous Community Government	Local government	78	-	(20)	58
Tax effect		(310)	(8)	115	(203)
Total grants		**930**	**22**	**(343)**	**609**

2018

Grantor	Private sector/Level of government	Thousands of euros Beginning balance	Increase	Amount taken to income	Ending balance
Spanish Centre for Industrial Technological Development	National government	867	-	(365)	502
Madrid Development Institute	Local government	18	-	(13)	5
European Commission	Other agencies	673	69	(87)	655
Extremadura Autonomous Community Government	Local government	98	-	(20)	78
Tax effect		(414)	(17)	121	(310)
Total grants		**1,242**	**52**	**(364)**	**930**

At the end of 2019 and 2018 the Company had met all the requirements for receiving and using the aforementioned grants.

15.- PROVISIONS AND CONTINGENT ASSETS AND LIABILITIES

15.1 Provisions

The detail of the provisions in the balance sheets as at 31 December 2019 and 2018 is as follows:

Long-term provisions

	Thousands of euros Balance at 31 December 2018	Increase	Decrease	Balance at 31 December 2019
Provisions for taxes	4,459	-	(1,892)	2,567
Provisions for investees	258,463	3,727	(233,674)	28,516
Total long-term provisions	**262,922**	**3,727**	**(235,566)**	**31,083**

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, as described in Appendix II. The increases in these provisions are recognised under “Other Current Operating Expenses” and the decreases are recognised under “Excessive Provisions” in the statement of profit or loss (see Notes 20.4 and 8.3).

The main decreases relate to OHL Construcción Internacional, S.L., OHL Industrial, S.L. and Construcciones Colombianas, S.A.S. and amounted to EUR 148,461 thousand, EUR 73,615 thousand and EUR 11,573 thousand, respectively (see Notes 8.3.1 and 20.4).

Short-term provisions	Thousands of euros			
	Balance at 31 December 2018	Increase	Decrease	Balance at 31 December 2019
Termination benefits	6,369	-	(1,248)	5,121
Project completion	30,920	5,901	(6,610)	30,211
Provisions for management and other fees	3,994	457	(1,589)	2,862
Other provisions	63,250	95,025	(31,791)	126,484
Total short-term provisions	**104,533**	**101,383**	**(41,238)**	**164,678**

Of the total short-term provisions at 31 December 2019, EUR 78,206 thousand related to UTEs (31 December 2018: EUR 36,506 thousand).

"Other Provisions" relating the Company's normal operations includes various items such as guarantees and deposits, insurance, taxes, third-party liability and others corresponding to numerous contracts.

15.2 Contingent assets

There were no contingent assets at 31 December 2019.

15.3 Contingent liabilities

15.3.1 Guarantee commitments to third parties

At 31 December 2019, the Company had provided guarantees totalling EUR 3,275,368 thousand (31 December 2018: EUR 3,331,337 thousand), the detail being as follows:

	Thousands of euros	
Type	**2019**	**2018**
Completion bonds and guarantees for project bids	**1,559,027**	**1,743,035**
Definitive guarantees	1,436,994	1,671,083
Provisional guarantees	122,033	71,952
Personal guarantees	**1,716,341**	**1,588,302**
Total	**3,275,368**	**3,331,337**

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 2019 and 2018 is as follows:

2019	Thousands of euros	
Secured entity	**Completion bonds and guarantees for project bids**	**Personal guarantees**
Obrascón Huarte Lain, S.A.	711,293	212
Group companies	751,937	1,715,064
Associates	95,797	1,065
Total	**1,559,027**	**1,716,341**

2018	Thousands of euros	
Secured entity	Completion bonds and guarantees for project bids	Personal guarantees
Obrascón Huarte Lain, S.A.	862,072	55
Group companies	744,403	1,586,039
Associates	136,560	2,208
Total	**1,743,035**	**1,588,302**

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 2019 financial statements.

15.3.2 Litigation

At the end of 2019 the Company was involved in certain ongoing proceedings that arose in the ordinary course of its operations.

The most significant lawsuits of the Company relating 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) had initiated arbitration proceedings on 30 July 2014, at the International Chamber of Commerce.

  The claims and counter claims of the parties at the date of authorisation for issue of these consolidated financial statements are, on the one hand, the JV's claim for reimbursement of the amount of the enforced guarantees (QAR 880 million, EUR 214 million), the settlement of the unpaid contract variations carried out that had already been acknowledged in the partial award (QAR 182 million, EUR 44 million), the acknowledgement and settlement of the unpaid contract variations carried out for which no arbitral award has been yet been given (QAR 76 million, EUR 18 million) and the settlement of the construction prolongation costs in line with the prolongation period already recognised in the partial award (QAR 322 million, EUR 78 million). On the other hand, QF is claiming the acknowledgement of termination costs in excess of the outstanding contract price to be applied (QAR 3,636 million, EUR 885 million), the acknowledgement of defect repair costs (QAR 124 million, EUR 30 million) and the acknowledgement of contractual penalties for delay on the part of the contractor JV (QAR 792 million, EUR 193 million).

  Both the lawfulness and the amounts of the items included in each claim are subject to the decision of the arbitral tribunal, which will be handed down during the quantum stage of the arbitration proceedings. The aforementioned decision will not affect the following: (i) the amount of the guarantee enforced against the JV (QAR 880 million, EUR 214 million), which is fixed and in any case functions as a collection right in the JV's favour; (ii) the amount of the unpaid contract variations carried out for which an arbitral award has been given (QAR 182 million, EUR 44 million), which is also fixed and functions as a collection right in the JV's favour; and (iii) the amount relating to defect repair costs (QAR 124 million, EUR 30 million), which is also fixed and functions as a collection right in favour of QF.

  On 21 November 2018, a partial award was given with certain rulings, including one declaring the termination of the contract to be lawful. This enabled QF to file the aforementioned claim relating to the actual costs of completion of the work that exceed the contract price yet to be applied. The JV filed an appeal in the UK courts requesting the partial annulment of this award, which was dismissed on 2 October 2019. In addition, on 27 February 2019 another partial award was handed down to determine the percentage of work completed at the time of termination, which determined that approximately 95% of the work had been completed at the time of termination.

Also, on 19 June 2019 partial award No. 6 was handed down, dismissing the JV's claim for disruption costs. The JV had claimed QAR 65 million (EUR 15.8 million) in this connection.

A partial award was handed down on 12 March 2020 in relation to "Defects". QF had claimed QAR 320.7 million (EUR 78 million) in this connection, of which QAR 124.2 million (EUR 30 million) were acknowledged and QAR 167.6 million (EUR 41 million) were rejected. On 3 April 2020, the JV filed an appeal in the UK courts against this partial award. Although there is no order for payment that, should the case arise, would be issued once all the claims and counterclaims have been resolved, in accordance with the accounting principle of prudence in valuation the Company recognised a provision for the amount that the Company would be liable to pay as a result of this partial award relating to "Defects", in proportion to its percentage of ownership, which amounts to EUR 15,125 thousand.

However, based on updated third-party legal reports and the interpretations thereof made by management of the Company and the potential timing of the handing down of the related judgment, the Company's directors reassessed the various arbitral award scenarios as a whole and concluded that, despite the current levels of uncertainty with regard to the proceedings, further losses are not likely to arise for the Company.

- On 7 February 2017, Rizzani de Eccher, SpA, Trevi, SpA and Obrascón 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"** contract. 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 contract.

  The joint venture submitted its claim quantifying the economic compensation to which the claimants are entitled at KWD 88,213,361 (EUR 259.1 million) or, alternatively, KWD 76,595,490 (EUR 225 million), plus (in any case) KWD 2,296,679 (EUR 6.7 million), based on the assessment performed by external consultants. The State of Kuwait answered the claim and submitted a counterclaim quantified at KWD 26 million (EUR 76.4 million). The Company's directors, based on third-party reports and the interpretations thereof made by the Company's legal advisers, consider that it is unlikely that the resolution of the arbitration will result in a loss for the Company.

- On 13 December 2017, Samsung C&T Corporation, Obrascón 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"** contract. OHL holds a 30% ownership interest in the construction joint venture. The joint venture is claiming an amount initially estimated at QAR 1,500 million (EUR 365 million). Qatar Rail answered the claim and submitted an initial counterclaim, quantified at QAR 1,000 million (EUR 243.3 million). The arbitral tribunal declared itself not to have jurisdiction as the requirements agreed upon in the arbitration clause had not been met when the request for arbitration was filed. However, the joint venture will file a new request for arbitration in the near future, once the formal requirements have been met.

- After having been stayed for a period of time, leave for consideration was granted to the claim brought by Obrascón Huarte Lain, S.A. against the Polish company PGB, S.A. in which OHL sought from PGB PLN 191,518,336 (EUR 45 million) as a result of the liability of PGB as member of the **construction consortium for the Slowacckiego IV project, in Gdansk (Poland)**. The proceeding continues to be at the preliminary phase.

- The Company filed a claim for arbitration against Anesrif (Algerian National Agency for the Planning and Implementation of Railway Investments) in relation to the **Annaba railway line** construction contract. The Company is claiming EUR 140 million, based on professional valuers' reports. Anesrif has announced a counterclaim, which is yet to be quantified.

The most significant lawsuits relating to financial investments in companies in liquidation are:

- In December 2019 a response was filed to the claim in proceeding 882/2019 heard by Madrid Court of First Instance No. 10, in relation to the claim against OHL brought by the funds **TDA 2015-1 Fondo de Titulización, TDA 2017-2 Fondo de Titulización, Bothar Fondo de Titulización and Kommunalkredit Austria, Ag**, which alleged, as creditors, that the borrower had certain obligations contained in the Sponsor Agreement entered into by the latter as part of the financing of the arrangement of the concession operator which is now in liquidation, AUTOPISTA EJE AEROPUERTO CONCESIONARIA ESPAÑOLA, S.A. The economic amount of the claim is EUR 212,433 thousand, consisting of a subordinated loan, or contribution to equity, or an equivalent amount in a capital increase, or indemnity for damage and losses, plus EUR 70,869 thousand relating to late payment interest.

  The directors, based on the legal opinions of their advisers, do not consider that this claim can succeed.

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

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

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

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

  a) Petition for initiation of insolvency proceedings

     Autopista Eje Aeropuerto Concesionaria Española, S.A.U. was declared to be involved in an insolvency proceedings together with its sole shareholder, Aeropistas, S.L.U. in the order of 12 December 2013 handed down by Madrid Commercial Court No. 2, which gave rise to voluntary insolvency proceeding 863/13.

  b) Common phase of the insolvency proceeding

     On 19 May 2015, the insolvency practitioners submitted the lists of creditors in the final reports. With respect to Eje Aeropuerto, there were no changes to the inventory of assets and rights of the concession operator, and the total value remained at EUR 412.6 million, of which intangible assets accounted for EUR 396.1 million. Similarly, no amendments were made to the list of creditors in the final reports or the inventory of assets and rights in the case of Aeropistas, with assets totalling EUR 336.6 million, comprising mainly investments in Group companies and equity instruments.

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

  c) Opening and processing of the liquidation phase.

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

On 4 October 2019, the court described the company's insolvency proceedings as "fortuitous".

Lastly, with respect to the termination of the concession arrangement, the Ministry of Public Works terminated this arrangement on 14 July 2018, as a preliminary formality to the settlement of the arrangement.

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

In October 2019 appeal for judicial review 276/2019 was filed by the insolvency practitioners of Autopista Eje Aeropuerto Concesionaria Española S.A. at the Third Chamber of the Spanish Supreme Court against the resolution adopted by the Spanish Cabinet on 26 April 2019 interpreting certain toll road concession arrangements in connection with the method used for calculating the "Governmental Liability" ("RPA"). This appeal challenged, inter alia:

- The infrastructure amortisation method, which the Spanish Cabinet decided must be straight-line amortisation.
- The amount to be paid for compulsory purchases.
- The amount to be paid for modifications and/or additional work.

In February 2020 the Company was notified by the authorities of the preliminary amount of the settlement, which it was considered could amount to zero. In response to this document, in March 2020 the concession operator filed pleadings and documentation evidencing that the amount of the investment in the construction work exceeded EUR 400 million and that the compulsory purchase expense amounted to EUR 179 million.

In this connection, the Company's directors consider that, in view of the information provided by their external advisers, all of the aforementioned appeals, as well as those that could be filed in the future, based on the procedural progress being made, will enable the net investment, with a carrying amount of EUR 19 million, to be recovered.

- In relation to the concession operator **Cercanías Móstoles Navalcarnero, S.A. (CEMONASA)**, on 12 July 2016 Madrid Commercial Court No. 1 issued an interlocutory order granting permission to proceed in relation to the insolvency petition filed by the operator and declared the voluntary insolvency thereof.

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

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

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

On 20 June 2017, as a result of the imposition of a penalty on the company, the Autonomous Community Government of Madrid ("CAM") enforced the guarantees that OHL, S.A. and OHL Concesiones, S.A.U. had provided to secure performance of their obligations under that concession operator's concession arrangement. The guarantees enforced amounted to EUR 15,865 thousand. On 7 July 2017, subsequent to the filing of an appeal for judicial review, the High Court of Madrid resolved to stay the court proceeding due to a preliminary point of law until a decision had been handed down on the appeal for judicial review filed by the company requesting the termination of the concession arrangement. On 31 October 2019, a judgment was handed down on the appeal (judgment No. 231/16 of the Madrid High Court), relating to the fine, adjudging the resolution under which the fine was imposed to be null and void. A cassation appeal was filed against this judgement by CAM, but has not yet been given leave to proceed by the Supreme Court.

Also, on 21 July 2017 the concession operator was notified of the order issued by CAM's Regional Minister for Transport, Housing and Infrastructure declaring the termination of the concession arrangement, the attachment of the guarantee and the obligation to pay compensation for damage and losses to the grantor for an amount to be determined in the corresponding adversarial procedure. The concession operator lodged an appeal for reconsideration against this order, which was dismissed by CAM on 10 October 2017 and, accordingly, on 5 December 2017 the company filed an appeal for judicial review against this decision at the Madrid High Court (appeal No. 1129/17).

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

Also, on 21 March 2018 the company's insolvency practitioners filed, in accordance with the approved liquidation plan, an appeal for judicial review against the CAM at the Madrid High Court (No. 246/18), requesting the economic settlement of the arrangement since they considered it to be terminated on commencement of the liquidation phase of the insolvency proceeding. This appeal is at the evidentiary stage.

On 27 July 2018, and as a result of the termination of the arrangement, the CAM initiated a proceeding against CEMONASA to claim damages of EUR 355 million. An appeal for judicial review against this proceeding was filed at the Madrid High Court (appeal No. 1107/18), whereby the concession operator requested that the enforcement of the administrative decision be stayed; the Chamber stayed the enforcement of the administrative decision without requiring the concession operator to provide any guarantee. Also, in January 2020 the Madrid High Court resolved to stay the procedural formalities of this appeal for judicial review until the cassation appeal filed by CAM against the judgement determining that CEMONASA was not culpable in the termination of the concession arrangement had been substantiated and that, therefore, the cause of that termination was the initiation of the liquidation phase of the insolvency proceeding thereof (claim No. 246/18).

Lastly, as a result of termination of the arrangement by CAM which gave rise to appeal No. 1129/17, CAM announced the economic settlement of the arrangement on 20 August 2018, valuing at EUR 123 million, to be paid to Cemonasa. The company is currently appealing this settlement in the administrative jurisdiction since it considers the amount to be insufficient.

In line with the situation described above, the Company considers that, based on opinions of its internal and external legal advisers, the concession arrangement supports the right to recover the net investments and the amounts contributed in the form of a loan to the concession operator, with respect to which no provisions have been recognised, and that the claim for damages filed by the CAM against the concession operator, whose appeal for judicial review has been stayed as indicated above, will be unsuccessful.

Also, the following should be noted in relation to the **Lezo Case**:

- Incidental proceeding 3.

In 2016 the National Appellate Court, through Central Court of Examination No. 6, opened proceeding No. 91/2016 in relation to possible crimes including corruption in business, bribery of public officials, money laundering and organised crime.

In the course of this proceeding, an investigation was carried out by the court against 57 individuals, including six individuals who had at one time belonged to the Company but who at the reporting date did not belong to it.

At the reporting date, we are not aware of any formal accusation having been made against any current or former senior executives or directors of the Company.

- Incidental proceeding 8.

In February 2019 the Company became aware of the opening of a new separate incidental proceeding in this case, No. 8. The investigation deals with existence or inexistence of possible acts of bribery of public officials by Company employees for the award of public works in Spain.

Various former employees, current employees and former directors are being called to declare both as witnesses and as investigated parties.

At the reporting date, no actions had been taken against the Company and, accordingly, OHL does not form part of the proceeding and consequently has limited information on the procedural actions being taken.

The Company is actively cooperating with the authorities and is providing the information requested of it. Also, an internal investigation has been initiated, in accordance with existing procedures, and is yet to be concluded.

In procedural terms, the Lezo Case is at the investigation phase.

Additionally, various claims have been filed against the Company by former employees whose employment relationships it had terminated, which are not for significant amounts either taken separately or as a whole.

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'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 2019.

15.3.3 Other contingent liabilities

The contingent liabilities include the normal liability of construction companies for the performance and completion of construction contracts they have entered into, as well as those entered into by UTEs in which they have interests. There is also a secondary liability for the obligations of the Group's subcontractors to the social security system with respect to their site employees. No losses are expected to arise for the Company in this connection.

On 1 October 2018, the Competition Directorate (DC) of the Spanish National Markets and Competition Commission (CNMC) resolved to initiate disciplinary proceedings against a series of companies, including OHL, S.A., due to alleged prohibited conduct in breach of competition rules, consisting of exchanges of information between companies with the aim and/or effect of restricting competition in the area of tenders called by various public authorities in Spain.

In October 2019 the list of alleged infringements was received, containing the conclusions of the investigation and the facts that could constitute infringements. In December 2019 pleadings were filed by OHL, S.A. evidencing the inexistence of the indicated infringements, in the view of the Company.

When the examination phase has been concluded, the proposed judgement will be prepared, against which pleadings may be filed, and the Board of the CNMC is expected to hand down judgment in the first half of 2020. An appeal may be filed against this judgment at the National Appellate Court and, as the case may be, at the Supreme Court.

In the opinion of the Company's directors, this proceeding should be concluded considering the actions carried out by OHL, S.A. as lawful.

16.- NON-CURRENT AND CURRENT PAYABLES

16.1 Financial liabilities

The detail of "Non-Current Payables" at 31 December 2019 and 2018 is as follows:

2019

Category	Thousands of euros			
	Non-current financial instruments			
	Debt instruments and other marketable securities	Bank borrowings	Other financial liabilities	Total
Accounts payable	587,887	63	2,692	590,642
Total non-current payables	**587,887**	**63**	**2,692**	**590,642**

2018

Category	Thousands of euros			
	Non-current financial instruments			
	Debt instruments and other marketable securities	Bank borrowings	Other financial liabilities	Total
Accounts payable	659,298	1,521	1,170	661,989
Total non-current payables	**659,298**	**1,521**	**1,170**	**661,989**

EUR 1,797 thousand of total non-current payables related to UTEs at 31 December 2019.

"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 2019 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%. This issue matured on 15 March 2020 and the principal of EUR 73,305 thousand plus the related interest were settled (see Note 24).
- 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 2019 and 2018 were as follows:

	Thousands of euros		Year of final maturity	Issue currency	Market price (31/12/19)
	2019	2018			
2012 issue	74,887	74,699	2020	Euros	100.009 %
2014 issue	325,337	324,453	2022	Euros	70.018 %
2015 issue	271,354	270,581	2023	Euros	69.638 %
Total	**671,578**	**669,733**			

The average interest rate accrued in 2019 on the bond issues was 5.37% (2018: 5.48%).

The Company has certain financial commitments in relation to the 2012, 2014 and 2015 issues. The Company's directors, on the basis of the advice received, consider that all these commitments envisaged in the financing agreements were being met at the end of the year.

Obrascón Huarte Lain, S.A.'s bond issues include a sale option clause for the bondholders in the event of a third-party takeover of the Company.

The detail of "Current Payables" at 31 December 2018 and 2018 is as follows:

2019

	Thousands of euros				
	Current financial instruments				
Category	Debt instruments and other marketable securities	Bank borrowings	Derivatives	Other financial liabilities	Total
Accounts payable	83,691	2,886	180	11,077	97,834
Total current payables	**83,691**	**2,886**	**180**	**11,077**	**97,834**

2018

	Thousands of euros				
	Current financial instruments				
Category	Debt instruments and other marketable securities	Bank borrowings	Derivatives	Other financial liabilities	Total
Accounts payable	14,132	8,930	421	6,040	29,523
Total current payables	14,132	8,930	421	6,040	29,523

EUR 1,081 thousand of total current payables related to UTEs at 31 December 2019 (31 December 2018: EUR 2,489 thousand).

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

	Thousands of euros						
	2020	2021	2022	2023	2024	Other	Total
Debt instruments and other marketable securities	83,691	-	320,862	267,025	-	-	671,578
Bank borrowings	2,886	15	15	16	16	1	2,949
Subtotal of debt instruments and other marketable securities and bank borrowings	**86,577**	**15**	**320,877**	**267,041**	**16**	**1**	**674,527**
Derivatives	180	-	-	-	-	-	180
Other financial liabilities	11,077	2,025	223	222	190	32	13,769
Total non-current and current payables	**97,834**	**2,040**	**321,100**	**267,263**	**206**	**33**	**688,476**

At 31 December 2019, the Company had been granted a loan of EUR 79 thousand (2018: EUR 92 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 8 thousand on the Company's loss before tax.

The Company had been granted credit facilities at 31 December 2019 and 2018 with the following limits:

	Thousands of euros			
	2019		2018	
	Limit	Undrawn amount	Limit	Undrawn amount
Credit facilities	3,853	1,000	10,598	324
Total	**3,853**	**1,000**	**10,598**	**324**

In 2019 the credit facilities bore average interest at 2.57% (2018: 2.56%).

The section on liquidity risk in Note 8.4.1 explains the process to renew the multi-product syndicated financing agreement and the status thereof at 31 December 2019.

16.2 Current payables to Group companies and associates

The detail of "Current Payables to Group Companies and Associates" at 31 December 2019 and 2018 is as follows:

2019

Entity	Thousands of euros	
	Group companies	Associates
	Current	Current
Constructora de Proyectos Viales de México, S.A. de C.V.	86,473	-
Agrupación Guinovart Obras y Servicios Hispania, S.A.	38,543	-
OHL Andina, S.A.	36,884	-
S.A. Trabajos y Obras (SATO)	36,678	-
OHL Austral, S.A.	27,791	-
Construcciones Adolfo Sobrino, S.A.	17,544	-
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	17,426	-
Asfaltos y Construcciones Elsan, S.A.	14,132	-
OHL Industrial, S.L.	12,879	-
OHL Arabia, LLC	7,832	-
Obrascón Huarte Lain, Construcción Internacional, S.L.	2,352	-
Obrascón Huarte Lain Desarrollos, S.L.	2,146	-
Avalora Tecnologías de la Información, S.A.	2,145	-
OHL Industrial Chile, S.A.	2,080	-
Constructora TP, S.A.C.	1,339	-
Mantohledo, S.A.U.	343	-
Senda Infraestructuras, S.L.	339	-
Less than EUR 300 thousand	362	-
UTE Marmaray. Turkey	-	21,967
UTE Ferrocarril Ankara-Estambul. Turkey	-	5,086
Constructora Vespucio Oriente, S.A. Chile	-	1,927
Consorcio Túneles Cerro S. Eduardo. Guayaquil. Ecuador	-	1,435
UTE Carretera de Panamá. Panama	-	690
UTE Schofields Road Two. Australia	-	526
Consorcio Hospital Alajuela. Costa Rica	-	343
Less than EUR 300 thousand	-	1,984
Total	**307,288**	**33,958**

2018

Entity	Thousands of euros	
	Group companies	Associates
	Current	Current
OHL Andina, S.A.	125,069	-
Constructora de Proyectos Viales de México, S.A. de C.V.	99,381	-
Agrupación Guinovart Obras y Servicios Hispania, S.A.	82,871	-
S.A. Trabajos y Obras (SATO)	48,674	-
OHL Austral, S.A.	31,733	-
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	26,691	-
Construcciones Adolfo Sobrino, S.A.	16,611	-
OHL Industrial, S.L.	14,503	-
Asfaltos y Construcciones Elsan, S.A.	8,930	-
Obrascón Huarte Lain, Construcción Internacional, S.L.	1,694	-
Obrascón Huarte Lain Desarrollos, S.L.	1,348	-
Avalora Tecnologías de la Información, S.A.	1,305	-
Constructora TP, S.A.C.	1,058	-
Mantohledo, S.A.U.	345	-
Chemtrol Proyectos y Sistemas, S.L.	341	-
Less than EUR 300 thousand	364	
UTE Marmaray. Turkey	-	16,820
UTE Ferrocarril Ankara-Estambul. Turkey	-	5,036
UTE Schofields Road Two. Australia	-	1,303
UTE Carretera de Panamá. Panama	-	674
UTE Caldereta-Corralejo. Spain	-	300
Less than EUR 300 thousand	-	2,784
Total	**460,918**	**26,917**

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

The borrowing costs incurred on loans in 2019 amounted to EUR 20,847 thousand (2018: EUR 32,789 thousand) (see Note 21.1).

The current financial contributions of Group companies bore average interest at 4.76% in 2019 (2018: 4.21%). The other balances do not bear interest because they relate to trading transactions.

17.- TRADE PAYABLES

17.1 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 2019 and 2018 are as follows:

	Days	
	2019	2018
Average period of payment to suppliers	73	63
Ratio of transactions settled	74	60
Ratio of transactions not yet settled	64	76

	Thousands of euros	
	2019	2018
Total payments made	355,169	306,607
Total payments outstanding	42,920	84,952

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 the number of days established by law.

17.2 Trade payables - Group companies and associates

The detail of “Trade Payables - Group Companies and Associates” at 31 December 2019 and 2018 is as follows:

2019

	Thousands of euros	
Entity	Group companies	Associates
EyM Instalaciones, S.A.	12,536	-
EyM Norway, A.S.	841	-
Sociedad Concesionaria Aguas de Navarra, S.A.	825	-
Asfaltos y Construcciones Elsan, S.A.	531	-
Premol, S.A. de C.V.	424	-
OHL USA, Inc.	327	-
Less than EUR 300 thousand	2,216	-
Centro Canalejas Madrid, S.L. Spain	-	11,783
Sociedad Concesionaria Vespucio Oriente, S.A. Chile	-	9,539
UTE Rizzani OHL Boodai Trevi (JV4). Kuwait	-	1,914
Less than EUR 1,000 thousand	-	34
Total	**17,700**	**23,270**

2018

Entity	Thousands of euros	
	Group companies	Associates
EyM Instalaciones, S.A.	23,403	-
Consorcio Instalaciones Mecánicas Hospital Gustavo Fricke, SpA	4,596	-
Sociedad Concesionaria Aguas de Navarra, S.A.	2,061	-
Constructora de Proyectos Viales de México, S.A.	1,439	-
EyM Norway, A.S.	1,085	-
Premol, S.A. de C.V.	871	-
Constructora TP, S.A.C.	391	-
Agrupación Guinovart Obras y Servicios Hispania, S.A.	359	-
Less than EUR 300 thousand	1,663	-
Nuevo Hospital de Toledo, S.A. Spain	-	7,373
Consorcio Constructor Muna. Peru	-	3,974
Sociedad Concesionaria Vespucio Oriente, S.A. Chile	-	3,930
Centro Canalejas Madrid, S.L. Spain	-	1,648
UTE Rizzani OHL Boodai Trevi (JV4). Kuwait	-	1,533
Less than EUR 1,000 thousand	-	31
Total	**35,868**	**18,489**

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

17.3 Trade and other payables

Certain of the UTEs in which the Company has interests have 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 UTEs in which the Company has interests, 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 2019, the reverse factoring balance under "Trade and Other Payables" was EUR 11,224 thousand (31 December 2018: EUR 22,257 thousand).

18.-TAX MATTERS

18.1 Current tax receivables and payables

The detail of the current tax receivables and payables at 31 December 2019 and 2018 is as follows:

Tax receivables

	Thousands of euros	
	2019	2018
Current tax assets:	**26,360**	**28,578**
Income tax prepayments	3,675	7,301
Withholdings from income from movable capital	22,024	18,431
Tax refunds	661	2,846
Other accounts receivable from public authorities:	**12,317**	**23,421**
Sales tax refundable	8,511	20,577
Other tax receivables	3,799	2,837
Social security taxes refundable	7	7
Total	**38,677**	**51,999**

Tax payables

	Thousands of euros	
	2019	2018
Current tax liabilities:	**15,670**	**14,497**
Income tax payable	15,670	14,497
Other accounts payable to public authorities:	**24,714**	**25,397**
Sales tax payable	13,845	14,069
Personal income tax withholdings payable	2,466	2,805
Tax on income from movable capital	846	1,776
Other tax payables	5,274	3,973
Accrued social security taxes payable	2,283	2,774
Total	**40,384**	**39,894**

Since 1 January 2019 the Company files consolidated VAT returns under no. IVA0028/19 and is the Parent of the tax group.

18.2 Reconciliation of the accounting profit (loss) to the tax loss

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

The income tax expense / (benefit) in 2019 amounted to EUR 10,543 thousand and includes the following items:

- EUR (3,639) thousand relating to Spanish income tax.
- EUR 14,182 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 profit (loss) to the tax loss at 31 December 2019 and 2018 is as follows:

2019	Thousands of euros		
	Increase	Decrease	Total
Accounting loss before tax			**(49,343)**
Permanent differences	157,648	168,150	(10,502)
Temporary differences:			
Arising in the year	132	20,924	(20,792)
Arising in prior years	18,452	936	17,516
Offset of tax losses			**-**
Tax loss			**(63,121)**

2018	Thousands of euros		
	Increase	Decrease	Total
Accounting profit before tax			**370,452**
Permanent differences	1,478,450	2,040,745	(562,295)
Temporary differences:			
Arising in the year	36,501	21,286	15,215
Arising in prior years	18,673	2,877	15,796
Offset of tax losses			**-**
Tax loss			**(160,832)**

The permanent differences in 2019 relate mainly to expenses not considered to be deductible for tax purposes, profits or losses obtained abroad, the recognition and use of provisions for financial instruments and the elimination of dividends.

The temporary differences in 2019 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.

18.3 Detail of the Spanish income tax expense

The detail of the Spanish income tax expense (benefit) at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Current tax	(4,909)	(1,986)
Deferred tax	819	(7,982)
Positive/negative adjustments to income tax	451	1,045
Total tax benefit	**(3,639)**	**(8,923)**

18.4 Tax recognised in equity

The detail of the taxes recognised directly in equity at 31 December 2019 and 2018 is as follows:

2019

	Thousands of euros		
	Increase	Decrease	Total
Current taxes			
Total current taxes			
Deferred taxes			
Arising in the year:			
Grants	-	8	(8)
Arising in prior years:			
Grants	115	-	115
Total deferred taxes	**115**	**8**	**107**
Total tax recognised directly in equity	**115**	**8**	**107**

2018

	Thousands of euros		
	Increase	Decrease	Total
Current taxes			
Total current taxes			
Deferred taxes			
Arising in the year:			
Grants	-	17	(17)
Arising in prior years:			
Grants	121	-	121
Total deferred taxes	**121**	**17**	**104**
Total tax recognised directly in equity	**121**	**17**	**104**

18.5 Deferred tax assets

The detail of “Deferred Tax Assets” at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Deductible temporary differences	54,110	55,151
Unused tax credits and tax relief	7	10
Tax loss carryforwards	19,681	26,891
Total deferred tax assets	**73,798**	**82,052**

At 31 December 2019, the deferred tax assets relating to tax loss carryforwards correspond to:

- EUR 17,279 thousand from OHL in Chile.
- EUR 2,402 thousand from OHL in Spain.

In 2019 the Company assessed the recoverability of the deferred tax assets on the basis of the maintenance of the current key assumptions of the businesses and no risk of recoverability within the expiry periods was identified.

At 31 December 2019, the Company had EUR 741,208 thousand in tax loss carryforwards available for offset in future tax returns which, in accordance with the Spanish Income Tax Law, do not have a time limit for offset. These tax loss carryforwards were not recognised for accounting purposes.

At 31 December 2019, 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	1,214	No limit
Reinvestment tax credits	1,342	2020
R&D&I tax credits	7,716	2020
Other	7,906	2020

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

18.6 Deferred tax liabilities

The detail of “Deferred Tax Liabilities” at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Taxable temporary differences	6,899	6,746
Total deferred tax liabilities	**6,899**	**6,746**

18.7 Years open for review and tax audits

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 2019 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.

In connection with the tax assessments signed on a contested basis relating to personal income tax withholdings for 2009 to 2011, in 2019 the Spanish National Appellate Court handed down a judgment partially upholding the appeal for judicial review filed by the Company, i.e., it upheld the settlement of EUR 1,705 thousand relating to the deficiency and interest but rendered null and void the penalty of EUR 753 thousand imposed by the tax authorities. Guarantees had been provided and provisions recognised in relation to these amounts; the amounts due were paid and the guarantees provided were recovered in the judgment enforcement phase of the proceeding.

In connection with the tax assessments signed on a contested basis relating to personal income tax withholdings for 2012 to 2013, amounting to EUR 630 thousand, the Company submitted pleas to the Central Economic-Administrative Tribunal, although no judgment has yet been handed down in this regard.

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.

19.- UTEs

The detail of the sales, assets and liabilities of the UTEs at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Revenue	242,882	280,677
Non-current assets	5,121	5,634
Current assets	368,077	436,553
Non-current liabilities	1,797	-
Current liabilities	356,254	702,257

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

20.- INCOME AND EXPENSES

20.1 Revenue

Obrascón Huarte Lain, S.A.'s revenue in 2019 amounted to EUR 875,782 thousand (2018: EUR 608,727 thousand). The detail by activity, type of customer and geographical market is as follows:

	Thousands of euros	
Business activity	**2019**	**2018**
Civil engineering work in Spain	**76,573**	**1,486**
Roads	30,450	(20,318)
Hydraulic works	6,802	11,103
Railways	20,358	(16,493)
Maritime	145	1,538
Other civil engineering work	18,818	25,656
Building construction in Spain	**277,289**	**263,628**
Residential building construction	27,504	14,177
Non resident	249,785	249,451
Other	**2,708**	**2,662**
Total construction in Spain	**356,570**	**267,776**
International civil engineering work	**386,493**	**227,576**
Roads	115,906	(25,329)
Hydraulic works	37,842	-
Railways	227,868	174,414
Maritime and other civil engineering work	4,877	78,491
Building construction abroad	**132,719**	**113,375**
Non resident	132,719	113,375
Total construction abroad	**519,212**	**340,951**
Total revenue	**875,782**	**608,727**

Type of customer	Thousands of euros 2019	Thousands of euros 2018
Spain:		
Public-sector customers:	**108,922**	**98,639**
Central government	23,045	26,199
Autonomous community government	45,518	41,442
Local government	12,177	9,227
Other agencies	28,182	21,771
Private-sector customers	**247,648**	**169,137**
Total Spain	**356,570**	**267,776**
Abroad:		
Public-sector customers	349,416	259,937
Private-sector customers	169,796	81,014
Total abroad	**519,212**	**340,951**
Total revenue	**875,782**	**608,727**

Geographical market	Thousands of euros 2019	Thousands of euros 2018
Spain:		
Spain	356,570	267,776
Total Spain	**356,570**	**267,776**
Abroad:		
Chile	173,134	89,751
Peru	99,650	44,039
Rest of the world	246,428	207,161
Total abroad	**519,212**	**340,951**
Total revenue	**875,782**	**608,727**

Of the total revenue at 31 December 2019, EUR 242,882 thousand relate to UTEs (31 December 2018: EUR 280,677 thousand).

The countries in which the Company carries on its business on a permanent basis, i.e. where it has a local presence, are Spain, Chile and Peru, The Company also has a presence in other countries that are not currently considered to be local markets and are included under "Rest of the World".

20.2 Procurements

The detail of "Procurements" in the statements of profit or loss for the years ended 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Purchases of construction materials and machinery spare parts	107,109	124,318
Change in inventories of construction materials and machinery spare parts	2,032	(423)
Cost of construction materials and machinery spare parts used	**109,141**	**123,895**
Work performed by other companies	447,407	567,611
Inventory write-downs	-	-
Total procurements	**556,548**	**691,506**

At 31 December 2019, "Procurements" included EUR 130,302 thousand relating to UTEs (31 December 2018: EUR 234,961 thousand).

The detail, by origin, of the purchases made by the Company in 2019 and 2018 is as follows:

2019	Thousands of euros		
	Spain	EU countries	Imports
Purchases	48,444	6,820	51,845

2018	Thousands of euros		
	Spain	EU countries	Imports
Purchases	53,114	14,916	56,288

20.3 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	
	2019	2018
Changes in provisions for and losses on commercial transactions	27	(146,936)
Changes in short-term provisions	(51,732)	12,180
Other provisions	(4)	(80)
Total losses on and write-down of trade receivables and changes in provisions for commercial transactions	**(51,709)**	**(134,836)**

The changes in short-term provisions relate to various items detailed in Note 15.1.

20.4 Other current operating expenses

The detail of “Other Current Operating Expenses” is as follows:

	Thousands of euros	
	2019	2018
Recognition of provisions for investees	(3,727)	(248,776)
Current operating expenses and losses	(9,761)	(6,375)
Total other current operating expenses	**(13,488)**	**(255,151)**

The recognition of provisions for investees relates to the long-term provisions detailed in Note 15.1.

20.5 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	
	2019	2018
Dividends	6	3
Total finance income from investments in equity instruments	**6**	**3**
Interest income on long- and short-term loans	7,221	5,676
Other finance income	3,479	4,884
Total finance income from marketable securities and other financial instruments	**10,700**	**10,560**
Interest and costs on bonds and marketable securities	(37,625)	(45,576)
Interest on bank borrowings	(949)	(8,194)
Other finance costs	(7,744)	(10,378)
Total finance costs on debts to third parties	**(46,318)**	**(64,148)**

The interest income on loans relates mainly to the long- and short-term loans detailed in Note 21.2.

Other finance income includes mainly the late-payment interest income described in Note 4.10.

The finance costs on bonds, marketable securities and bank borrowings relate to the financial liabilities of this type described in note 16.1.

20.6 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:

Impairment and other losses	Thousands of euros	
	2019	2018
Impairment of equity instruments of Group companies	(240,869)	(607,780)
Impairment of equity instruments of associates	-	(11,420)
Impairment of long-term loans to Group companies	(60,184)	(40,883)
Other impairment and gains and losses	(4,464)	873
Total impairment and other losses	**(305,517)**	**(659,210)**

The impairment of equity instruments of Group companies in 2019 relates mainly to OHL Construcción Internacional, S.L., OHL Desarrollos, S.L., OHL Industrial, S.L. and Construcciones Colombianas, S.A.S. (see Note 8.3.1).

The impairment of long-term loans to Group companies relates mainly to OHL Industrial, S.A. and Tenedora de Participaciones Tecnológicas, S.A. (see Note 8.3.1).

“Other Impairment and Gains and Losses” includes the valuation adjustments made by the Company in relation to certain financial instruments.

Gains or losses on disposals and other	Thousands of euros	
	2019	2018
Gains or losses on disposal of non-current assets classified as held for sale	(1,848)	1,506,283
Losses on loans	-	(99,694)
Losses on disposal of equity instruments of Group companies and associates	-	(1,428)
Losses on disposal of own debt instruments	-	(2,282)
Total gains or losses on disposals and other	**(1,848)**	**1,402,879**

The loss on the sale of non-current assets classified as held for sale relates in full to the sale of OHL Concesiones, S.A.U., concluded in 2018, which gave rise to an additional price adjustment in 2019 relating to compensation that the Company had to pay pursuant to the purchase and sale agreement.

20.7 Transactions and balances in currencies other than the euro

The detail of the main transactions in currencies other than the euro in 2019 and 2018, by currency, for the main operating income and expense items, translated at the average exchange rates, is as follows:

2019

	Thousands of euros			
Currency	Revenue	Other operating income	Procurements	Other operating expenses
Norwegian krone	75,299	856	59,701	8,016
Algerian dinar	134	418	(1,898)	1,933
Kuwaiti dinar	2,199	580	(9,612)	5,379
Australian dollar	2,275	60	2,765	66
US dollar	63,795	21	16,033	21,312
Vietnamese dong	-	-	-	33
Pound sterling	8,503	195	2,094	8,419
Turkish lira	-	222	2,969	2,554
Argentine peso	-	99	-	212
Chilean peso	173,134	502	102,488	11,109
Colombian peso	7,989	6	6,429	1,786
Mexican peso	(792)	963	(899)	4,781
Uruguayan pesos	51	-	62	16
Qatari riyal	-	27	(6,246)	462
Peruvian nuevo sol	35,855	3,733	15,543	12,509
Polish zloty	-	128	630	798
Other currencies	-	-	-	886
Total	**368,442**	**7,810**	**190,059**	**80,271**

2018

	Thousands of euros			
Currency	Revenue	Other operating income	Procurements	Other operating expenses
Norwegian krone	11,886	513	53,531	5,693
Algerian dinar	(27,099)	108	9,824	5,100
Kuwaiti dinar	(8,345)	92	(3,525)	3,789
Australian dollar	6,106	318	9,242	316
US dollar	9,024	294	21,384	24,980
Vietnamese dong	98	10	1,040	70
Pound sterling	2,584	444	18,304	6,930
Turkish lira	-	509	878	1,210
Argentine peso	-	-	2	20
Chilean peso	89,855	1,737	86,813	7,301
Colombian peso	538	-	220	171
Mexican peso	29,088	7,304	25,274	9,529
Uruguayan pesos	871	-	266	1,010
Qatari riyal	5,703	19	(158)	358,500
Peruvian nuevo sol	35,015	590	16,852	16,010
Polish zloty	-	233	237	169
Other currencies	-	6	-	732
Total	**155,324**	**12,177**	**240,184**	**441,530**

The main balances payable in currencies other than the euro at 31 December 2019 and 2018, by currency and for the main liability items in the balance sheet, translated to euros at the year-end exchange rate, were as follows:

	Thousands of euros			
	2019		2018	
Currency	Trade payables	Other current liabilities	Trade payables	Other current liabilities
Norwegian krone	46,749	576	43,818	5,588
Algerian dinar	19,664	2,870	13,399	3,302
Kuwaiti dinar	42,003	-	57,022	30
Australian dollar	331	1	664	507
US dollar	77,558	(5,048)	88,965	11,609
Vietnamese dong	2,292	108	3,009	101
Pound sterling	9,320	39	20,632	100
Turkish lira	524	367	3,301	55
Argentine peso	73	418	215	1,343
Chilean peso	61,952	51,609	125,102	530
Colombian peso	5,790	196	424	10
Mexican peso	9,184	86,785	16,369	99,904
Uruguayan pesos	72	-	57	1,284
Saudi Arabian riyal	-	9,688	269	84
Qatari riyal	43,262	-	52,965	-
Peruvian nuevo sol	35,658	4,472	37,601	3,019
Polish zloty	985	5	1,790	6
Other currencies	539	-	87	6
Total	**355,956**	**152,086**	**465,689**	**127,478**

The main balances receivable in currencies other than the euro at 31 December 2019 and 2018, by currency and for the main asset items in the balance sheet, translated to euros at the year-end exchange rate, were as follows:

	Thousands of euros					
	2019			2018		
Currency	Non-current financial assets	Current financial assets	Trade and other receivables	Non-current financial assets	Current financial assets	Trade and other receivables
Norwegian krone	221	-	8,651	364	-	1,477
Algerian dinar	47	-	11,420	818	-	8,987
Kuwaiti dinar	67	-	16,675	66	-	21,902
Australian dollar	-	-	5,830	-	-	6,267
US dollar	305	2,148	42,675	1,965	299	37,104
Vietnamese dong	-	-	2,096	-	-	2,931
Pound sterling	-	-	5,349	-	-	2,785
Turkish lira	20	-	1,804	5	-	1,992
Argentine peso	-	4	(197)	-	-	953
Chilean peso	-	-	103,651	-	-	205,703
Colombian peso	-	-	2,907		-	446
Mexican peso	-	-	9,216	6	-	19,951
Uruguayan pesos	-	-	(638)	-	-	1,341
Saudi Arabian riyal	-	-	-	-	-	4,912
Qatari riyal	2,952	-	18,947	2,900	-	13,559
Peruvian nuevo sol	-	-	21,867	-	-	25,169
Polish zloty	-	-	359	-	-	749
Other currencies	11	-	21	24	-	140
Total	**3,623**	**2,152**	**250,633**	**6,148**	**299**	**356,368**

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 2019 and 2018, the net impact of which on profit or loss was as follows:

(Expense)/Income	Thousands of euros	
Currency	2019	2018
Norwegian krone	(2,884)	(3,567)
Algerian dinar	(830)	(517)
Kuwaiti dinar	(1,895)	(2,631)
US dollar	(2,054)	(4,590)
Argentine peso	(51)	(45)
Chilean peso	(743)	6,005
Mexican peso	(6,506)	(7,224)
Qatari riyal	(1,602)	(2,738)
Peruvian nuevo sol	(1,370)	(1,159)
Polish zloty	(47)	(79)
Total	**(17,982)**	**(16,545)**

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 2019 and 2018, the net impact on profit or loss would be as follows:

(Expense)/Income	Thousands of euros	
Currency	2019	2018
Norwegian krone	2,622	3,243
Algerian dinar	755	470
Kuwaiti dinar	1,722	2,392
US dollar	1,867	4,173
Argentine peso	47	41
Chilean peso	676	(5,459)
Mexican peso	5,915	6,567
Qatari riyal	1,457	2,489
Peruvian nuevo sol	1,245	1,053
Polish zloty	43	71
Total	**16,349**	**15,040**

20.8 Backlog

At 31 December 2019, the Company's backlog amounted to EUR 1,551,928 thousand (2018: EUR 1,812,948 thousand).

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

	Thousands of euros	
Business activity	2019	2018
Civil engineering work in Spain	**406,804**	**425,481**
Roads	203,345	206,499
Hydraulic works	61,187	53,168
Railways	130,376	148,244
Maritime	-	134
Other civil engineering work	11,896	17,436
Building construction in Spain	**245,454**	**329,953**
Residential building construction	37,967	28,847
Other buildings	207,487	301,106
Other	**1,673**	**962**
Total construction in Spain	**653,931**	**756,396**
International civil engineering work	**807,557**	**866,820**
Roads	536,752	444,220
Hydraulic works	42,900	-
Railways	208,005	369,930
Other civil engineering work	19,900	52,670
Building construction abroad	**90,440**	**189,732**
Other buildings	90,440	189,732
Total construction abroad	**897,997**	**1,056,552**
Total backlog	**1,551,928**	**1,812,948**

	Thousands of euros	
Geographical market	**2019**	**2018**
Spain:		
Spain	653,931	756,396
Total Spain	**653,931**	**756,396**
Abroad:		
Chile	543,227	530,255
Peru	149,090	181,997
Rest of the world	205,680	344,300
Total abroad	**897,997**	**1,056,552**
Total backlog	**1,551,928**	**1,812,948**

Of the total backlog at 31 December 2019, EUR 752,985 thousand related to direct construction work and EUR 798,943 thousand to UTEs (31 December 2018: EUR 878,617 thousand and EUR 934,331 thousand, respectively).

Also, at 31 December 2019, EUR 796,200 thousand related to public-sector works and EUR 755,728 thousand to private-sector works (31 December 2018: EUR 1,087,830 thousand and EUR 725,118 thousand, respectively).

21.- RELATED-PARTY TRANSACTIONS AND BALANCES

21.1 Transactions with Group companies and associates

The detail of the transactions with Group companies in 2019 and 2018 is as follows:

	Thousands of euros	
	2019	**2018**
Revenue	(569)	12,221
Other operating income	21,005	34,560
Finance income	66,446	61,641
Dividends received	79,464	580,629
Non-current asset disposals	44	1,450
Procurements	1,942	2,038
Other operating expenses	9,573	9,375
Finance costs	20,830	32,789
Non-current asset purchases	811	1,882
Acquisitions of financial assets	-	256,513

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

	Thousands of euros	
Company	**2019**	**2018**
Agrupación Guinovart Obras y Servicios Hispania, S.A.	50,000	1,056
S.A. Trabajos y Obras (SATO)	20,003	3,442
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	8,848	-
Construcciones Adolfo Sobrino, S.A.	511	6,000
OHL Concesiones, S.A.U.	-	567,637
OHL Arabia, LLC	-	2,379
Other dividends of less than EUR 200 thousand	102	115
Total	**79,464**	**580,629**

The detail of the transactions with associates in 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Revenue	106,115	59,124
Other operating income	2,307	913
Finance income	1,039	68
Non-current asset disposals	8	-
Other operating expenses	91	300
Finance costs	17	-

21.2 Related-party transactions and balances

The detail of the transactions with related companies in 2019 and 2018 is as follows:

	Thousands of euros			
	2019	% of total	2018	% of total
Income and expenses				
Revenue	38,699	4.42	52,900	8.69
Other operating income	164	0.34	1,470	2.31
Finance income	6,686	4.24	5,112	0.78
Procurements	218	0.04	77	0.01
Outside services	2,666	1.65	3,561	1.90

	Thousands of euros	
Other transactions	2019	2018
Financing agreements: loans granted	-	34,866
Advances	-	(34,866)
Dividends paid	-	42,683
Non-current asset purchases	381	686
Guarantees provided	486	10,544

In addition, at 31 December 2019 the Company had provided guarantees to related entities amounting to EUR 11,878 thousand.

The detail of the transactions indicated above in 2019 is as follows:

Taxpayer or employer identification number of the related company	Name of the related company		Thousands of euros
A87287223	Espacio Caleido, S.A.	Revenue	32,760
B83962225	Espacio Living Homes, S.L.U.	Revenue	4,645
B87567160	Espacio Mallaeta, S.L.U.	Revenue	1,294
A82500257	Grupo Villar Mir, S.A.U.	Other operating income	108
A80400351	Espacio Information Technology, S.A.U.	Other operating income	55
B86830536	Alse Park, S.L.	Other operating income	1
A82500257	Grupo Villar Mir, S.A.U.	Finance income	4,272
A28032829	Pacadar, S.A.U.	Finance income	2,414
A28032829	Pacadar, S.A.U.	Procurements	218
A80400351	Espacio Information Technology, S.A.U.	Other operating expenses	2,452
B83393066	Energía VM Gestión de Energía, S.L.U.	Other operating expenses	113
B80209232	INSE Rail, S.A.	Other operating expenses	40
B84996362	Torre Espacio Gestión, S.L.U.	Other operating expenses	25
B86830536	Alse Park, S.L.	Other operating expenses	23
B86727500	Torre Espacio Restauración, S.L.U.	Other operating expenses	13
A80400351	Espacio Information Technology, S.A.U.	Non-current asset purchases	381
B83962225	Espacio Living Homes, S.L.U.	Guarantees provided	628
B86830536	Alse Park, S.L.	Guarantees provided	(142)

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

At 31 December 2019 and 2018, the nominal balances with related companies were as follows:

	Thousands of euros			
	2019	% of total	2018	% of total
Assets:				
Trade receivables for sales and services	15,761	5.95	12,291	4.27
Other accounts receivable	3,194	13.18	3,049	10.95
Short-term loans to third parties (*)	127,303	99.76	120,719	99.66
Liabilities:				
Trade payables	3,759	0.66	116	0.03
Other current financial liabilities	7	0.06	325	5.38

(*) See Note 8.2.

21.3 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 shareholders at the Annual General Meeting held on 26 June 2018, for 2018 and the following three years and which established annual maximum remuneration for the non-executive directors, for the performance of their general function as directors, of one million four hundred thousand euros **(EUR 1,400,000)**, with the distribution criteria approved by the Board of Directors itself and which is included in the aforementioned Remuneration Policy, and there are no variable components in the remuneration of the non-executive directors.

In 2019, taking into account the foregoing and the current composition of the Board of Directors and its committees, the annual remuneration for the non-executive directors, for the exercise of their general function as directors, amounted to one million one hundred and ninety thousand euros **(EUR 1,190,000)**. In 2019, as in prior years, the non-executive directors did not receive any kind of benefits. This fixed remuneration for their functions 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.

On this same date, the Company's Board of Directors 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 in 2019 by each director. Following is an individualised detail of the remuneration earned by each director in his or her capacity as such in 2019, excluding the remuneration earned for executive functions subsequently disclosed (in euros):

Directors	Attendance fees
Juan Villar-Mir de Fuentes *(non-executive proprietary)*	130,000
Silvia Villar-Mir de Fuentes *(non-executive proprietary)*	110,000
José Antonio Fernández Gallar *(executive)*	-
Carmen de Andrés Conde *(non-executive independent)*	150,000
César Cañedo-Argüelles Torrejón *(non-executive independent)*	130,000
Javier Goñi del Cacho *(non-executive proprietary)*	110,000
Juan Antonio Santamera Sánchez *(other non-executive)*	130,000
Juan José Nieto Bueso *(non-executive independent)*	160,000
Manuel Garrido Ruano *(non-executive proprietary)*	130,000
Reyes Calderón Cuadrado *(non-executive independent)*	140,000
	1,190,000

In 2019 the executive director earned total remuneration of EUR 2,600 thousand for his executive functions (2018: EUR 20,807 thousand). Also, EUR 36 thousand were paid as other benefits relating to life insurance premiums (2018: EUR 17 thousand) and, as was also the case in 2018, no contributions were made to the employee benefit plan.

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

The members of the Board of Directors and the senior executives are insured by a liability insurance policy which cost EUR 649 thousand in 2019.

Remuneration of senior executives

The remuneration earned by the Company's senior executives in 2019 –excluding those who are also members of the Board of Directors (whose remuneration is detailed above)– amounted to EUR 9,320 thousand (2018: EUR 12,728 thousand), of which EUR 3,421 thousand correspond to variable remuneration (2018: EUR 3,244 thousand).

Conflicts of interest

At 31 December 2019, 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 2019.

22.- INFORMATION ON THE ENVIRONMENT

In 2019 the Company incurred environmental expenses amounting to EUR 814 thousand (2018: EUR 557 thousand). At 31 December 2019 and 2018, the Company had not recognised any environmental assets in the balance sheets.

23.- OTHER DISCLOSURES

23.1 Headcount

The average number of employees in 2019 and 2018, by category, was as follows:

	Average number of employees	
Professional category	**2019**	**2018**
Senior executives	9	6
Executives	25	30
Directors/Managers	83	82
Middle managers	523	561
Other line personnel	924	994
Clerical staff	391	446
Manual workers	2,554	3,685
Total	**4,509**	**5,804**
Permanent employees	2,127	1,958
Temporary employees	2,382	3,846
Total	**4,509**	**5,804**

The average number of employees at UTEs in 2019 was 671 (2018: 1,005 employees).

The average number of employees at the Company with a disability equal to or greater than 33% in 2019 and 2018, by category, was as follows:

Professional category	2019	2018
Middle managers	-	2
Other line personnel	3	2
Clerical staff	7	8
Manual workers	13	7
Total	**23**	**19**

Also, the average number of employees at UTEs with a disability equal to or greater than 33% in 2019 was eight (2018: three).

The number of employees at the end of 2019 and 2018, by gender and professional category, was as follows:

	Number of employees at year-end					
	31/12/19			31/12/18		
Professional category	Men	Women	Total	Men	Women	Total
Senior executives	9	-	9	7	-	7
Executives	19	2	21	25	3	28
Directors/Managers	59	9	68	60	8	68
Middle managers	393	65	458	427	68	495
Other line personnel	745	171	916	640	179	819
Clerical staff	213	163	376	180	156	336
Manual workers	2,490	239	2,729	1,568	187	1,755
Total	**3,928**	**649**	**4,577**	**2,907**	**601**	**3,508**

The number of temporary employees at UTEs at 31 December 2019 was 515 (31 December 2018: 762 employees).

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

23.2 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	
	2019	2018	2019	2018	2019	2018
Audit services	574	586	79	100	653	686
Other attest services	81	80	3	-	84	80
Total audit and related services	**655**	**666**	**82**	**100**	**737**	**766**
Tax counselling services	23	26	4	7	27	33
Other services	43	143	-	-	43	143
Total professional services	**66**	**169**	**4**	**7**	**70**	**176**
Total	**721**	**835**	**86**	**107**	**807**	**942**

"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.

23.3 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

"Cash Flows from Operating Activities" in 2019 amounted to EUR (221,359) thousand, and it should be noted that:

"Loss before Tax" for 2019 amounted to EUR (49,343) thousand.

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

	Thousands of euros	
	2019	2018
Changes in provisions	(178,238)	383,672
Financial profit or loss	241,875	(1,206,848)
Impairment and gains or losses on disposals of non-current assets	(5,302)	8,635
Grants	(458)	(485)
Total	**57,877**	**(815,026)**

"Other Cash Flows from Operating Activities" includes dividends received, amounting to EUR 79,470 thousand, most notably the dividend received from Agrupación Guinovart Obras y Servicios Hispania, S.A., amounting to EUR 50,000 thousand (see Note 21.1).

Cash flows from investing activities

"Cash Flows from Investing Activities" amounted to EUR (32,993) thousand in 2019.

Payments due to investment amounted to EUR (38,476) thousand and relate to investments in Group companies, mainly in OHL Industrial, S.L.

"Proceeds from Disposal", amounting to EUR 5,483 thousand, relates mainly to sales of property, plant and equipment.

Cash flows from financing activities

"Cash Flows from Financing Activities" amounted to EUR (9,380) thousand in 2019 and relates mainly to the reduction in bank borrowings.

As a result of the foregoing, cash and cash equivalents at the end of the year amounted to EUR 232,120 thousand, comprising mainly bank balances.

24.- EVENTS AFTER THE REPORTING PERIOD

The detail of the significant events that occurred after 31 December 2019 is provided below.

Since 30 July 2014, OHL, as part of the Joint Venture formed by the Company (55%) and Contrack Cyprus Ltda (45%), has been involved in arbitration proceedings at the International Chamber of Commerce in relation to the **contract for the Design and Construction of the Sidra Medical Research Centre (Doha, Qatar), Qatar Foundation for Education, Science and Community Development (QF)**, which has been the subject of various partial awards in the years since the proceedings were initiated and in relation to which a final decision has yet to be handed down on the dispute as a whole.

A partial award on "Defects" was handed down on 12 March 2020, in respect of which QF was claiming QAR 320.7 million (EUR 78 million), of which QAR 124.2 million (EUR 30 million) were recognised and QAR 167.6 million (EUR 41 million) rejected. On 3 April 2020, the JV filed an appeal in the UK against this partial award. Although there is no order for payment that, should the case arise, would be issued once all the claims and counterclaims have been resolved, in accordance with the accounting principle of prudence in valuation the Company recognised a provision for the amount that it would be liable to pay as a result of this partial award relating to "Defects", in proportion to its percentage of ownership, which amounts to EUR 15.1 million.

However, based on updated third-party legal reports and the interpretations thereof made by management of the Company and the potential timing of the handing down of the related judgment, the Company's directors reassessed the various arbitral award scenarios as a whole and concluded that, despite the current levels of uncertainty with regard to the proceedings, further losses are not likely to arise for the Company.

In relation to the **corporate bond Issue performed in March 2012** maturing in March 2020, the Company paid principal of EUR 73,305 thousand and also paid the related interest. Following this settlement within the established time period, the Company has an outstanding balance of EUR 592,888 thousand in corporate bonds relating to the issues performed in 2014 and 2015, maturing in 2022 and 2023, respectively.

The appearance of **COVID-19** in China in January 2020 and its recent global expansion caused the viral outbreak to be classified as a pandemic by the World Health Organization on 11 March. Bearing in mind the complexity of the markets and the absence, for the time being, of effective medical treatment against the virus, the consequences for the Company's operations are uncertain and will depend to a large degree on the evolution and extension of the pandemic in the coming months, as well as on the capacity of all the economic players affected to react and adapt to the circumstances. Therefore, at the date of authorisation for issue of these separate financial statements and directors' report, it is still premature to make a detailed evaluation or quantification of the possible economic, social or environmental impacts that this event might have on the Company, due to the uncertainty of its consequences in the short and medium term.

In view of this situation and in order to mitigate the liquidity risk for the Company, on 30 April 2020 the Company entered into an agreement with the MSF agreement signatory banks for the grant of a financing facility of EUR 140,000 thousand maturing on 30 October 2021 (see Note 8.4.1). The availability of this facility is conditional on the fulfilment of a series of conditions precedent, the most important of which being the provision of a guarantee of up to 70% of the amount of the facility by Instituto de Crédito Oficial (ICO), as part of the COVID-19 state aid programme.

The directors of the Company have conducted a preliminary assessment of the current situation based on the best available information, which, due to the aforementioned considerations, may be incomplete. The following aspects of the results of this assessment are worthy of note:

- **Liquidity risk:** it is foreseeable that the general situation of the markets may lead to an overall increase in liquidity constraints in the economy, as well as a contraction in the credit market. In this regard, the Company has the liquidity and the financing facilities indicated in Note 8.2, 13 and 16.1. In addition, and as described previously, the Company entered into an agreement with the banks included in the Multi-Product Syndicated Financing (MSF) agreement to have short-term access to additional financing, secured by the ICO, amounting to EUR 140,000 thousand. The directors consider that the foregoing, together with the specific plans for the improvement and efficient management of the Group's liquidity and working capital, will enable these constraints to be overcome. Also, worth highlighting are the important economic measures adopted by the Spanish Government, which may be improved upon by the European Union in the future and which are aimed at supporting the economy and company liquidity.

- **Operational risk:** in view of the changing and unpredictable nature of events, the Company is establishing specific procedures aimed at monitoring and managing the evolution of its operations at all times, in order to minimise their impact. This process is permanently updated / reviewed.

- **Risks for people:** people's health and safety are a priority for the Company and, accordingly, all situations that may represent a danger for direct and direct employees are being monitored, and organisational measures facilitating the performance of work in safe conditions are being implemented (remote working, flexibility measures, adoption of personal safety measures at workplaces -construction sites and offices- following the criteria and recommendations of the health authorities and the Spanish Ministry of Employment and all the guidelines of the authorities in relation to performance of the Company's projects).

- **Supply chain risks:** under the current circumstances, it cannot be guaranteed that no situations will arise at our suppliers and subcontractors that might affect our production. However, the most critical supplies and services are being monitored in order to mitigate the impact.

- **Risk of measurement of assets and liabilities:** a change in the future estimates of the Company's new contracts, fixed and variable costs and borrowing costs could have an adverse impact on the carrying amount of certain assets and on the need to recognise certain provisions or other types of liabilities. As soon as sufficient and reliable information becomes available, the appropriate analyses and calculations will be made to allow, if necessary, the re-measurement of those assets and liabilities.

- **Going concern risk:** taking into account the aforementioned factors, as well as those detailed in Note 8.4.1, the Company's directors consider that the conclusion on the Company's ability to meet its obligations is valid.

As a result of the intense spread of COVID-19 throughout Spain and other geographical areas in which the Company is present, which has caused a general drop in production in those areas, Company management, acting responsibly, has made efforts to implement a series of measures to mitigate the potential impact on the Company's activity.

Noteworthy among these measures is the agreement entered into with the workers' representatives and the principal trade unions in Spain to furlough employees and reduce staff working hours (Spanish "ERTE"), both for core and production personnel, for a period of up to three months in order to adapt the Company's resources to its production capacity over that period of time.

As an additional measure to the ERTE and in order to mitigate the effects that this pandemic is having on the Company's production, the Company's directors, as well as its senior executives and managers, have voluntarily decided to apply a salary reduction to themselves for the duration of the ERTE, reaffirming the commitment of all the employees and levels of the Company to OHL's project. The members of the Board of Directors have acted along these same lines in also reducing their annual remuneration.

As a result of all the above, this event is expected to affect production activity, which will have consequences on the Company's main economic aggregates (sales, EBITDA, EBIT, debt, new contracts, etc.) that cannot yet be assessed or quantified. In this connection, the Company's directors are constantly supervising the evolution of the situation in order to analyse the financial and non-financial impacts that may arise and take the appropriate measures to mitigate them.

25.- EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company 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.

OBRASCÓN HUARTE LAIN, S.A.

APPENDIX I

Unincorporated temporary joint ventures (UTEs)

Name of UTE	Percentage of ownership	Thousands of euros: UTE revenue in 2019	Thousands of euros: Construction work contracted by the UTE
5º TRAMO CYII	75.00	450	1,957
A.M.A.S. 2	50.00	801	6,408
AGUAS DE NAVARRA	77.11	1,011	84,567
ANGIOZAR	40.00	4,810	110,781
BALIZAMIENTO BARAJAS	34.00	1,152	4,530
CALDERETA-CORRALEJO	99.50	3,873	62,941
CAMP DEL FERRO	70.00	4,745	9,354
CANAL DE MURCIA TRAMO III	60.00	115	6,095
CBC VERTEDERO CADIZ	25.33	-	29,405
CELT EL PRAT	30.00	471	4,940
CENTRAL VILLORIA	50.00	4	1,595
CONSERVACIÓN A-1 MADRID	20.00	9,054	50,621
CONSORCIO CONSTR. LIMA 2019	60.00	13,611	26,667
CONSORCIO MUNA	25.00	34,382	89,536
CONSORCIO SANEAM. HUARMEY	48.60	-	30,453
CONSORCIO VIAL DEL SUR	50.00	11,422	95,400
CONVENTO DE SAN ANDRÉS	60.00	98	2,324
COSTA CALMA	99.50	10,912	55,961
EDAR DE SEGOVIA	50.00	884	22,467
EDAR LAGARES-VIGO	50.00	56	69,417
ESTACIONES LINEA 9 BARCELONA	17.00	-	215,443
GLORIES LOTE 5	37.50	2,445	13,818
GUÍA-PAGADOR	87.50	245	87,114
HOSPITAL DE CUENCA	50.00	12,730	109,420
HOSPITAL DE VILADECANS	33.34	438	19,717
HOSPITAL UNIV. TOLEDO	33.33	55,491	204,893
IFA	55.50	-	19,007
J.V. 2 KUWAIT	50.00	4,398	648,800
LEZUZA	50.00	769	7,097
LIMPIEZA DEFENSA	30.00	9,026	40,695
LINEA 9 BARCELONA	17.00	-	595,665
MANTEN. INFRAESTR. VIALS BCN	33.34	1,822	6,661
MARMARAY (TURKEY)	70.00	152,848	1,145,900
MCCONNELL DOWELL CONST AND OHL K2K (AUSTRALIA	50.00	(357)	128,000
MEL9	36.00	13,446	166,374
METRO MAVI GRANADA	58.00	-	41,455
NUEVA ESTACION L5	55.00	1,464	11,756
NUEVO HOSPITAL DE ALCAÑIZ	50.00	1,114	47,502
OHL AND YORK SCHOFIELDS 2 JV (AUSTRALIA)	50.00	4,907	62,200
PINOS PUENTE-ATARFE	85.00	2,859	81,112
PUENTE RANERO	80.00	382	1,498
REURBANIZACION CAMP DEL FERRO	70.00	741	851
SANTA APOLONIA	80.00	369	2,098
TENERIFE NORTE	80.00	5,199	5,498
TENERIFE SUR	80.00	-	4,790
TERMINAL MARITIMA Nº6	70.00	589	13,100
TÚNELES NORTE SEVILLA	40.00	-	203,647
VARIANTE BAEZA	62.00	-	31,461
TOTAL		**368,776**	**4,680,991**

OBRASCÓN HUARTE LAIN, S.A.

APPENDIX II

Equity of Group companies

COMPANY	Share capital	Capital payments payable	Reserves	2019 profit (loss)	Interim dividend	Total shareholders' equity	Valuation adjustments	Grants	Total equity	Participating loan	Total equity + participating loan	Dividends paid
	Thousands of euros											
9095063 Canada Inc.	-	-	-	-	-	-	-	-	-	-	-	-
Agrupación Guinovart Obras y Servicios Hispania, S.A.	30,050	-	15,218	3,953	-	49,221	-	-	49,221	-	49,221	50,000
Asfaltos y Construcciones Elsan, S.A.	7,603	-	(360)	1,617	-	8,860	-	-	8,860	5,000	13,860	-
Community Asphalt Corp.	2	-	7,262	(16,724)	-	(9,460)	-	-	(9,460)	-	(9,460)	-
Consorcio Aura - OHL, S.A.	177	(177)	-	-	-	-	-	-	-	-	-	-
Construcciones Adolfo Sobrino, S.A.	1,520	-	9,246	(3,420)	-	7,346	-	-	7,346	-	7,346	511
Construcciones Colombianas OHL, S.A.S.	76	-	19,133	(23,447)	-	(4,238)	-	-	(4,238)	-	(4,238)	-
Constructora e Inmobiliaria Huarte, Ltda.	615	-	(310)	(137)	-	168	-	-	168	-	168	-
Elsengrund Bau GmbH	1,534	-	(2,321)	(39)	-	(826)	-	-	(826)	-	(826)	-
Empresa Constructora Huarte San José, Ltda.	18	(17)	188	-	-	189	-	-	189	-	189	-
Entorno 2000, S.A.	1,131	-	(1,272)	-	-	(141)	-	-	(141)	-	(141)	-
Mantohledo, S.A.	69	-	(964)	696	-	(199)	-	-	(199)	962	763	-
Marina Urola, S.A.	503	-	306	59	-	868	-	-	868	-	868	102
Mongas, S.A.	-	-	-	-	-	-	-	-	-	-	-	-
Obrascón Huarte Lain, Construcción Internacional, S.L.	42,923	-	16,040	(36,760)	-	22,203	-	-	22,203	-	22,203	-
Obrascón Huarte Lain, Desarrollos, S.L.	83,339	-	(13,903)	(49,721)	-	19,715	-	-	19,715	-	19,715	-
OHL Andina, S.A.	2,750	-	24,864	6,682	-	34,296	-	-	34,296	-	34,296	-
OHL Arabia, LLC	119	-	6,100	4,453	-	10,672	-	-	10,672	-	10,672	-
OHL Brasil, S.A.	286	-	(204)	(4)	-	78	-	-	78	-	78	-
OHL Concesiones Argentina, S.A.	134	-	(134)	-	-	-	-	-	-	-	-	-
OHL Construction India Private Limited	465	-	(465)	-	-	-	-	-	-	-	-	-
OHL Construction Pacific PTY LTD	-	-	(9,055)	761	-	(8,294)	-	-	(8,294)	-	(8,294)	-
OHL Industrial Chile, S.A.	48,252	-	(41,150)	4,886	-	11,988	-	-	11,988	-	11,988	-
OHL Industrial, S.L.	47,694	-	(158,310)	(17,033)	-	(127,649)	-	-	(127,649)	163,000	35,351	-
OHL Infraestructuras S.A.S.	76	-	-	10	-	86	-	-	86	-	86	-
OHL Infrastructure Canada Inc.	-	-	-	-	-	-	-	-	-	-	-	-
OHL Infrastructure, Inc.	-	-	(2,985)	(742)	-	(3,727)	-	-	(3,727)	-	(3,727)	-
OHL Servicios-Ingesán, S.A.U.	790	-	8,601	512	-	9,903	-	-	9,903	-	9,903	-
OHL Uruguay, S.A.	-	-	(2)	236	-	234	-	-	234	-	234	-
Senda Infraestructuras, S.L.	4		998	(137)	-	865	-	-	865	-	865	-
S.A. Trabajos y Obras	1,854	-	44,477	(256)	-	46,075	-	-	46,075	-	46,075	20,003
Sociedad Concesionaria Aguas de Navarra, S.A.	7,370	-	3,210	(668)	-	9,912	(5,714)	-	4,198	-	4,198	-
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	12,306	-	(95)	214	-	12,425	-	-	12,425	-	12,425	8,848
Tenedora de Participaciones Tecnológicas, S.A.	601	-	(35,056)	(6,077)	-	(40,532)	-	-	(40,532)	41,162	630	-
Vacua, S.A.	13,557	-	(12,997)	(1)	-	559	-	-	559	-	559	-

OBRASCÓN HUARTE LAIN, S.A.

APPENDIX III

Investments in Group companies

COMPANY	% of ownership Direct	Indirect	Total	Thousands of euros Cost at 31/12/18	Additions	Reductions	Transfers	Cost at 31/12/19
9095063 Canada Inc.	100.00	-	100.00	-	-	-	-	-
Agrupación Guinovart Obras y Servicios Hispania, S.A.	100.00	-	100.00	69,056	-	-		69,056
Asfaltos 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
Consorcio Aura OHL, S.A.	65.00	-	65.00	122	(7)	-	-	115
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	11,573	-	-	11,605
Constructora e Inmobiliaria Huarte, Ltda.	89.90	10.10	100.00	850	-	-	-	850
Elsengrund Bau GmbH	100.00	-	100.00	3,426	1,000	-	-	4,426
Empresa Constructora Huarte San José, Ltda.	95.00	5.00	100.00	17	-	-	-	17
Entorno 2000, S.A.	100.00	-	100.00	853	-	-	-	853
Mantohledo, S.A.	100.00	-	100.00	45,469	-	-	-	45,469
Marina Urola, S.A.	25.50	25.50	51.00	230	-	-	-	230
Mongas, S.A.	100.00	-	100.00	2,583	-	-	-	2,583
Obrascón Huarte Lain, Construcción Internacional, S.L.	100.00	-	100.00	441,404	285,000	-	-	726,404
Obrascón Huarte Lain, Desarrollos, S.L.	100.00	-	100.00	391,796	25,000	-	-	416,796
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	-	-	-	4
OHL Concesiones Argentina, S.A.	100.00	-	100.00	230	-	-	-	230
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	264,201	30,000	-	-	294,201
OHL Infraestructuras S.A.S.	10.00	90.00	100.00	-	7	-	-	7
OHL Infrastructure Canada Inc.	100.00	-	100.00	-	-	-	-	-
OHL Infrastructure Inc.	100.00	-	100.00	-	-	-	-	-
OHL Servicios-Ingesán, S.A.U.	100.00	-	100.00	1,172	-	-	-	1,172
OHL Uruguay, S.A.	100.00	-	100.00	130	-	-	-	130
Senda Infraestructuras, S.L.U.	100.00	-	100.00	3	1,000	-	-	1,003
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	10,442	(632)	-	-	9,810
Tenedora de Participaciones Tecnológicas, S.A.	100.00	-	100.00	526	-	-	-	526
Vacua, S.A.	99.11	0.89	100.00	599	-	-	-	599
Total				**1,340,875**	**352,941**	**-**	**-**	**1,693,816**

OBRASCÓN HUARTE LAIN, S.A.

APPENDIX IV

Investments in associates

	% of ownership			Thousands of euros				
COMPANY	Direct	Indirect	Total	Cost at 31/12/18	Additions	Reductions	Transfers	Cost at 31/12/19
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
Constructora Vespucio Oriente, S.A.	50.00	-	50.00	6	-	-	-	6
E.M.V. Alcalá de Henares, S.A.	34.00	-	34.00	409	-	-	-	409
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	1,761	-	-	9,695
NYESA Valores Corporación, S.A.	0.60	-	33.34	-	-	-	-	-
Sociedad Mixta de Gestión y Promoción del Suelo, S.A.	1.20	-	1.20	9	-	-	-	9
Total				**19,961**	**1,761**	**-**	**-**	**21,722**

OBRASCÓN HUARTE LAIN, S.A.

APPENDIX V

Identification of the companies included in investments in Group companies

COMPANY	REGISTERED OFFICE	MAIN LINE OF BUSINESS
Construction		
9095063 Canada Inc.	Place Ville Marie, 37th Floor, Montreal, H3B 3P4	Financial studies
Agrupación Guinovart Obras y Servicios Hispania, S.A.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Construction
Asfaltos y Construcciones Elsan, 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 Via de Don Diego López De Haro, 33 - 4º 48009 Bilbao	Construction
Construcciones Colombianas OHL, S.A.S.	Crta. 17 no. 93-09 Piso 8 Edificio Ecotower. 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
Mantohledo, S.A.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	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 Squire – Tahlia, 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 3, 349 Coronation Drive. Milton (Qld) 4064	Construction
OHL Infraestructuras S.A.S.	Cra 17 No. 93 -09 Piso 8 Bogotá, Colombia	Construction
OHL Infrastructure Canada Inc.	100 King Street West, Suite 1600, Toronto M5X 1G5	Financial studies
OHL Infrastructures Inc	555 Theodore Fremd Ave, Suite B201 RYE. New York 10580	Financial studies
OHL Uruguay, S.A.	Edificio Argela, calle Rio 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 45,1º dcha. Mutilva Alta (31192 Navarra)	Construction
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. Los Condes. Santiago de Chile. Chile	Construction
Industrial		
OHL Industrial Chile, S.A.	Cerro el Plomo 5855 Piso 15, Santiago de Chile. (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
Other		
Elsengrund 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
Marina Urola, S.A.	Barrio Santiago - Puerto deportivo- (Zumaia - Guipúzcoa)	Concession and operation of marina in Zumaya (Guipúzcoa)
Mongas, S.A.	Rb de Catalunya, 20 (Barcelona)	Other
Obrascón Huarte Lain, Desarrollos, S.L.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Real estate project development services
OHL Concesiones Argentina, S.A.	Cl/Campana 2684 5º B - C1417Acl - Ciudad Autónoma de Buenos Aires	Operation of concessions
Senda Infraestructuras, S.L.U.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Development of concessions
Tenedora de Participaciones Tecnológicas, S.A.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	New technologies

OBRASCÓN HUARTE LAIN, S.A.

2019 Directors' Report

Contents

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

OBRASCÓN HUARTE LAIN, S.A.

2019 DIRECTORS' REPORT

1.- ECONOMIC OVERVIEW

2019 was another year marked by political tensions throughout the world and their impact on the economy.

On the political front, 2019 was influenced by aspects endogenous to each country, such as election processes, impeachment, riots and protests around the world in the face of increased social unrest (i.e. Hong Kong, Chile, Venezuela, Bolivia, Brazil, Colombia, France and Algeria). Outside factors also came into play with a heavy impact on global politics. Such factors included environmental crises, Brexit negotiations, military tension in Syria, the INF Treaty and the ongoing trade dispute between the US and China.

Geopolitical uncertainty, specific tensions in many regions and environmental disasters all affected global economic activity. 2019 bore witness to three new interest rate cuts by the Federal Reserve following the hikes in 2017 and 2018, closing the year at 1.75%. The European Central Bank, the Bank of Japan and the Bank of England kept interest rates stable following the constant downward revisions of the economic outlook by the various economic agents. Lastly, economic tensions were addressed in different countries' macroeconomic policies, as in the case of Argentina.

According to the latest revision of the International Monetary Fund's estimates ("World Economic Outlook", WEO, January 2020), the global economy is expected to end 2020 with a year-on-year GWP growth of around +3.3%. The worsening of geopolitical tensions between the US and Iran, as well as Europe, the growing social unrest and the new environmental and social disasters in the initial months of 2020 could lead to a downward revision of these forecasts, as already announced by the European Central Bank and the US Federal Reserve.

In Spain, GDP figures showed year-on-year growth of +1.8% in 2019 (Spanish National Institute of Statistics, INE, preview Q4 2019) which, despite being slower compared to previous years, renders Spain one of the fastest growing economies in Europe.

2.- OUTLOOK

The initial months of 2020 saw geopolitical tensions between the US and Iran, and also Europe, intensify. Furthermore, protests continued throughout the world due to social unrest, and new environmental and social disasters occurred (i.e. the coronavirus). These events gave rise to an unexpected cut in interest rates by the US Federal Reserve and the Bank of England. In addition, the worldwide growth forecasts are under revision, which could lead to a further reduction in this connection.

The projections by international agencies and banks compiled by Bloomberg consider, on average, that Spain will continue to be one of the fastest growing economies in the European Union in 2020, with a growth of +1.6%, reflecting a slowdown on previous years. The most significant regions for the Company, namely, the United States, Europe and Latin America, are expected to experience growth of +1.8%, +1.2% and +1.8%, respectively. These increases support the estimate that GWP will rise to levels close to +3.0% in 2020, although this depends on how the coronavirus may ultimately affect the markets.

3.- OUTLOOK FOR THE NEAR FUTURE

At the end of 2019, the OHL Group, with over 100 years of history and 18,782 employees, was ranked 49th of the top 250 international contractors by ENR magazine, and Judlaw Contracting Inc. (OHL NA), an OHL Group construction company in New York, was named construction company of the year.

OHL made progress in its recovery thanks to the measures implemented, built around strict control of income and of cash from construction projects, and the reduction of overheads. Due to the management performed in 2019, EBITDA was positive across all business lines.

The Company faces 2020 having achieved the objectives proposed for 2019 and with renewed commitment to consolidation, rendering the OHL Group more predictable and stable at present, and firmly on the road to profitability and sustainability.

The Group will be underpinned by the same strategic pillars that are demonstrating its capacity for resilience and recovery. It has set clear operational targets to be achieved in 2020, namely: sales of between EUR 2,500 million and EUR 3,000 million, EBITDA topping EUR 70 million, overheads of less than EUR 140 million and new contracts exceeding EUR 3,000 million.

To achieve these targets, the Company will seek to:

1) increase new contracts, by standardising and increasing guarantee and bonding lines;
2) optimise operating margins, by reducing overheads and promoting a profitable concession portfolio with minimal investment requirements and rotating assets; and
3) focus permanently on cash management, by actively managing collection and minimising the cash impact of loss-making projects.
4) Real estate projects will be managed actively, placing value on the Canalejas and Old War Office projects.
5) Leverage will be reduced by redeeming the bond maturing in 2020.

The Company also has numerous liquidity levers that it will activate as it deems necessary.

OHL has notable international experience in all types of construction projects, a solid presence in the geographical areas in which it operates and an efficient structure, placing it in a privileged position in the planned new tender.

4.- COMPANY PERFORMANCE

Revenue totalled EUR 875,782 thousand in 2019, of which 72.3% related to direct construction work and the remaining 27.7% to work executed by unincorporated temporary joint ventures (UTEs).

The breakdown by type of activity is as follows:

	Thousands of euros				
Business activity	**2019**	**%**	**2018**	**%**	**% change**
Construction in Spain	356,570	40.7	267,776	44.0	33.2
Construction abroad	519,212	59.3	340,951	56.0	52.3
Total sales	**875,782**	**100.0**	**608,727**	**100.0**	**43.9**

In 2019, 52.3% of **revenue** stemmed from the public sector and the remaining 47.7% from the private sector.

The profit from operations amounted to EUR 192,532 thousand.

The loss after tax amounted to EUR (59,886) thousand.

At year-end **share capital** amounted to EUR 171,929 thousand, represented by 286,548,289 fully subscribed and paid bearer shares of EUR 0.60 par value each.

The Company's **equity** totalled EUR 893,947 thousand at year-end.

The short-term backlog at 31 December 2019 amounted to EUR 1,551,928 thousand, representing 21.3 months of activity, with a significant international component, comprising 57.9 % of the total.

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

	Thousands of euros				
Business activity	**2019**	**%**	**2018**	**%**	**% change**
Construction in Spain	653,931	42.1	756,396	41.7	(13.5)
Construction abroad	897,997	57.9	1,056,552	58.3	(15.0)
Total backlog	**1,551,928**	**100.0**	**1,812,948**	**100.0**	**(14.4)**

48.5% of this backlog relates to direct construction work and the remaining 51.5% to work to be executed by UTEs.

The average headcount in 2019 was 4,509, 47.2% of whom were permanent employees and the remaining 52.8% 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 2019 and 2018 is as follows:

	Days	
	2019	**2018**
Average period of payment to suppliers	73	63
Ratio of transactions settled	74	60
Ratio of transactions not yet settled	64	76

The Company is implementing measures for the purpose of achieving the statutory ratio of transactions not yet settled, since its ratio exceeds 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.

5.- TREASURY SHARES

At 2019 year-end the Company held 515,037 treasury shares with a total value of EUR 535 thousand.

The changes in treasury shares in 2019 and 2018 were as follows:

	No. of shares	Thousands of euros
Balance at 31 December 2017	**12,531,939**	**48,638**
Purchases	24,897,366	65,592
Sales	(24,706,785)	(66,840)
Amount retired due to capital reduction	(12,210,709)	(47,020)
Balance at 31 December 2018	**511,811**	**370**
Purchases	33,379,697	34,321
Sales	(33,376,471)	(34,156)
Balance at 31 December 2019	**515,037**	**535**

6.- DEVELOPMENT

In 2019 the Company did not invest in development projects and incurred expenditure of EUR 1,465 thousand. Also, EUR 19,534 thousand relating to 39 research and development projects were capitalised to "Intangible Assets - Development Expenditure" in the balance sheet as at 31 December 2019, whose carrying amount net of amortisation was EUR 3,510 thousand.

7.- MAIN RISKS AND UNCERTAINTIES

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

No derivative financial instruments had been designated as hedges of the Company's total debt at 31 December 2019, and bank borrowings tied to fixed interest rates, mainly debt associated with bond issues, represented 99.78%.

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 8 thousand on the Company's pre-tax loss.

Foreign currency risk

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.

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.

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 the Company's needs, in order to maintain at all times adequate levels of financial flexibility for the Company's activity.

The Company’s liquidity position at 31 December 2019 consisted of:

- Drawable credit lines and discount facilities amounting to EUR 1,000 thousand (see Note 16.1).
- Current financial assets, cash and cash equivalents amounting to EUR 514,338 thousand (see Notes 8.2 and 13).

It is important to note that the above amount includes a deposit of EUR 140,000 thousand securing a line of guarantees for the multi-product syndicated financing agreement, which represents 27.2 % of the total.

Despite this liquidity, which arose from divestments made and, particularly, the sale of the Concessions Division, in recent years the Company's liquidity position has decreased as it has had to cater for significant fund requirements of its loss-making projects, which will also occur in the next two years. Also, the Company has financial obligations it will have to meet in the coming years (see Note 16.1).

In this context, the Company's directors consider that the Company's business plan for 2020 and subsequent years will enable this risk to be mitigated sufficiently. This plan is based on the following:

- Obtainment of gross margins of between 6% - 7% and recovery of profit levels in projects.

- Strictly controlling and reducing the Company's costs, both in terms of production costs and overheads.

- Obtainment of business volumes that allow the Company to cover its backlog, guaranteeing the growth/maintenance of its activities.

- Focus on the generation of cash by the projects, performing ongoing monitoring of working capital.

- Divestment of non-strategic assets and collection of loans from related entities. In this regard, note should be made of the collection of the borrowings of the Villar Mir Group and Pacadar amounting to EUR 125,697 thousand, plus the related interest, expected on 30 September 2020 (see Note 8.2).

It should also be noted that the Company reached substantially the objectives set in its business plan for 2019 (improved net and gross profit from operations, reduction in overheads, obtainment of contracts totalling EUR 599 million, notable fall in the outflow of cash relating to projects, obtainment of funds from divestments of non-strategic assets, etc.).

In 2020 efforts will continue to be focused on reinforcing the measures successfully applied in 2019 to strengthen liquidity, including the following:

- Actions to improve cost control and performance risk in projects, and exhaustive monitoring of their profitability.
- Strengthening of the Contract and Working Capital Committees:
    - The Contract Committee aims to control the level of risk assumed in bids, avoiding bidding where future profitability could be compromised beyond the normal risk and reward level of the activity.
    - The Working Capital Committee monitors and promotes active management of collections and the recovery of guarantees in all projects and geographical areas. Also, strict control is carried out in order to minimise cash outflow in loss-making projects.
- Active management of divestments of non-strategic assets and collection of receivables from related entities.

To ensure that sufficient guarantees exist to cover the obligations arising from new contracts, the Company is in negotiations with the signatory banks of the multi-product syndicated financing (MSF) agreement, which was initially entered into in December 2016 and has been novated on several occasions, most recently on 15 January 2020.

At the date hereof, the MSF matures on 31 May 2020, and negotiations are ongoing for future extensions to the line of guarantees drawn down in the amount of EUR 313 million. Also, on 15 January 2020 the Company obtained a new guarantee line amounting to EUR 40 million, granted by the same banks that had entered into the MSF agreement, with maturity at 12 months and 50% of which was secured by the CESCE (the Spanish Export Credit Insurance Company).

In 2019 the Company also increased its lines of the surety companies in the US and other countries, ensuring the conditions for maintaining a sustainable backlog in one of the Company's main markets.

The Company's directors estimate that the mitigating measures in place will enable it to ensure the continuity of its activity and meet all its obligations.

However, there are circumstances could give rise to uncertainties with respect to the achievement of the business plan for 2020 and, accordingly, may cause variances therefrom (non-achievement of expected levels of new contracts, unforeseen circumstantial working capital shortfalls, etc.). Specifically, the impact on the performance of the Company's activity arising from the health crisis caused by COVID-19 (see Note 24), the effects of which on the Company's activity and liquidity are currently difficult to quantify.

In order to mitigate the liquidity pressures caused by this situation, on 30 April 2020 the Company entered into an agreement with the MSF agreement signatory banks for the grant of a financing facility of EUR 140,000 thousand maturing on 30 October 2021. The availability of this facility is conditional on the fulfilment of a series of conditions precedent, the most important of which being the provision of a guarantee of up to 70% of the amount of the facility by Instituto de Crédito Oficial (ICO), as part of the COVID-19 state aid programme.

This credit facility is secured by OHL Desarrollos, S.L. and by other OHL Group subsidiaries, and bears interest at Euribor plus a spread of between 3.5% and 5.5%, based on various time periods.

ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED PUBLIC LIMITED LIABILITY COMPANIES

ISSUER'S PARTICULARS

END DATE OF REFERENCE FINANCIAL YEAR: [31/12/2019]

Employer Identification Number: [A-48010573]

COMPANY NAME:

[**OBRASCON HUARTE LAIN, S.A.**]

REGISTERED OFFICE:

[PASEO DE LA CASTELLANA, 259 D. TORRE ESPACIO MADRID]

A. OWNERSHIP STRUCTURE

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

Date of last change	Share capital (EUR)	Number of shares	Number of voting rights
09/01/2018	171,928,973.40	286,548,289	286,548,289

Indicate whether there are different classes of shares carrying different rights:

Yes ☐ No ☒

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

Shareholder's name or company name	% of voting rights attributed to shareholders		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
INMOBILIARIA ESPACIO, S.A.	0.00	33.32	0.00	0.00	33.32
SIMON DAVIES	0.00	0.00	3.28	0.00	3.28
SAND GROVE OPPORTUNITIES MASTER FUND LTD	0.00	0.00	3.03	0.00	3.03

Detail of indirect ownership interests:

Name or company name of indirect shareholder	Name or company name of direct shareholder	% of voting rights attributed to shares	% of voting rights through financial instruments	% of total voting rights
INMOBILIARIA ESPACIO, S.A.	GRUPO VILLAR MIR, S.A.U.	30.64	0.00	30.64
INMOBILIARIA ESPACIO, S.A.	ESPACIO ACTIVOS FINANCIEROS, S.L.U.	2.68	0.00	2.68

Detail the most significant changes in shareholder structure during the year:

Most significant changes
Based on the information published on the Spanish National Securities Market Commission (CNMV) website:

DEUTSCHE BANK AG:
16/10/2019: Ownership interest fell to 0% of share capital.

INMOBILIARIA ESPACIO, S.A.:
31/01/2019: Ownership interest dropped below the threshold of 35% of the share capital and below 5% through Espacio Activos Financieros, S.L.U. 30/04/2019: Ownership interest dropped below the threshold of 3% indirect ownership through Espacio Activos Financieros, S.L.U.

SYSTEMATICA INVESTMENTS LIMITED:
12/03/2019: Ownership interest dropped below 1% of share capital.

The interest of Espacio Activos Financieros, S.L.U. is through equity swaps with:
- Société Générale, S.A.: 1.98%
- Natixis, S.A.: 0.698%

According to the communication sent from Simon Davies to the CNMV on 03/10/2019, the former's ownership interest is held through Sand Grove Opportunities Master Fund Ltd and Sand Grove Tactical Fund LP.

According to the communication sent by Sand Grove Opportunities Master Fund Ltd to the CNMV on 6 January 2020, the position at 31/12/2019 was 4.054% of the voting rights.

According to the communication sent by HSBC Holdings, PLC to the CNMV on 6 January 2020, the position at 31/12/2019 was 5.064% of the voting rights through HSBC Bank, PLC (5.047%) and through Inka Internationale Kapitalanlagegesellschaft mbH (0.018%).

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

Name or company name of director	% of voting rights attributed to shares		% of voting rights through financial instruments		% of total voting rights	% of voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
JOSE ANTONIO FERNANDEZ GALLAR	0.00	0.00	0.00	0.00	0.00	0.00	0.00

% of total voting rights held by the Board of Directors	0.00

Detail of indirect ownership interests:

Name or company name of director	Name or company name of direct shareholder	% of voting rights attributed to shares	% of voting rights through financial instruments	% of total voting rights	% of voting rights that can be transferred through financial instruments
No data					

José Antonio Fernández Gallar owns 3,860 shares representing 0.001% of the share capital.

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, except for those included in section A.6:

Name or company name of related parties	Type of relationship	Brief description
No data		

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:

Name or company name of related parties	Type of relationship	Brief description
INMOBILIARIA ESPACIO, S.A.	Contractual	All the relationships between Inmobiliaria Espacio, S.A. and subsidiaries and the Company and the OHL Group companies in 2019 were contractual in nature, performed on an arm’s length basis and reported in detail in Section D of this report. In 2019 the Company entered into an agreement with Grupo Villar Mir, S.A.U. and Pacadar, S.A.U., as a result of the negotiations held with a view to ensuring the full recovery of the loans granted and which led, on the one hand, to the extension of the maturities until 30 September 2020 and, on the other, to the reinforcement of the economic terms and conditions and the terms and conditions relating to the collateral provided to the Company, including a security interest in all the shares of Pacadar, S.A.U.

A.6 Describe the relationships, unless they have scant relevance for both parties, existing between the significant shareholders or shareholders represented on the Board and the directors, or their representatives in the case of directors who are legal persons.

Explain, as appropriate, how significant shareholders are represented. Specifically, indicate any directors who have been appointed on behalf of significant shareholders, those whose appointment was supported by significant shareholders, or who are related to significant shareholders and/or entities in their group, specifying the nature of such relationships. In particular, mention, as appropriate, the existence, identity and position of the Board members, or representatives of Board members, of the listed company, who are, in turn, members of the management body, or their representatives, in companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders:

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the significant shareholder's group company	Description of relationship/position
JAVIER GOÑI DEL CACHO	INMOBILIARIA ESPACIO, S.A.	FERTIAL, SPA	Chairperson
JAVIER GOÑI DEL CACHO	INMOBILIARIA ESPACIO, S.A.	FERTIBERIA, S.A.	Executive chairperson
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	ALNAB, S.A.U.	Representative of the sole director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	HIDRO NITRO ESPAÑOLA, S.A.U.	Director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	PACADAR, S.A.U.	Representative of the sole director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	INMOBILIARIA ESPACIO, S.A.	General attorney-in-fact
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	ESPACIO INFORMATION TECNOLOGY, S.A.	Director acting severally
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	GRUPO VILLAR MIR, S.A.U.	General attorney-in-fact
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	GVM EMISIONES 1, S.A.U.	Representative of the sole director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	ESPACIO ACTIVOS FINANCIEROS, S.L.U.	Representative of the sole director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	FONDO CULTURAL VILLAR MIR, S.L.	Director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	FORMULA JET, S.L.U.	Representative of the sole director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	TORRE ESPACIO GESTION, S.L.U.	Representative of the sole director

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the significant shareholder's group company	Description of relationship/position
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	VILLAR MIR ENERGÍA, S.L.U.	Director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	ESPACIO AVIATION MAINTENANCE, S.L.U.	Representative of the sole director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	CARTERA VIMIRA 18, S.L.U.	Representative of the sole director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	ESPACIO ADRIANO, S.L.U.	Representative of the sole director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	CARTERA VIMIRA 21, S.L.U.	Representative of the sole director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	ESPACIO FALCON, S.L.U.	Representative of the sole director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	CALATRAVA RE, S.A.	Director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	PARQUE EOLICO A PICOTA, S.L.U.	Representative of the sole director
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	ARINVER, S.L.U.	Representative of the sole director
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	CARTERA VIMIRA 20, S.L.U.	Sole director
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	ESPACIO ACTIVOS FINANCIEROS, S.L.U.	General attorney-in-fact
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	ESPACIO CONIL, S.A.U.	Representative of the sole director
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	ESPACIO INFORMATION TECNOLOGY, S.A.	Director acting severally
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	FERTIBERIA, S.A.	Deputy chairperson and CEO
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	GESTION INTEGRAL DE SERVICIOS INMOBILIARIOS, S.L.U.	Representative of the sole director
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	GRUPO VILLAR MIR, S.A.U.	Natural person representing the deputy chairperson and CEO
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	INMOBILIARIA ESPACIO, S.A.	Natural person representing the deputy chairperson and CEO
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	PLAYAS ESPAÑOLAS, S.A.U.	Representative of the sole director

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the significant shareholder's group company	Description of relationship/position
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	PROMOCIONES Y PROPIEDADES INMOBILIARIAS ESPACIO, S.L.U.	Chairperson and CEO
SILVIA VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	FONDO CULTURAL VILLAR MIR, S.L.	Chairperson
SILVIA VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	GRUPO VILLAR MIR, S.A.U.	Natural person representing the director
SILVIA VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	INMOBILIARIA ESPACIO, S.A.	Natural person representing the director
SILVIA VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	PROMOCIONES Y PROPIEDADES INMOBILIARIAS ESPACIO, S.L.U.	Director

A.7 Indicate any shareholders agreements that have been disclosed to the company pursuant to Articles 530 and 531 of the Spanish Limited Liability Companies Law. Provide a brief description of the shareholders agreements and list the shareholders bound by them, as appropriate:

Yes [ ] No [X]

Indicate whether the company is aware of any concerted action by its shareholders: Give a brief description, where applicable:

Yes [ ] No [X]

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

A.8 Indicate whether there is any individual or legal entity that exercises, or can exercise, control over the company in accordance with Article 5 of the Spanish Securities Market Law. Identify, where appropriate:

Yes [ ] No [X]

A.9 Fill in the following tables on the company's treasury shares:

At year-end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
515,037		0.18

(*) Through:

Name or company name of direct shareholder	Number of direct shares
No data	

Explain any significant changes during the year:

Explain any significant changes

Date of publication / No. of shares/ % of treasury shares

22/01/2019 / 529,311 / 0.185
05/03/2019 / 516,811 / 0.180
18/03/2019 / 474,211 / 0.165
03/04/2019 / 454,020 / 0.158
24/04/2019 / 499,575 / 0.174
31/05/2019 / 459,212 / 0.160
09/07/2019 / 453,951 / 0.158
21/08/2019 / 480,241 / 0.168
17/09/2019 / 497,908 / 0.174
18/10/2019 / 523,633 / 0.183
26/11/2019 / 524,524 / 0.183

A.10 Specify the conditions and period of the current authorisation granted by the shareholders' meeting to the Board of Directors to issue, repurchase or transfer treasury shares.

The Annual General Meeting held on 21 June 2016 resolved to authorise the Company's Board of Directors so that, pursuant to Article 146 of the Spanish Limited Liability Companies Law, it could acquire treasury shares under any form of transfer accepted by law, directly or through a subsidiary or investee, up to the maximum amount permitted by law. The authorisation is for a period of five years and the shares may be acquired at a maximum price of EUR 60 per share with no minimum price limit, rendering null and void the unused portion of the authorisation resolved in this connection at the Annual General Meeting held on 27 May 2015.

Pursuant to Article 146.1(a) of the Spanish Limited Liability Companies Law, acquired shares may be granted to company employees or directors as remuneration or as a result of duly agreed-upon share option plans or share capital ownership plans.

There is also a current mandate approved by the Annual General Meeting held on 12 May 2014 delegating to the Board of Directors the power to issue shares under the provisions of Article 297 of the Spanish Limited Liability Companies Law, and the power to agree, on one or more occasions, the increase of capital of the Company with pre-emption rights. In this regard, the Board of Directors was authorised to increase the share capital at the time and by the amount that it decides, without consulting the General Meeting beforehand, on one or more occasions and at any time, within a maximum period of five years from the date of the Meeting that approved the delegation, for the maximum provided by law, i.e EUR 29,922,282.6, equal to half of the share capital at that time, through the issuance of new shares -with or without premiums- consisting of the equivalent value of the new shares to be issued in monetary contributions.

The Board of Directors may establish the terms and conditions of the capital increase, freely offer the unsubscribed new shares in the pre-emption period, and establish, in the event of incomplete subscription, that the capital only be increased by the amount of the shares subscribed and that the Article of the Company's bylaws on share capital be redrafted.

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

A.11 Estimated free float:

	%
Estimated free float	63.22

A.12 Indicate any restriction (in the bylaws or legislation or of any other nature) on the transfer of securities or voting rights. In particular, indicate the existence of any type of restriction that could hamper acquisition of control of the company through the purchase of its shares in the market, and those prior authorisation or communication regimes which are applicable to the company under industry legislation in relation to the acquisition or transfer of its financial instruments.

Yes [ ] No [X]

A.13 Indicate whether the General Meeting has resolved to take measures to neutralise a takeover bid under Law 6/2007.

Yes [ ] No [X]

Where applicable, explain the measures adopted and the terms under which the restrictions shall be rendered ineffective:

A.14 Indicate whether the company has issued securities not traded in a regulated market of the European Union.

Yes [ ] No [X]

Where applicable, identify the various classes of shares and, for each class of shares, the rights and obligations they carry.

B. GENERAL MEETING

B.1 Indicate and give details, where appropriate, if the quorums for convening the General Meeting differ from the system of minimum quorums established in the Spanish Limited Liability Companies Law.

Yes [ ] No [X]

B.2 Indicate and give details, where appropriate, of any differences between the company's system for adopting corporate resolutions and the system established in the Spanish Limited Liability Companies Law (LSC).

Yes [ ] No [X]

B.3 Indicate the applicable rules on amendments to the company's bylaws. In particular, indicate the majorities required to amend the bylaws and, where applicable, the rules provided for safeguarding shareholders' rights when amending the bylaws.

Pursuant to Article 17 of the Bylaws, in order to make any amendments to the bylaws, at first call the shareholders attending the General Meeting in person or by proxy must reach at least fifty per cent of the subscribed share capital with voting rights. At second call, the attendance of the holders of twenty-five percent of the Company's share capital with voting rights shall be sufficient.

If shareholders holding at least twenty-five percent of the subscribed voting shares are present in person or by proxy on second call, but do not reach fifty percent of the share capital, the agreement may only be validly adopted with the affirmative vote of shareholders representing two-thirds of the share capital present in person or by proxy at the Meeting.

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

	Attendance data				
			% remote voting		
Date of General Meeting	% attendance in person	% attendance by proxy	Electronic voting	Other	Total
09/05/2017	38.20	12.99	0.00	0.00	51.19
Of which are free float	0.00	9.11	0.00	0.00	9.11
09/01/2018	43.36	16.29	0.00	0.00	59.65
Of which are free float	0.00	7.32	0.00	0.00	7.32
26/06/2018	30.84	20.93	0.02	0.00	51.79
Of which are free float	0.00	3.10	0.00	0.00	3.10
28/05/2019	30.86	9.97	0.01	0.00	40.84

	Attendance data				
			% remote voting		
Date of General Meeting	**% attendance in person**	**% attendance by proxy**	**Electronic voting**	**Other**	**Total**
Of which are free float	0.00	1.21	0.00	0.00	1.21

B.5 Indicate whether, at the General Meetings held in the year, there was any point of the agenda that was not approved by the shareholders for any reason:

Yes [ ] No [X]

B.6 Indicate whether the bylaws contain any restrictions with respect to a minimum number of shares required to attend General Meetings or to vote remotely:

Yes [ ] No [X]

B.7 Indicate whether certain decisions, other than those established by law, involving acquisitions, disposals or contributions of key operating assets to other companies, or other similar corporate transactions, must be submitted to the Annual General Meeting for approval:

Yes [ ] No [X]

B.8 Indicate the URL and the means of accessing corporate governance content and other information on General Meetings that must be made available to the shareholders on the company's website:

Website: www.ohl.es
Information on corporate governance: path: OHL/Accionistas e Inversores/Gobierno Corporativo
Other information on General Meetings: path: OHL/Accionistas e Inversores/Gobierno Corporativo/Junta General de Accionistas

C. MANAGEMENT STRUCTURE OF THE COMPANY

C.1 Board of Directors

C.1.1. Maximum and minimum number of directors provided for in the bylaws and the number set by the Annual General Meeting.

Maximum number of directors	13
Minimum number of directors	7
Number of directors set by the General Meeting	10

C.1.2 Fill in the following table with the directors' particulars:

Name or company name of director	Representative	Category of director	Position on the Board	Date of first appointment	Date of last appointment	Appointment procedure
JAVIER GOÑI DEL CACHO		Proprietary	DIRECTOR	09/05/2017	09/01/2018	RESOLUTION OF GENERAL MEETING
CARMEN DE ANDRES CONDE		Independent	DIRECTOR	09/07/2018	28/05/2019	RESOLUTION OF GENERAL MEETING
MANUEL GARRIDO Y RUANO		Proprietary	DIRECTOR	23/06/2016	09/05/2017	RESOLUTION OF GENERAL MEETING
REYES CALDERON CUADRADO		Independent	DIRECTOR	27/05/2015	28/05/2019	RESOLUTION OF GENERAL MEETING
CESAR CAÑEDO-ARGÜELLES TORREJON		Independent	DIRECTOR	09/07/2018	28/05/2019	RESOLUTION OF GENERAL MEETING
JUAN JOSÉ NIETO BUESO		Independent	DIRECTOR	14/11/2016	09/05/2017	RESOLUTION OF GENERAL MEETING

Name or company name of director	Representative	Category of director	Position on the Board	Date of first appointment	Date of last appointment	Appointment procedure
SILVIA VILLAR-MIR DE FUENTES		Proprietary	FIRST DEPUTY CHAIRPERSON	15/01/2008	12/05/2014	RESOLUTION OF GENERAL MEETING
JUAN ANTONIO SANTAMERA SÁNCHEZ		Other non-executive director	DIRECTOR	23/06/2016	09/05/2017	RESOLUTION OF GENERAL MEETING
JOSE ANTONIO FERNANDEZ GALLAR		Executive	DEPUTY CHAIRPERSON AND CEO	28/06/2018	28/05/2019	RESOLUTION OF GENERAL MEETING
JUAN VILLAR-MIR DE FUENTES		Proprietary	CHAIRPERSON	25/06/1996	28/05/2019	RESOLUTION OF GENERAL MEETING

Total number of directors	10

Indicate any vacation of office, whether by resignation, removal or on any other grounds, by Board members during the year:

Name or company name of director	Category of director on date of vacation of office	Date of last appointment	Date of vacation of office	Specialist Committees of which he/she was a member	Indicate whether the vacation of office took place before the end of his/her term of office
No data					

C.1.3 Complete the following tables on the members of the Board and their status:

EXECUTIVE DIRECTORS

Name or company name of director	Position per company organisational chart	Profile
JOSE ANTONIO FERNANDEZ GALLAR	Second Deputy Chairperson and CEO	Civil Engineer with specialisation in hydraulics and energy from ETS ICCP in Madrid. Master's Degree in Construction and Real Estate Company Management ("MDI"). Chairperson of Centro Canalejas, Madrid

Total number of executive directors	1
% of total members of Board of Directors	10.00

PROPRIETARY NON-EXECUTIVE DIRECTORS

Name or company name of director	Name or company name of significant shareholder represented or proposing appointment	Profile
JAVIER GOÑI DEL CACHO	GRUPO VILLAR MIR, S.A.U.	Graduate in Law and Economics and Business Studies from ICADE and Master's Degree in Business administration from INSEAD (Fontainebleau). He was a partner at McKinsey & Company. In 2002 he joined Fertiberia, S.A. where he has occupied various positions and is currently the company's executive chairperson. He is the chairperson of the Spanish National Fertilizer Manufacturers Association (ANFFE), the chairperson of the European Association and a Board member of the International Fertilizer Association (IFA).
MANUEL GARRIDO Y RUANO	GRUPO VILLAR MIR, S.A.U.	Graduate in Civil Engineering from Universidad Politécnica de Madrid (with honours) and a Master's Degree in Business Administration from the French business school INSEAD. He is the Chief Financial Officer of Grupo Villar Mir, S.A. and holds various positions of responsibility within the Villar Mir Group, a holding which he joined in 1996 as the Planning and Finance Manager of Ferroatlántica. He has previous consulting experience. Since 2014 he has been a lecturer on Leadership and Communication in post graduate courses at CUNEF and on Corporate Finance in post graduate courses at UNAV since 2017.
SILVIA VILLAR-MIR DE FUENTES	GRUPO VILLAR MIR, S.A.U.	Graduate in Economics and Business Studies from American College London (Summa cum laude). She is currently the director of Inmobiliaria Espacio, S.A. and Grupo Villar Mir, S.A.U.
JUAN VILLAR-MIR DE FUENTES	GRUPO VILLAR MIR, S.A.U.	Graduate in Economics and Business Studies from Universidad Autónoma de Madrid. He is currently the deputy chairperson and CEO of Inmobiliaria Espacio, S.A. and Grupo Villar Mir, S.A.U., and the deputy chairperson of Fertiberia, S.A.

Total number of proprietary directors	4
% of total members of Board of Directors	40.00

INDEPENDENT NON-EXECUTIVE DIRECTORS

Name or company name of director	Profile
CARMEN DE ANDRES CONDE	Graduate in Civil Engineering; the first woman in Spain to obtain this degree. She has experience in the public sector, (MOPU, Spanish Ministry of Industry, Energy and the Spanish state holding company Sociedad Estatal de Participaciones Industriales (SEPI), where she has held executive positions related to the areas of technology and innovation, and in the private sector (Uralita and Typsa). Carmen is currently the founder and CEO of Creatividad y Tecnología, a company engaged in technology consulting.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Name or company name of director	Profile
REYES CALDERON CUADRADO	Graduate in Economics and Business Studies, doctorate in Economics and in Philosophy, specialisation in Executive Action, from Universidad de Navarra. She is an associate lecturer on Corporate Governance and Ethics at Universidad de Navarra. She has been the secretary of the Board of Directors of Instituto de Empresa y Humanismo; and the independent director of Corporación Pública Empresarial de Navarra. Reyes has also been a visiting professor at the Hass School at Berkeley University, the School of Economics at University College of London and at The Sorbonne, Paris, dean of the Faculty of Economics and Business Studies and the Director of Reputation at Universidad de Navarra.
CESAR CAÑEDO- ARGÜELLES TORREJON	Civil engineer He has successfully led projects such as Prointec, in which he was the chairperson from 1990 to 2013; during this tenure he led the integration with Soluziona (Unión Fenosa Group). He has been the chairperson of Inse Rail since 2013. He has received illustrious awards: medal of honour from the Spanish Association of Civil Engineers (2005); medal for professional services from the Spanish Association of Civil Engineers (1995); and medal of honour from the Spanish Road Association (2013).
JUAN JOSÉ NIETO BUESO	A graduate in Business Administration from ICADE, Juan José completed his education at London Business School and Stanford University. He developed part of his professional career at Goldman Sachs and Bankers Trust and held the position of CEO at Antena 3, chairperson at Telefónica Media and general manager at Telefónica, among other companies. He is currently the chairperson of the investment company NK5. He is a Board member of VBA Real Estate Socimi and of the real estate companies Anchorage Capital Group and Promontoria Challenger. He is also a member of the Advisory Board of Banco Sabadell Este and the Havas Media Group.

Total number of proprietary directors	4
% of total members of Board of Directors	40.00

Indicate whether any director classified as independent receives from the company or the group any payment or benefits other than directors' remuneration, or has business dealings with the company or any group company or who has held such dealings in the preceding year on their own account or as a significant shareholder, director or senior executive of a company that has or has had such dealings.

Where applicable, include a statement from the Board detailing the reasons why the director(s) in question may carry on duties as an independent director.

Name or company name of director	Relationship	Stated reasons
CARMEN DE ANDRES CONDE	No	N/A
REYES CALDERON CUADRADO	No	N/A

Name or company name of director	Relationship	Stated reasons
CESAR CAÑEDO- ARGÜELLES TORREJON	No	N/A
JUAN JOSÉ NIETO BUESO	No	N/A

César Cañedo-Argüelles Torrejón is the chairperson and significant shareholder of INSE RAIL, S.L., which has performed engineering services for the OHL Group that are disclosed as related-party transactions in section D.3 of this report.

OTHER NON-EXECUTIVE DIRECTORS

Identify the other non-executive directors and explain the reasons why they cannot be considered independent or proprietary, and detail their relationships with the company, its executives or shareholders:

Name or company name of director	Reasons	Company, executive or shareholder with whom the relationship is maintained	Profile
JUAN ANTONIO SANTAMERA SÁNCHEZ	In line with the recommendation of the Nomination and Remuneration Committee to maintain the proportion between non-executive proprietary directors and independent directors, in 2018 Grupo Villar Mir, S.A.U. notified the Company that Juan Antonio Santamera no longer represented the interests of the significant shareholder Grupo Villar Mir, S.A.U. and therefore ceased to hold the position of proprietary director. Grupo Villar Mir thus reduced its representation on the Board of Directors. In view of Juan Antonio Santamera's professional qualifications and his role as chairperson of the Spanish Association of Civil Engineers, the Board, following a favourable report from the Nomination and Remuneration Committee, acknowledged his classification as an "other non-executive" director after assessing the eligibility requirements for the aforementioned status.	GRUPO VILLAR MIR, S.A.U.	Doctorate in Civil Engineering from Universidad Politécnica de Madrid and Graduate in Economics and Business Studies from UNED. Master's Degree in Planning from Universidad Politécnica de Madrid, Master's Degree in Urban Planning from Instituto de Estudios de la Administración Local and Master's Degree in Budgetary Analysis Techniques in the Public Sector from Instituto de Estudios Fiscales. He is the chairperson of the Spanish Association of Civil Engineers and of the *Caminos* Foundation.

Total number of other non-executive directors	1

% of total members of Board of Directors	10.00

Indicate any changes in the category of each director during the year:

Name or company name of director	Date of change	Previous category	Current category
No data			

C.1.4 Fill in the following table with the number of female directors in the past four years and their respective category:

	Number of female directors				% of total directors in each category			
	2019	2018	2017	2016	2019	2018	2017	2016
Executive					0.00	0.00	0.00	0.00
Proprietary	1	1	1	1	25.00	25.00	16.67	16.67
Independent	2	2	2	2	50.00	50.00	50.00	50.00
Other external directors					0.00	0.00	0.00	0.00
Total	3	3	3	3	30.00	30.00	25.00	50.00

C.1.5 Indicate whether the company has diversity policies in relation to its Board of Directors with regard to matters such as, for example, age, gender, disabilities and professional training and experience. Small and medium-sized enterprises, in accordance with the definition in the Spanish Audit Law, must at least report on the gender diversity policy that they have in place.

Yes [X] No [ ] Partial policies [ ]

If "yes", describe these diversity policies, their objectives, the related measures, the manner in which they have been applied and the outcome of their implementation in the year. Also, the specific measures adopted by the Board of Directors and the Nomination and Remuneration Committee to achieve a balanced and diverse presence of directors must be indicated.

If the company does not apply a diversity policy, explain the reasons why.

Description of the policies, objectives, measures and the manner in which they have been applied, as well as the results achieved.

The Company implements rules in relation to integration and diversity management that apply to the whole OHL Group.

In 2017 the Board of Directors approved a Director Selection Policy that establishes, among others, the following measures:

- endeavouring to ensure that candidates are always selected from among persons recognised for their solvency, competence and experience, and assessing the knowledge, skills, experience and merits of the proposed candidate, as well as their commitment to performing the role with the required dedication.

- ensuring, in particular, that on filling the vacancies, the selection procedures are not afflicted by any bias hindering the appointment of female directors and deliberately seek women who could potentially be candidates for the post.

Since 2018, the Company has achieved the 2020 target of having female directors represent at least 30% of the total number of Board members.

C.1.6 Explain any measures agreed upon by the Nomination Committee to ensure that the selection procedures are not afflicted by any implicit bias hindering the appointment of female directors, that the company deliberately seeks women who could potentially be candidates for the post, and that enable the achievement of equal representation of women and men.

Explanation of measures

The Regulations of the Board of Directors and the Director Selection Policy establish that the Nomination and Remuneration Committee specifically ensure that, on filling the vacancies, the selection procedures are not afflicted by bias hindering the appointment of female directors and deliberately seek women who could potentially be candidates for the post.

In compliance with this policy, the Nomination and Remuneration Committee invited its members and external advisers to present female candidates who might comply with the professional terms and conditions and the specialisations considered to be relevant in each case to cover the vacancies in question.

If the number of female directors is scant or non-existent despite the measures that may have been adopted, explain the reasons for this situation:

Explanation of the reasons

N/A

C.1.7 Explain the Nomination Committee's conclusions regarding verification of compliance with the director selection policy and, in particular, how that policy is encouraging the achievement of the goal whereby in 2020 female directors will represent at least 30% of the total number of members of the Board of Directors.

In 2019 the Board of Directors had already achieved the goal set for 2020 that women directors represent at least 30% of the total number of members of the Board of Directors. The three female directors represent 30% of the total members of Board of Directors.

The Nomination and Remuneration Committee will remain committed to ensuring that the procedures are not afflicted by bias hindering the appointment of female directors.

C.1.8 Explain, where applicable, the reasons why proprietary directors were appointed at the request of shareholders holding ownership interests of less than 5 % of the share capital:

Shareholder’s name or company name	Reason
No data	

Detail any failure to address formal requests for Board representation from shareholders with ownership interests equal to or exceeding those of others at whose request proprietary directors were appointed. If so, explain the reasons why the request was not entertained:

Yes [ ] No [X]

C.1.9 Indicate, if any, the powers delegated to directors or Board Committees by the Board of Directors:

Name or corporate name of director or committee	Brief description
JOSE ANTONIO FERNANDEZ GALLAR	All the powers of the Board of Directors, except for those powers not delegable by law or within the meaning of Article 5 of the Board Regulations, which establishes such powers as: the approval of the general corporate strategies and of basic corporate organisational criteria, management objectives and annual budgets; investment and financing policy; the structure of the corporate group; corporate governance policy; organisation and functioning of the Board of Directors; corporate social responsibility policy; policy in relation to dividends and treasury shares; appointment, remuneration and, where appropriate, removal of the company's chief executives; control of executive management and assessment; identification of the main corporate risks and implementation and oversight of internal control systems, appropriate risk and information management system; policy for reporting to and communicating with shareholders, markets and public opinion, with particular attention to the financial information that all listed companies must periodically make public; the creation or acquisition of ownership interests in special purpose vehicles or entities domiciled in countries or territories considered to be tax havens; and in general any transactions that involve the disposition of substantial corporate assets, major corporate transactions and those specifically provided for in the aforementioned regulations.

C.1.10 Identify any Board members who hold office as directors, representatives of directors or executives at other entities forming part of the listed company's group:

Name or company name of director	Company name of group company	Position	Does the Board member perform executive duties?
MANUEL GARRIDO Y RUANO	ALSE PARK, S.L.	Director	NO
JOSE ANTONIO FERNANDEZ GALLAR	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Chairperson	NO
JOSE ANTONIO FERNANDEZ GALLAR	CENTRO CANALEJAS MADRID, S.L.	Chairperson	NO
JOSE ANTONIO FERNANDEZ GALLAR	ALSE PARK, S.L.	Chairperson	NO

Name or company name of director	Company name of group company	Position	Does the Board member perform executive duties?
JOSE ANTONIO FERNANDEZ GALLAR	PROYECTO CANALEJAS GROUP, S.L.	Chairperson	NO
JOSE ANTONIO FERNANDEZ GALLAR	SENDA INFRAESTRUCTURAS, S.L.U.	Chairperson	NO
JUAN VILLAR-MIR DE FUENTES	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Director	NO
JOSE ANTONIO FERNANDEZ GALLAR	CAC VERO I	Director	NO
JOSE ANTONIO FERNANDEZ GALLAR	COMMUNITY ASPHALT, CORP	Director	NO
JOSE ANTONIO FERNANDEZ GALLAR	JUDLAU CONTRACTING, INC	Director	NO
JOSE ANTONIO FERNANDEZ GALLAR	OHL ARELLANO CONSTRUCTION COMPANY	Director	NO
JOSE ANTONIO FERNANDEZ GALLAR	OHL BUILDING, INC	Director	NO
JOSE ANTONIO FERNANDEZ GALLAR	SAWGRASS ROCK QUARRY, INC	Director	NO

C.1.11 Give details, as appropriate, of any directors or representatives of legal-person directors of the company who are members of or representatives of legal-person directors on the Boards of Directors of other non-group companies that are listed on official securities markets, as disclosed to the company:

Name or company name of director	Company name of listed company	Position
MANUEL GARRIDO Y RUANO	FERROGLOBE PLC	DIRECTOR
JUAN VILLAR-MIR DE FUENTES	FERROGLOBE PLC	DIRECTOR

C.1.12 Indicate and, where appropriate, explain whether the company has established rules on the maximum number of company Boards on which its directors may sit, giving details, where appropriate, of where this is regulated:

Yes [X] No [ ]

Explanation of the rules and identification of the regulating document

In accordance with the company's Board Regulations, in general and save for exceptions duly justified by the Nomination and Remuneration Committee, individuals holding more than five directorships in other companies may not be proposed as directors.

C.1.13 Indicate the amounts of the following items relating to the overall remuneration of the Board of Directors:

Remuneration accrued in the year for the Board of Directors (in thousands of euros)	3,826
Amount of the accumulated pension rights held by the current directors (in thousands of euros)	
Amount of the accumulated pension rights held by former directors (in thousands of euros)	

C.1.14 Identify the senior executives who are not executive directors and indicate the total remuneration paid to them during the year:

Name or company name	Position
MANUEL ALVAREZ MÚÑOZ	GENERAL MANAGER OF THE OHL GROUP
JOSÉ EMILIO PONT PEREZ	GENERAL MANAGER FOR EUROPE AND LATIN AMERICA
JOSE MARÍA DEL CUVILLO PEMÁN	GENERAL MANAGER OF THE LEGAL DEPARTMENT
FRANCISCO JAVIER MELIA FULLANA	GENERAL MANAGER OF DEVELOPMENT
GONZALO TARGHETTA REINA	GENERAL MANAGER OF CORPORATE RESOURCES
JOSE ANTONIO DE CACHAVERA SANCHEZ	GENERAL MANAGER OF SERVICES
JOSE MARIA SAGARDOY LLONIS	GENERAL ECONOMIC AND FINANCIAL MANAGER
ASHOK PATEL	GENERAL MANAGER FOR NORTH AMERICA
JOSE MARIA LOPEZ DE FUENTES	GENERAL MANAGER OF INFRASTRUCTURE DEVELOPMENT

Total remuneration of senior executives (in thousands of euros)	9.320

C.1.15 Indicate the amendments, if any, to the Board Regulations during the year:

Yes [ ] No [X]

C.1.16 Indicate the procedures for the selection, appointment, re-election and removal of directors. Give details of the competent bodies, the formalities to be fulfilled and the criteria to be used in each of the procedures.

Proposals for the selection, appointment or re-election of directors submitted by the Board of Directors to shareholders at the Annual General Meeting and appointment decisions adopted by the Board itself by virtue of the co-optation powers vested in it by law are preceded by a proposal or report by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee will endeavour to ensure that candidate will be selected from among persons recognised for their solvency, competence and experience (Article 20 of the BR), and in the event of re-election it will assess the quality of directors' work and dedication to the duties of their appointment (Article 21 of the BR).

Directors will cease to hold office once their period of tenure has expired and when decided by the Annual General Meeting or the Board of Directors by virtue of the powers vested in them by law or under the Company bylaws. In addition, directors must tender their resignation to the Board of Directors when any of the grounds for resignation laid down in the Board Regulations arise, provided that it is preceded by a report by the Nomination and Remuneration Committee.

C.1.17 Explain the extent to which the annual assessment of the Board has given rise to significant changes in its internal organisation and on the procedures applicable to its activities:

Description of amendments

The annual assessment in 2019 did not give rise to any significant changes in the internal organisation or procedures and work has continued internally to maintain the adequacy and efficiency of the decision-making process.

Describe the assessment process and the areas assessed by the Board of Directors, aided, where applicable, by an external consultant, in relation to the functioning and composition of the Board of Directors and its committees and any other area or matter that has been subject to assessment.

Description of the assessment process and the areas assessed

The assessment process involved the directors responding to a questionnaire on the structure and functioning, responsibilities and effectiveness, and the performance of the Board, chairperson, secretary and its committees, as well as the remuneration policy.

The conclusions of the questionnaire are presented in a report that is submitted to the Board of Directors for analysis.

C.1.18 Disclose, in the years in which the assessment has been aided by an external consultant, the business relationships that the consultant or any company from its group has with the company or any group company.

The Company was not assisted by any external advisers.

C.1.19 Indicate the cases in which directors must resign.

Article 23 of the Board Regulations establishes that the directors must tender their resignation to the Board of Directors and, if the latter considers it appropriate, formally resign, in the following cases:

a) Proprietary directors must resign if their ownership interest in the Company's share capital is disposed of.
b) If they cease to hold the executive positions with which their appointment as director was associated.
c) If they are subject to any of the grounds for conflict of interest or prohibition provided for by law or they hold interests opposing those of the Company.
d) If they are tried for an alleged criminal act or are subject to a disciplinary proceeding conducted by supervisory authorities for a serious or very serious infringement.
e) If they are seriously reprimanded by the Audit and Compliance Committee for having breached their obligations as directors.
f) If their remaining on the Board may jeopardise the Company's interests, or when the reasons for which they were appointed cease to exist.

C.1.20 Are qualified majorities, other than statutory majorities, required for any type of decision?

Yes [ ] No [X]

If so, describe the differences.

C.1.21 Explain whether there are any specific requirements, apart from those relating to directors, to be appointed chairperson of the Board of Directors.

Yes [ ] No [X]

C.1.22 Indicate whether the bylaws or the Board Regulations set any age limit for directors:

Yes [ ] No [X]

C.1.23 Indicate whether the bylaws or Board Regulations set a limited term of office or other stricter requirements in addition to those provided by law for independent directors, other than that established in the legislation:

Yes [ ] No [X]

C.1.24 Indicate whether the bylaws or the Board Regulations establish specific rules for appointing proxies to vote at Board meetings in favour of other directors, how they are granted and, in particular, the maximum number of proxies that a single director may hold, and whether any limit has been established in relation to the categories to which it is possible appoint proxies, beyond the limitations imposed by legislation. If so, provide a brief description of the rules.

Directors that are unable to attend will endeavour to ensure that representation is conferred on another member of the Board of the same group (non-executive/executive) and include the appropriate instructions (Article 18 of the Board Regulations).

C.1.25 Indicate how many Board of Directors meetings were held during the year. Also indicate any occasions on which the Board held meetings at which the chairperson was not present. The calculation of attendance shall include proxies to whom specific instructions have been granted.

Number of Board meetings	15
Number of Board meetings held in the absence of the chairperson	0

Indicate the number of meetings held by the coordinating director and the other directors without the attendance or representation of any executive directors:

Number of meetings	0

Indicate how many meetings of the various Board committees were held during the year:

Number of meetings of the Audit and Compliance Committee	20
Number of meetings of the Nomination and Remuneration Committee	12

C.1.26 Indicate the number of Board meetings held during the year and provide information on Board member attendance:

Number of meetings attended in person by at least 80% of the directors	15

Attendance in person as a % of the total votes during the year	95.33
Number of meetings attended in person, or by proxies to whom specific instructions were granted, by all the directors	15
% of votes cast by attendees or proxies to whom specific instructions were granted, as a % of the total votes during the year	100.00

C.1.27 Indicate whether the separate and consolidated financial statements submitted for approval by the Board have been certified beforehand:

Yes [X] No [ ]

Indicate, as appropriate, the person(s) who certified the company's separate and consolidated financial statements for authorisation for issue by the Board:

Name	Position
JOSE MARIA SAGARDOY LLONIS	GENERAL ECONOMIC AND FINANCIAL MANAGER

C.1.28 Explain any mechanisms established by the Board of Directors to prevent qualified auditor's reports on the separate and consolidated financial statements prepared by it from being submitted at the General Meeting.

The financial statements, in the same way as the other periodic financial information or any other information which should reasonably be made available to the markets, are examined by the Audit and Compliance Committee at a meeting prior to the authorisation for issue thereof at which the external auditors will report on the stage of completion of the audit. Subsequently, the financial statements are examined once again in a final session at which the external auditors report on their draft auditor's report, all in accordance with Article 15 of the Board's Regulations. In addition, the Audit and Compliance Committee at any of its ordinary meetings would be able to call upon the external auditors to attend, where necessary, in order to be informed of, or to clarify, any discrepancy by providing, as the case may be, additional information in order to avoid the issuance of a qualified auditor's report.

Lastly, the auditors present their draft auditor's report to the Board of Directors in plenary session held in order to authorise the financial statements for issue.

Article 42 of the Board Regulations establishes that the Board of Directors will endeavour to prepare the financial statements in such a way that they do not give rise to qualifications by the auditors, and the Company has complied with this recommendation since its listing on the securities market.

C.1.29 Is the Board secretary a director?

Yes [ ] No [X]

If the secretary is not a director, complete the following table:

Name or company name of secretary	Representative
JOSE MARÍA DEL CUVILLO PEMÁN	

C.1.30 Indicate any mechanisms established by the company to preserve the independence of the external auditors as well as any mechanisms to preserve the independence of the financial analysts, investment banks and rating agencies, including details on how the legal provisions have been implemented in practice.

One of the functions assigned to the Audit and Compliance Committee is to receive information on any matters that might jeopardise the auditors' independence and any other matters related to the financial audit process and to receive information and communicate with the auditors as provided in financial audit legislation and technical auditing standards. The Committee reviews the auditors' independence at an annual meeting and pays particular attention to the amount relating to the fees for other non-audit work. In addition, in accordance with Article 42 of the Board Regulations, the Board will abstain from proposing the engagement of auditors when the fees estimated exceed 10% of the audit firm’s revenue in the previous year.

The Committee pays particular attention to maintaining its independence regarding any process conducted for the engagement of financial analysts, investment banks or rating agencies in the normal course of its business.

C.1.31 Indicate whether the company changed its external auditors during the year. If so, specify the outgoing and incoming auditors:

Yes [ ] No [X]

In the event of any disagreement with the outgoing auditors, specify the substance thereof:

Yes [ ] No [X]

C.1.32 Indicate whether the audit firm performs other non-audit work for the company and/or its group, and if so, state the amount of fees received for such work and the percentage they represent of the fees billed to the company and/or its group:

Yes [X] No [ ]

	Company	Group companies	Total
Amount received for other non-audit work (thousands of euros)	66	52	118
Amount received for non-audit work/Amount received for audit work (as a %)	9.15	8.07	8.64

C.1.33 Indicate whether the auditor's report for the previous year included any reservations or qualifications. If so, specify the reasons given to the shareholders at the Annual General Meeting by the chairperson of the audit committee to explain the content and scope of the reservations or qualifications.

Yes [ ] No [X]

C.1.34 Indicate the number of years that the current audit firm has been uninterruptedly auditing the separate and/or consolidated financial statements of the company. Also indicate the number of years audited by the current audit firm as a percentage of the total number of years during which the financial statements have been audited:

	Separate	**Consolidated**
Number of uninterrupted years	32	30
Number of years audited by current audit firm/Number of years the company or its group has been audited (as a %)	100.00	100.00

C.1.35 Indicate whether there is a procedure for the directors to be able to receive the necessary information to prepare for meetings of the managing bodies sufficiently in advance, and if so, give details:

Yes [X] No [ ]

Details of the procedure

The required documentation and information which will be subject to analysis or approval at each meeting of the Board of Directors and its Board committees, as well as the minutes of each session, will be made available to the directors sufficiently in advance through the digital platform to which directors have exclusive, individual access.

C.1.36 Indicate whether the company has established rules obliging directors to report and, if applicable, resign, in situations which could harm the company's good name and reputation and, if so, give details:

Yes [X] No [ ]

Explain the rules

The director must report any legal and administrative claims, or claims of any other nature that, due to the importance thereof, might seriously harm the Company’s reputation, and tender his/her resignation to the Board of Directors and, if the latter considers it appropriate, formally resign if he/she is tried for an alleged criminal act or is subject to a disciplinary proceeding conducted by supervisory authorities for a serious or very serious infringement.

C.1.37 Indicate whether any of the directors have informed the company of any trials or the commencement of oral proceedings against him/her for any of the offences specified in Article 213 of the Spanish Limited Liability Companies Law:

Yes [ ] No [X]

C.1.38 Give details of the significant agreements entered into by the company which take effect, are amended or terminated in the event of a change of control of the company following a takeover bid and the effects thereof.

N/A

C.1.39 Identify, separately in the case of directors and in aggregate terms in the other cases, and indicate in detail the agreements between the company and its directors, executives or employees which provide for termination benefits, guarantee or golden parachute clauses upon resignation or dismissal without justification or upon termination of the employment relationship as a result of a takeover bid or other kinds of transactions.

Number of beneficiaries	10
Type of beneficiary	Description of agreement
1 CEO, 9 SENIOR EXECUTIVES	TERMINATION BENEFIT DUE TO UNJUSTIFIED DISMISSAL: CHIEF EXECUTIVE OFFICER: 2 years' salary. SENIOR EXECUTIVES: in accordance with each employment contract, receipt of the statutory amount payable in an ordinary employment relationship with a minimum of 1 year's salary or a fixed amount. NON-COMPETE AGREEMENT: Chief Executive Officer: term of one year receiving one year's salary. SENIOR EXECUTIVES: in accordance with each employment contract, with a term of one or two years receiving one or two years' salary based on the term agreed or a fixed amount.

In situations not provided for by law, indicate whether these agreements must be disclosed to and/or approved by the bodies of the company or of its group: If so, specify the procedures, the situations provided for and the nature of the bodies responsible for the approval or disclosure thereof:

	Board of Directors	**General Meeting**
Body authorising the clauses	√	

	Yes	**No**
Is the General Meeting informed of the clauses?		X

The Company is currently reviewing the existing senior management contracts with a view to standardising them, to the extent possible.

C.2 Committees of the Board of Directors

C.2.1 Give details of all the committees of the Board of Directors, their members and the proportion of executive, proprietary, independent and other directors that form them:

AUDIT AND CONTROL COMMITTEE

Name	Position	Category
MANUEL GARRIDO Y RUANO	MEMBER	Proprietary
CESAR CAÑEDO-ARGÜELLES TORREJON	MEMBER	Independent
JUAN JOSÉ NIETO BUESO	CHAIRPERSON	Independent

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67
% of non-executive directors	0.00

Explain the functions entrusted to this committee, including any additional functions to those provided for by law, and describe the procedures and rules governing the organisation and functioning thereof. For each of these functions, indicate the most significant actions taken in the year and how the committee has put into practice each of the functions attributed to it, whether by law or under company bylaws or other corporate resolutions.

See section H.1.

Identify any directors who are members of the Audit Committee and have been appointed in light of their knowledge and experience in matters relating to accounting, audits or both, and provide information about the date on which the chairperson of this Committee was appointed.

Name of experienced directors	MANUEL GARRIDO Y RUANO / JUAN JOSÉ NIETO BUESO
Date of appointment of chairperson	16/07/2018

NOMINATION AND REMUNERATION COMMITTEE

Name	Position	Category
CARMEN DE ANDRES CONDE	MEMBER	Independent
REYES CALDERON CUADRADO	CHAIRPERSON	Independent
JUAN ANTONIO SANTAMERA SÁNCHEZ	MEMBER	Other non-executive director
JUAN VILLAR-MIR DE FUENTES	MEMBER	Proprietary

% of executive directors	0.00
% of proprietary directors	25.00
% of independent directors	50.00

% of other non-executive directors	25.00

Explain the functions entrusted to this Committee, including any additional functions to those provided for by law, and describe the procedures and rules governing the organisation and functioning thereof. For each of these functions, indicate the most significant actions taken in the year and how the Committee has put into practice each of the functions attributed to it, whether by law or under company bylaws or other corporate resolutions.

See section H.1.

C.2.2 Complete the following table with the information relating to the number of female directors sitting on the Board of Directors' committees in the last four years:

	Number of female directors							
	2019		**2018**		**2017**		**2016**	
	Number	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**
AUDIT AND CONTROL COMMITTEE	0	0.00	1	33.00	1	33.00	1	33.00
NOMINATION AND REMUNERATION COMMITTEE	2	50.00	2	40.00	1	33.00	2	66.00

C.2.3 Indicate, as appropriate, whether there are any regulations for the Board committees; if so, indicate where they can be consulted and whether any amendments have been made during the year. Also indicate whether any annual report on the activities of each committee has been prepared voluntarily.

The Board Regulations establish the regulations for the Board Committees. The updated version is available on the Company’s website: www.ohl.es (OHL/Accionistas e inversores/Gobierno Corporativo/Comisiones del Consejo).

There were no changes to the regulations governing the Board Committees in 2019.

The Annual Activity Reports of the two committees are approved on an annual basis.

D RELATED-PARTY AND INTRA-GROUP TRANSACTIONS

D.1 Explain the procedure for approval of any related-party and intra-group transactions and indicate the competent bodies in this connection.

In 2016 the Company's Board of Directors approved rules implementing the provisions of the Board Regulations, in which the procedures and controls for the transactions that the Company or any of the Group companies wish to perform with the directors or significant shareholders, or with their respective related parties, were reinforced and detailed.

The transactions affected by this procedure all consist of transfers of resources, services, rights or obligations, irrespective of whether or not they are for consideration, performed by any of the parties referred to in the preceding paragraph with the Company or with any of the Group companies.

The related-party transactions that, under these rules, must be authorised by the Company's Board of Directors beforehand will require a prior favourable report from the Nomination and Remuneration Committee. The Board of Directors will ensure, with the respective related parties that are advantageous for the Company, that the transactions are appropriate, are performed on an arm's length basis and respect the principle of equal treatment to shareholders who are in the same position. Breach of the provisions and obligations established in the aforementioned rules could be classified as infringement by those at whom they are directed, who have executed and authorised them, and by those who are required to communicate them but have not done so.

Pursuant to Article 260 of the Spanish Limited Liability Companies Law, the Company will disclose the significant transactions performed between the Company and related third parties in the notes to the financial statements, with an indication of the nature, relationship, amount and any transaction-related information necessary to determine the Company's financial position. Also, in compliance with Order EHA/3050/2004, of 15 September, as an issuer of securities admitted to trading on official secondary securities markets, it will provide all the information on related-party transactions determined by the half-yearly financial reports.

D.2 Give details of transactions that are material, with regard to the amount thereof or the matter involved, between the company or group companies and the significant shareholders of the company:

Name or corporate name of significant shareholder	Name or corporate name of the group company or entity	Nature of relationship	Type of transaction	Amount (thousands of euros)
INMOBILIARIA ESPACIO, S.A.	AVALORA TECNOLOGÍAS DE LA INFORMACIÓN, S.A.U.	Contractual	Sales of goods (finished goods and work in progress)	360
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Sales of goods (finished goods and work in progress)	38,699
INMOBILIARIA ESPACIO, S.A.	CHEMTROL-PROYECTOS Y SISTEMAS, S.L.U.	Contractual	Sales of goods (finished goods and work in progress)	1
INMOBILIARIA ESPACIO, S.A.	OHL INDUSTRIAL MINING AND CEMENT, S.A.U.	Contractual	Sales of goods (finished goods and work in progress)	6
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Rendering of services	164

Name or corporate name of significant shareholder	Name or corporate name of the group company or entity	Nature of relationship	Type of transaction	Amount (thousands of euros)
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Contractual	Rendering of services	56
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Interest charged	6,686
INMOBILIARIA ESPACIO, S.A.	AVALORA TECNOLOGÍAS DE LA INFORMACIÓN, S.A.U.	Contractual	Interest charged	108
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Purchases of goods (finished goods and work in progress)	218
INMOBILIARIA ESPACIO, S.A.	AVALORA TECNOLOGÍAS DE LA INFORMACIÓN, S.A.U.	Contractual	Purchases of goods (finished goods and work in progress)	1,450
INMOBILIARIA ESPACIO, S.A.	CONSTRUCCIONES ADOLFO SOBRINO, S.A.U.	Contractual	Purchases of goods (finished goods and work in progress)	1,596
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Services received	2,626
INMOBILIARIA ESPACIO, S.A.	AGRUPACIÓN GUINOVART OBRAS Y SERVICIOS HISPANIA, S.A.U.	Contractual	Services received	2
INMOBILIARIA ESPACIO, S.A.	ASFALTOS Y CONSTRUCCIONES ELSAN, S.A.U.	Contractual	Services received	11
INMOBILIARIA ESPACIO, S.A.	CONSTRUCCIONES ADOLFO SOBRINO, S.A.U.	Contractual	Services received	5
INMOBILIARIA ESPACIO, S.A.	OHL-SERVICIOS INGESAN, S.A.U.	Contractual	Services received	17
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Contractual	Services received	875

Name or corporate name of significant shareholder	Name or corporate name of the group company or entity	Nature of relationship	Type of transaction	Amount (thousands of euros)
INMOBILIARIA ESPACIO, S.A.	OHL INDUSTRIAL, S.L.U.	Contractual	Purchases of goods (finished goods and work in progress)	3
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Purchases of intangible assets	369
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Contractual	Financing agreements: loans	1,500
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Contractual	Financing agreements: other	2,500
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Guarantees	628
INMOBILIARIA ESPACIO, S.A.	OHL SERVICIOS- INGESAN, S.A.U.	Contractual	Rendering of services	457
INMOBILIARIA ESPACIO, S.A.	AVALORA TECNOLOGÍAS DE LA INFORMACIÓN, S.A.U.	Contractual	Rendering of services	23
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Property, plant and equipment purchases	12

D.3 Give details of transactions that were material (due to their amount) or relevant (due to their nature), between the company or group companies and the company's directors or executives:

Name or company name of the directors or executives	Name or company name of the related party	Relationship	Nature of the transaction	Amount (thousands of euros)
CESAR CAÑEDO-ARGÜELLES TORREJON	INSE RAIL, S.L.	Contractual	Services received	45

D.4 Give details of material transactions performed by the company with other entities of the same group, where such transactions are not eliminated in the process of preparing the consolidated financial statements and from the standpoint of their subject-matter or terms and conditions are not part of the company's ordinary business:

In any event, details shall be provided on any intra-group transactions performed with entities resident in countries or jurisdictions considered to be tax havens:

Company name of group company	Brief description of the transaction	Amount (thousands of euros)
No data		N/A

D.5 Detail the material transactions performed between the company or companies of its group and other related parties which have not been included in the preceding paragraphs:

Name or company name of the related party	Brief description of the transaction	Amount (thousands of euros)
No data		N/A

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 Board Regulations include, inter alia, as basic obligations arising from the director's duty of loyalty, the adoption of the necessary measures to avoid situations in which their interests, either as independent professionals or as employees, may be in conflict with the interests of, and their duties to, the Company. Specifically, they require the director to refrain from:

a) Performing transactions with the Company other than ordinary transactions performed under standard customer conditions and of scant significance, i.e. where the related information is not necessary to present fairly the equity, financial position and results of the Company.
b) Using the Company name or their position as director to unduly influence the performance of personal transactions.
c) Using company assets, including the Company's confidential information, for personal ends.
d) Exploiting the Company's business opportunities.
e) Obtaining benefits or remuneration from third parties other than the Company and its Group associated with the discharge of their position, with the exception of courtesies.
f) Performing activities as independent professionals or as employees (current or potential) that involve effectively competing with the Company or that, in any other way, place them in a situation of ongoing conflict with the interests of the Company.

2. The aforementioned provisions shall also apply if the beneficiary of the acts or of the prohibited activities is a person related to the director.

3. In any case, the directors must notify the Board of Directors of any direct or indirect conflict of interest that they or persons related to them might have with the interests of the Company.

Conflicts of interest which implicate the directors will be disclosed in the notes to the financial statements.

The Company may waive the aforementioned prohibitions in certain cases, authorising a director or a related person to perform a certain transaction with the Company, to use certain corporate assets, to take advantage of a specific business opportunity or to obtain a benefit or remuneration from a third party. When the subject-matter of the authorisation is exemption from the prohibition on obtaining a benefit or remuneration from third parties, affects a transaction whose value exceeds 10% of the Company's assets, such authorisation must necessarily be agreed upon at the Annual General Meeting. In all other cases, authorisation may be granted by the Board of Directors, provided that the independence of the Board members granting the exemption is guaranteed with respect to the exempt director. It shall also be necessary to ensure the harmless nature of the authorised transaction regarding assets and liabilities and, where appropriate, its performance on an arm's length basis and the transparency of the process. The obligation not to compete with the Company may only be subject to exemption in the event that no damage is expected to arise at the Company or the expected damage is offset by the benefits expected to be obtained as a result of the exemption. The exemption shall be granted by means of an express individual resolution of the General Meeting. In any event, at the request of any shareholder, the General Meeting shall resolve on the removal of the director carrying on competing activities where the risk of damage to the Company is deemed significant. When use of corporate assets is authorised, the director may be exceptionally exempted from the obligation to pay consideration, but in that case the economic benefit will be considered as indirect numeration and should be authorised by the Board, following a report from the Nomination and Remuneration Committee. If the benefit is received as a shareholder, it will only be authorised if the principle of equal treatment of shareholders is upheld.

The Board will be apprised, in any case, of any economic or commercial relationships that may arise between the director and the Company.

Also, the regulation on procedures for related party transactions in force at the Company requires all the beneficiaries thereof (directors and senior executives) to be aware of the regulated procedure therein, comply with it and adopt the appropriate measures to ensure compliance by OHL and the Group.

D.7 Is more than one group company listed in Spain?

Yes [ ] No [X]

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's risk management system, including tax risks:

OHL Group's Risk Management System works in a comprehensive and ongoing manner, through operational divisions and corporate functional areas, consolidating this management at Group level.

E.2 Identify the company's bodies in charge of preparing and executing the risk management system, including the tax management 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 Art. 5 e) of its Regulations, it is obliged to directly exercise responsibility for "the identification of the Company's main risks and, in particular, the risks arising from transactions involving derivatives, and implementation and monitoring of internal control systems, risk management systems and appropriate information systems."

The role of the Board of Directors as regards the Risk Management System is to assume responsibility for identifying and monitoring the Group's risks; approve the risk management policy; maintain management's commitment to improving risk management performance; review and approve the OHL Group's risk map; and issue guidelines to address risk in order to maintain the level of exposure within the acceptable limits set.

It performs its work through the Audit and Compliance Committee ("the Audit Committee").

RESPONSIBILITIES ATTRIBUTED TO THE AUDIT COMMITTEE:

Notwithstanding any other duty imposed by law, the General Meeting or the Board of Directors, the Audit Committee's responsibilities include the following, as indicated in Art. 23 f) of the bylaws and Art. 15 of the Board Regulations:

"supervising the effectiveness of the Company's internal control, its internal audit services and risk management systems, reviewing the appointment and replacement of the persons responsible therefor and discussing with the auditors the significant weaknesses of the internal control system detected in the performance of the audit".

The specific work on the Risk Management System by the Audit Committee is focused 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 i.e. risk categories, risk assessment scales and risk maps; being aware of and understanding the fixed acceptable risk levels, the principle risks that could affect the attainment of the Group's objectives and the actions that are undertaken to maintain the levels of risk exposure within set limits; issuing guidelines to address risks in order to maintain its level of exposure within the fixed acceptable limits; maintaining a direct and

independent line of communication with the Risk and Internal Control Manager at least quarterly and when circumstances deem it necessary; and ensuring the implementation of the appropriate measures for identification, analysis, evaluation, monitoring and reporting of risks.

RESPONSIBILITIES ATTRIBUTED TO THE RISK AND INTERNAL CONTROL DEPARTMENT

See section F.5 - Oversight of system operation.

RESPONSIBILITIES ATTRIBUTED TO THE INTERNAL AUDIT DEPARTMENT:

See section F.5 - Oversight of system operation.

E.3 Indicate the main risks, including tax risks and, if significant, those derived from corruption (the latter being understood within the scope of Royal Decree Law 18/2017), which may affect the attainment of the business objectives:

The OHL Group's business is constrained both by specific factors that affect the Company due to its economic circumstances as well as factors common to the other companies of its industry and factors of global uncertainty that can affect any company.

The OHL Group's Risk Control and Management System considers all the risks that can affect the achievement of business objectives.

Specifically, in 2019 the risks identified as priorities that could affect the achievement of the Group's objectives were as follows:

- Liquidity risk and access to financial markets, understood as the ability to meet the payment commitments or the difficulty of securing guarantees or necessary financing at the appropriate time and at a reasonable cost.
- Occupational risk: understood as the ability to meet project needs with the human resources necessary, accurately and at the appropriate time.
- Reputational risk, defined as the potential negative impact on the Group's public image and how it is perceived in the marketplace. This risk refers particularly to the organisation's loss of financial solvency and technical, operational, ethical, social and environmental credibility as regards its stakeholders.
- Project management risk. This risk is defined as the potential breach by the client of contractual obligations, e.g. the potential delay or lack of recognition of the work performed or the restoration of economic feasibility.
- Contracting risk, defined as the risk associated with not identifying market opportunities in time or, after identifying an opportunity, the risk associated with inadequately defining the bid due to a lack of resources or a lack of qualifications.
- Risk arising from the management of litigation and arbitration, defined as the risk that the outcome of litigation or arbitration due to discrepancies with customers is decided against the Group's interests.
- Other relevant risks that might affect the achievement of the OHL Group's objectives relate to the global and inherent threats to the markets in which it operates. They include most notably:
- Political and regulatory risks: a large portion of the value creation activities that the OHL Group performs depends on the public sector, either as a customer of public works or infrastructure maintenance services or as grantors of infrastructure concessions. Accordingly, political instability and changes to the legal and regulatory environment in the countries in which the OHL Group operates can have significant impacts on the Company's ability to achieve its business objectives.
- Foreign currency risk and local currency devaluation, defined as the unfavourable evolution of the exchange rate price of two currencies, over a specific period with effects on the statement of profit or loss. The risk of the loss of the local currency's purchasing power is also considered.
- Risk of climate change and natural disasters: due to the countries in which the bulk of its activity is carried out and the very nature of its activities, the OHL Group is subject to the risk of interruption of its business activities as a result of natural disasters such as earthquakes, hurricanes, floods and extreme weather events.
- Cybersecurity risk: the OHL Group, like other companies, faces the risk of being adversely affected by cyberattacks which could cause damage to its assets and systems, interrupt operations or trigger leaks of sensitive information.

E.4 Identify whether the entity has a risk tolerance level, including tax risk tolerance.

The OHL Group has a risk tolerance level (acceptable level of risk) established at corporate level. Risk tolerance is defined by the OHL Group as the expression of the acceptable or unacceptable level of risk.

Risk tolerance levels are defined for the main risk areas the Group faces and are included in the Risk Management Regulations approved by the Board of Directors. Factors considered in determining the level of risk tolerance include the risk-return ratio, primary risk response approach and risk response decision-making criteria.

The Group has established a series of situations which, if they arise in the course of a transaction, lead to an intolerable risk (Red Lines). The Board of Directors has approved the level of authorisation within the Group to address these situations.

The OHL Group has zero tolerance with respect to risk regarding health and safety, regulatory compliance and reputation and ethics. With respect to the latter, OHL holds UNE-ISO 37001 and UNE 19601 certification, which endorses its Management System and demonstrates that the Company has implemented internationally affirmed best practices to combat offences within its organisation, in line with the requirements of the Spanish Criminal Code.

E.5 Give details of any risks, including any tax risks, that arose during the year.

SEE SECTION H.1.

E.6 Explain the response and monitoring plans for the entity's main risks, including tax risks, as well as the procedures followed by the entity to ensure that the Board of Directors responds to the new challenges it faces:

The OHL Group recognises that there are certain inherent risks in the industries in which it operates and, therefore, in its core business activities. These risks are divided into:

a) Untreatable risks: risks economically impossible to mitigate. An example would be the risk that arises from a change in the government or leadership of a country in which the OHL Group operates.

b) Treatable risks: risks that can be mitigated economically, where the efforts to mitigate them are being carried out or the need for such efforts is or should be recognised. An example would be the risk of hiring unqualified subcontractors that could lead to the inability to deliver the project on time, at cost and in accordance with the terms and conditions stipulated in the agreement.

The risk-response to treatable risks can be classified as follows:

- Reduce: actions aimed at minimising the impact and/or exposure to a risk.
- Accept: actions aimed at maintaining the risk at acceptable levels.
- Share: actions aimed at sharing the risk with other third parties through arranging insurance, outsourcing of processes, distribution of risk through agreements or other similar actions.
- Avoid: actions aimed at eliminating, where possible, the factors that give rise to the risk.

The identified risks are assessed and a decision is made, to the extent possible and as appropriate, as to what type of response should be given, so that it remains in line with the Group's risk tolerance policy, and the appropriate follow-up is performed.

Risk control and management form part of the Group's regulatory and operational framework and, when applied by the organisation in the performance of its activities, permit:

- The identification of any risks that might affect the achievement of the Group's objectives and an understanding of the factors that can trigger risk events, and the possible consequences.

- Establishment of the context: to enable the OHL Group to focus its risk management efforts depending on the environment in which it operates and the business in which it engages.

- Analysis and evaluation of the risks: to understand the scale of both the positive aspects and the negative consequences of a risk event, and the exposure to this risk event (the probability that these circumstances may occur considering the current level of control). The assessment of the magnitude (impact) and exposure to possible risks enables the OHL Group to prioritise and, therefore, respond to them so that the focus is placed on the risks that represent the greatest threat to the achievement of its objectives.

- Response to the risk: to put the risk handling or response options into practice and make integrated decisions in light of the business and context. Addressing risk not only seeks to minimise the potential damage, but also to maximise the potential growth of opportunities.

- Follow-up and review: to continually assess the effectiveness and relevance of the decisions made to manage risk, and to take the pertinent corrective measures.

- Communication: this is the integrating component that enables the Group to be involved in the risk management process and maintain a positive culture in its regard.

F. SYSTEMS OF INTERNAL CONTROL AND RISK MANAGEMENT RELATING TO FINANCIAL REPORTING (ICFR SYSTEM)

Describe the mechanisms comprising the entity's systems of internal control and risk management relating to financial reporting (ICFR system).

F.1 The entity's control environment.

Provide information, indicating salient features, on at least:

F.1.1. Bodies and/or functions responsible for: (i) the existence and maintenance of a suitable, effective ICFR system; (ii) its implementation; and (iii) its oversight.

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 Article 5 e) of its Regulations, it is obliged to directly exercise responsibility for "the identification of the Company's main risks and, in particular, the risks 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 System, understanding the risks relating to the Group's financial information objectives and the controls established by the Board to mitigate them.

It performs its supervisory work through the Audit and Compliance Committee ("the Audit Committee") and the Internal Audit Division.

RESPONSIBILITIES ATTRIBUTED TO THE AUDIT COMMITTEE:

Notwithstanding any other duty imposed by law, the General Meeting or the Board of Directors, the Audit Committee's responsibilities include the following, as indicated in Article 23 f) of the bylaws and Article 15 of the Board Regulations:

1. - Supervising the effectiveness of the Company's internal control, its internal audit services and risk management systems, reviewing the appointment and replacement of the persons responsible therefor and discussing with the auditors the significant weaknesses of the internal control system detected in the performance of the audit.

2. - Overseeing the financial reporting preparation and presentation process and reviewing the appointment and replacement of the individuals responsible.

3. Reviewing the Company's financial statements, monitoring compliance with legal requirements and the correct application of generally accepted accounting principles, and reporting on proposals for the modification of accounting principles and rules suggested by management.

RESPONSIBILITIES ATTRIBUTED TO MANAGEMENT:

The General Economic and Financial Department has overall responsibility for the Group's ICFR system. This responsibility includes the design, implementation and maintenance of the internal controls required to ensure the quality of the information. Such responsibility is included in the Functions Handbook and in the Group's Financial Reporting System Oversight Model.

The ICFR system of each company and/or department is the responsibility of the most senior manager thereof and of its Economic and Financial manager.

The Risks and Internal Control Department cooperates with the General Economic and Financial Department in analysing the impact of the reported incidents and monitoring the execution of the action plans to resolve them. Such responsibility is included in the Financial Reporting System Maintenance and Reporting Instructions.

The OHL Group's Internal Audit Department checks the reliability of the risk management and internal control systems and the quality of information and, in particular, reviews the ICFR system and the adequacy of the controls implemented. This responsibility is included in the Internal Audit Charter approved by the Board of Directors, in the Group's Functions Handbook and in its Financial Reporting System Oversight Model.

F.1.2 Indicate the following, if in place, particularly 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) ensuring procedures are in place to communicate this structure effectively throughout the entity:

The Board of Directors delegates the normal management of the Company to the executive bodies and the management team and focuses its activity on defining the business and organisational policy and on the general supervision function.

In this connection, the CEO of the Group is responsible for the design and review of the organisational structure and proposes any changes to the Group's basic organisational chart.

The General Organisation and Corporate Resources Department is responsible for implementing improvements to the Group's organic structure, proposing structural optimisation and efficiency measures and defining the relationships of dependency and spheres of competence of the Group's basic structure.

The CEO is responsible for approving the basic organisational charts of the General Departments of which he is in charge, and for proposing the Group's model and organic structure, and the functioning thereof, to the Board of Directors.

The Nomination and Remuneration Committee's basic responsibilities include proposing to the Board of Directors the annual remuneration system and amounts paid to the members of the Management Committee, and the criteria for the remuneration of the Group's other management staff.

The Group has basic and detailed organisational charts covering the entire organisation, which may be accessed by Group employees.

The Group also has a Basic Functions Handbook, updated in July 2019, which describes the dependency, composition and basic functions of each governance body, the structure of the Group and its operating divisions. The Manual can be accessed by the Group's employees on the corporate Intranet.

The Organisational Chart and the Functions handbook are updated periodically and as 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:

SEE SECTION H.1.

'Whistle-blowing' channel, for reporting any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and irregular activities within the organisation to the Audit Committee, stating, as applicable, whether such reports are confidential.

The Ethical Communications Channel is available in Spanish and English through the Group's corporate Intranet and website, which makes it highly accessible.

The Group requires illicit behaviour by staff to be reported, as this serves to improve the prevention policy and quality policies, making the channel an essential tool that enables the Code of Ethics to be fully effective.

The OHL Group's Ethical Communications Channel was created for all employees and other stakeholders to report possible non-compliance with the Ethical Code, guaranteeing user confidentiality with a procedure designed for that purpose. It can also be used to make enquiries regarding the channel's application to professional practice.

The Compliance Department is responsible for receiving and processing the complaints and consultations received through the Ethical Communications Channel, which is accessible on the Intranet, via the Company's website (www.ohl.es/ética e integridad) or by post (OHL Group Ethical Communications Channel - Compliance Department: Pº Castellana, 259 D. Torre Espacio, 28046 Madrid).

The procedure of the Group's Ethical Communications Channel provides, inter alia, for the processes for dealing with complaints to ensure confidentiality, fair treatment and the absence of reprisals: notification, analysis, investigation and resolution. Prior to the Audit Committee's examination of the complaints, the Compliance Department collates the information it deems necessary to form an opinion on the possible existence of matters or substance that would enable it to determine whether or not an investigation process should be initiated. This phase ends with the decision of the Ethical Communications Channel Manager (Compliance Department) on whether to process the complaint, which must be approved by the Audit Committee. In the event of a conflict of interest, a proposal not to admit the complaint or reasons of urgency, the complaint must be reported to the Audit Committee.

The OHL Group allows complaints to be submitted anonymously. However, in order for such complaints to be deemed eligible for processing, sufficient evidence of the reported facts must be furnished so that the investigation can focus on specific facts.

On completion of the investigation, the Compliance Department informs the Committee of the conclusions of the reports performed at this stage and proposes the adoption of the measures it deems necessary for the definitive resolution of the issues.

A total of 52 reports of potential breaches of the Code of Ethics (as well as various consultations) were received in 2019, of which 41 were made through the Ethical Communications Channel and the remaining 11 through other channels; 26 of the complaints were investigated and 26 were dismissed or referred to other areas or departments as they did not represent violations of the Code of Ethics.

All of the accepted complaints were or are being duly investigated and the consultations were answered, in line with the established internal procedures, and sixteen complaints were being investigated at the end of the year.

- Training and periodic refresher courses for personnel involved in preparing and reviewing financial information or evaluating the ICFR system, which address, at least, accounting rules, auditing, internal control and risk management:

With regard to periodic training and refresher courses 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.

Also, all personnel responsible for the Group's financial reporting have access to a digital archive with all ICFR system regulations, the Group's Accounting Policies Handbook and the other habitually-used accounting legislation. Similarly, the Group's Intranet provides access to all of its internal regulations regarding financial reporting and its processes.

F.2. Assessment of financial reporting risks.

Provide information on, at least:

F.2.1 The main features of the risk identification process, including risks of error or fraud, as regards:

- Whether the process exists and is documented:

See section H.1.

- Whether the process covers all financial reporting 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 specific process is in place to define the scope of consolidation, taking into account, inter alia, the possible existence of complex corporate structures and special purpose entities or vehicles:

See section H.1.

- Whether the process addresses other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) insofar as they may affect the financial statements:

See section H.1.

- Indicate the entity's governing body that oversees the process:

See section H.1.

F.3 Control activities

Provide information, indicating the salient features, if available, on at least:

F.3.1 Procedures for reviewing and authorising financial information and the description of the ICFR system to be disseminated in the securities markets, indicating the persons responsible in that connection, as well as documentation describing the flows of activities and controls (including those addressing the risk of fraud) for the various types of transactions that may have a material effect on the financial statements, including the accounting close procedure and the specific review of the relevant judgements, estimates, evaluations and projections.

The Group has a detailed procedure for disseminating financial information to third parties, so that both the preparation and dissemination of such information have the utmost guarantees.

Preparation of the Group's financial information is the responsibility of the Group's General Economic and Financial Department.

Before disclosure to the markets and after receiving a favourable report from its Audit Committee, the Board of Directors must approve this financial information, analysing it and requesting any clarifications it deems necessary, both internally and from the Group’s external auditor.

These activities are performed for the interim, quarterly and half-yearly financial reporting, as well as for the annual reporting. The half-yearly and yearly reporting is subject to approval by the Board of Directors of OHL.

The procedure for disclosure of financial information to third parties also regulates how to act regarding other issues such as:

- Inside information
- Financial information for other securities markets
- Financial information for analysts and investors, financial institutions and rating agencies
- Statistics
- Tenders and bids
- Financial information required in agreements

Individuals in charge of preparing, authorising and disseminating public financial information are established for each case.

Documentation on flows of activities and controls.

A basic step to ensuring the reliability of the information is the analysis of critical processes and subprocesses affecting the preparation of such information, in order to facilitate the aforementioned risk identification and implementation of controls. In this connection, the work performed is as follows:

1.- Identification of the critical processes, and the subprocesses comprising each one of them, which play a part, directly or indirectly, in the generation of the financial information for the companies included in the scope.

2.- Description of the flow of activities using flowcharts of processes and subprocesses.

3.- Identification of key control activities that mitigate the identified risks that might affect the generation of financial information, identifying the person in charge of control, frequency of the activity, type of control (detective or preventive), type of execution (manual or automatic) and the related supporting documentation.

In 2019 the review and update of the processes and subprocesses continued, and incidents and possible corrective actions were identified.

The documented processes include the accounting close, reporting and consolidation process, in which the specific review of the significant judgements and estimates is taken into consideration.

The information supporting the Group's ICFR system is stored in a digital file that serves as a database for all the material processes and subprocesses of the Group companies.

The Group has a GRC IT tool that permits integrated management of the reporting and supervision of the ICFR system for all the material processes and subprocesses of the Group companies within its scope.

The Group's General Economic and Financial Department is responsible for updating critical processes and activities, in respect of which it provides the Audit Committee with regular reports on the stage of completion of the work performed in relation to the ICFR system and the improvement processes.

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

OHL's ICFR model envisages the IT processes that include the environment, architecture and infrastructure of the information technologies, as well as the applications related to transactions that directly affect the Company's main processes and, therefore, the financial reporting and accounting close processes.

The Group's Information Systems Department is responsible for the information systems, and its duties include the definition and monitoring of the security policies and standards for applications and infrastructure supporting the internal control model within the area of information technologies.

In relation to the internal control framework of the information systems, areas relating to security and control of access to programs and data, and to developments in applications in response to the Group's needs were considered priority areas.

Within these areas, the following items relating to the applications supporting the financial reporting system are considered to be particularly relevant:

- Physical security of the data processing centres.
- Roles and responsibilities matrices.
- Management of the demand for developments and functional changes.
- Management of IT development flow.
- Management of incidents.
- Management of continuity of economic processes.

In addition, in 2019 actions were taken which increase the control, monitoring and reporting of the IT systems which support business processes with an impact on the financial information, namely:

- In the infrastructure area:

- Work continued on the review and improvement of the headquarters' data centres, and improvements were made to communications equipment using equipment that enables better monitoring of end-to-end traffic.

- The project for segregating the infrastructure and communications of the OHL Group from Grupo Villar Mir was commenced in order to set up an independent environment with greater control on OHL's part.

- The rollout of the System Center Configuration Manager (SCCM) tool, which commenced in 2018, continued with a view to increasing the volume of covered equipment.

- In the application area, the following significant projects were undertaken:

- Digitisation of the process of approving the invoices associated with the construction work in order to render the process more efficient and automate the invoice management controls.

- In the area of IT Governance, the Group formalised the annual review procedure for users and profiles associated with the applications with an impact on the Group's financial statements (GCONS and MASTER TÉCNICO). Under this procedure, an annual review is performed with all the managers of all the users with access to those applications.

F.3.3. Internal control policies and procedures for overseeing the management of activities outsourced to third parties and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The Group has internal control procedures in place aimed at overseeing the information included in the financial statements of the unincorporated temporary joint ventures (UTEs) in which it holds an ownership interest.

This procedure makes a distinction between the UTEs managed by the Group and those which are not. In the former case, when this information is managed in the Group's systems, the same controls and accounting policies followed for the rest of the Group are applied.

When the Group is not responsible for management of the UTEs/Joint Ventures/Consortiums, 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 work is also performed through the representatives of the UTEs' management committees.

With respect to valuations requested from independent experts, the criteria used are analysed to verify their adequacy and the valuations are discussed in detail. In the event that the reports are not deemed conclusive or controversial aspects have come to light, additional opinions are requested for clarification. If the valuations are based on estimates by the Group's various divisions, the assumptions used and the reasonableness thereof are validated by the General Economic and Financial Department.

For other significant judgements, estimates and projections, a detailed review is conducted, paying particular attention to the criteria used in the medium- and long-term projections performed by the Group's various subsidiaries / divisions and whether they are consistent in respect of all the parameters used.

F.4 Reporting and communication

Provide information, indicating the salient features, if available, on at least:

F.4.1 Whether there is a specific role involving defining and keeping up-to-date accounting policies (accounting policies area or department) and resolving doubts or disputes over their interpretation, communicating on a regular basis with the team in charge of operations at the organisation. The role also involves updating the accounting policies manual and disseminating it to the operating units.

ACCOUNTING POLICY MANUAL

The Group has an Accounting Policy Manual the purpose of which is to summarise the Group's general accounting principles, measurement bases and general accounting policies and the specific accounting policies of each Division, and it is mandatory for all OHL Group companies.

The Group's General Economic and Financial Department is responsible for the internal application of the accounting policies.

In both cases, the Audit and Compliance Committee ("the Audit Committee") is informed by the General Economic and Financial Department of any update to be made.

RESPONSIBILITIES OF THE AUDIT COMMITTEE:

Article 15 i) of the OHL Board Regulations specify that the basic responsibility of the Audit Committee is as follows: "To review the Company's financial statements, monitor compliance with legal requirements and the correct application of generally accepted accounting principles, and report on proposals for the modification of accounting principles and rules suggested by management."

The Audit Committee actively discharges this responsibility as it is informed of the accounting updates proposed by the Group's General Economic and Financial Department, as well as of accounting legislation, in the process of being approved by the IASB, that may affect the Group.

This information is also checked by the Group's auditors in regular meetings held with the Audit Committee.

In addition, the work programmes of the reports raised by Internal Audit, which are also received by the Audit Committee, usually address the review of the proper application of the accounting principles within the areas or review projects.

F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the company or group, and support its main financial statements and accompanying notes as well as disclosures concerning the ICFR system.

The Group has a procedure, managed by the Group's General Economic and Financial Department, for obtaining periodic financial information from all Divisions which describes the financial reporting models that the Group subsidiaries must periodically send, indicating the persons responsible for their preparation and update.

This procedure includes:

- The Group's accounting close timetable.
- A mandatory standardised monthly financial reporting model, which in most cases includes traceability of the information from the IT system and detailed instructions for its completion.
- A standardised annual financial report model for preparation of the notes to the Group's financial statements, with detailed instructions for its completion.
- Internal system for sending corporate information.

ICFR MAINTENANCE AND REPORTING:

There is an ICFR system maintenance and reporting procedure, for internal control purposes, which is aimed at periodically reporting on its functioning.

The persons responsible for updating and maintaining the ICFR system at the companies included within the ICFR system scope must keep each of the processes up to date, based on a specified assignment of responsibilities.

Similarly, in order to facilitate internal knowledge regarding the degree of compliance of the ICFR system, a half-yearly reporting procedure has been established.

The Reporting Model is submitted on a half-yearly basis to the Group's General Economic and Financial Department by the economic and financial head of each subsidiary.

F.5 Oversight of system operation

Provide information, indicating the salient features, on at least:

F.5.1 ICFR monitoring activities performed by the Audit Committee, including an indication of whether the entity has an internal audit department whose competencies include supporting the Audit Committee in its role of monitoring the internal control system, including ICFR. Also describe the scope of the ICFR system assessment conducted in the year and the procedure for the person in charge to communicate the findings. State also whether the company has an action plan specifying corrective measures and whether it has taken stock of the potential impact on its financial information.

INTERNAL AUDIT DEPARTMENT:

The Board of Directors ordered the creation of the Group's Internal Audit Department to have an independent and objective assurance, internal control and consultation service, to support the organisation in the effective performance of its responsibilities.

The Internal Audit Department forms part of the OHL Group organisation, although it is not an executive body, and operates in accordance with the policies established by the Board of Directors, through its Audit Committee.

"The Internal Audit Department reports to the Audit Committee and its basic functions, as detailed in the Internal Audit Charter updated in July 2019, are as follows:

- To review the truthfulness, reliability, quality and completeness of the records and the financial and operating information. To check the reliability and effectiveness of the internal control and risk management systems, as well as the processes. Specifically, to review the ICFR system and the sufficiency of the implemented controls.
- To provide information to the Board of Directors, through the Audit Committee, in order to facilitate the latter's potential assessment of the adequate and efficient use of the Group's resources.

- To oversee that risk management is aligned with the OHL Group’s policies and Code of Ethics.
- To verify the existence and status of assets and check that the measures to protect their integrity are adequate.
- To verify the existence of rules, procedures and processes that duly govern the main activities and that allow for the correct measurement of their economy and efficiency.
- To assess the degree of compliance with the rules, instructions and procedures established at the Group.
- To propose the implementation, amendments and reviews or adaptations of the processes and internal regulations that are necessary to improve operations.
- To review the OHL Group’s newly issued internal regulations or their amendments, before their definitive approval.
- To maintain coordinated relationships with the work performed by the external auditor as a complementary, and not a subsidiary or substitute, activity.
- To make recommendations to help correct the anomalies or shortcomings detected in the course of the work and monitor their implementation.
- To prepare and present the proposed Annual Internal Audit Plan and the internal audit activity report to the Audit and Compliance Committee.
- To perform any specific task commissioned by the Audit Committee.
- To keep an up-to-date inventory of fraud risks and the associated controls, and test the effectiveness of those controls on a rotating annual review basis.
- To perform and coordinate investigations of potential irregularities reported in the Ethics Channel or detected over the course of the audit work.
- To participate as a guest on various internal Group committees to learn about the activities performed, monitor recommendations and contribute value.

All these functions are discharged exclusively by the members of the Internal Audit Department and are not discharged alongside other duties.”

RISK AND INTERNAL CONTROL DEPARTMENT:

In order to promote risk and internal control management, the Group has a Risk and Internal Control Department, which reports to the Audit Committee. The main roles of this Department are as follows:

- To coordinate, guide and support the strategic, operational, organisational and regulatory actions concerning risk management across the entire Group.
- To establish the methodologies and tools for preparing the Risk Map and identify and prompt warnings regarding changes in the likelihood and/or impacts of the identified risks.
- To lead the process of identifying and analysing risks that may occur during the performance of OHL's activities, through the preparation and periodic updating of the Risk Map.
- To define, implement and update the risk management procedures that are deemed appropriate at Group level by cooperating with the various businesses.
- To conduct occasional reviews and analyses of the Group’s risk exposure associated with transactions that are identified as significant or exceptional.
- To prepare the appropriate reports on OHL’s risk position to be reported to the CEO, the Audit Committee and/or the Board of Directors of OHL.
- To perform appropriate risk management policy training and dissemination activities at Group level.
- To prepare action proposals to reduce the level of, or exposure to, certain types of risks and to minimise their impact.
- To prepare a preliminary report on the presentation of offers and openings of offices or commercial branches in new countries and for any investments that have been proposed in new countries or in those in which the Group has had previously operated and for which the funds contributed by the Group exceed EUR 100 million.
- To prepare, document and maintain the Internal Control System, compliance with which by the various OHL Group business areas ensures that the operational and financial reporting risks are mitigated.
- To identify and report the Internal Control deficiencies detected.
- To prepare and present to the CEO and Audit Committee the annual risk and internal control planning proposal and periodically report on its execution.

ACTIVITIES PERFORMED BY THE AUDIT AND COMPLIANCE COMMITTEE IN 2019:

The Audit Committee's main function is to serve as support to the Board of Directors in overseeing and supervising the functioning of the Group. Its main duties are to:

- Periodically oversee the financial information preparation and presentation process.
- Oversee the efficiency of internal control, internal audit services and the risk management systems.
- Guarantee the external auditor's independence and ascertain its opinion on the significant weaknesses of the internal control system.

The Audit Committee reviews all public financial information sent by the Group to the CNMV, prior to its approval by the Board of Directors and after publication, and gathers all the explanations it deems fit from the Group’s General Economic and Financial Department or from any other responsible party.

At its meetings, it reviews all the reports issued by the Internal Audit Department on the Group’s subsidiaries regarding projects executed directly or with non-controlling interests and compliance with internal regulations, and any other reports requested by the Committee, as well as those issued by the Internal Risk and Control Department, in relation to the main weaknesses identified and recommendations proposed.

The content of the Internal Audit Department's Annual Plan, which is approved annually by the Audit Committee, is defined on the basis of the OHL Group's general and specific objectives and the risks that may threaten compliance therewith, prioritising matters that require particular attention in each functional area. It therefore includes a selection from each area of processes or activities that:

- Are a priority in the Group's strategy and risk management.
- Are associated with the possible existence of contingencies or serious breaches for the Group.
- Have previously given rise to a particular problem or show signs of a potential anomaly.
- Form part of significant changes in the year or are newly implemented.
- Were not audited within a reasonable period of time.
- Are of interest to the Board of Directors or management of the Group.

In order to plan its activities, Internal Audit pays special attention to the Risk Map, considering the possible impact of those risks on the processes.

In 2019 audits were performed in Construction, Industrial, Services and Development activities, covering the following processes:

- Construction work and industrial and services projects, covering accounting/financial, operational and compliance aspects, from both an efficiency and best practices standpoint, and in terms of internal and external regulations
- Obtainment of indicators/alerts regarding specific parameters.
- Working capital management system.
- Agreements entered into with Aleática.
- Due diligence of third parties.
- Anti-bribery management systems.
- Crime prevention system.
- Quality of the relevant management data.
- Construction project closeout.
- Review of amounts to be billed for work performed (ABWP).
- System of Internal Control over Financial Reporting (ICFR).
- Fraud prevention - Chile purchases.
- Transactions in the US with partners related to a former shareholder.

Although the across-the-board work was performed in numerous additional geographical areas, the review of construction or industrial projects was performed in the following countries:

- USA
- Mexico
- Spain
- Kuwait
- Chile
- Colombia
- Sweden

With regard to the monitoring of the ICFR system in accordance with the multi-annual rotation plan, in 2019 the implementation and effectiveness of controls was audited through the review of a sample of controls at companies representing the majority of the Group's revenue, and no significant deficiency was detected as a result of the internal audit work.

Also, Internal Audit, which has a specialised fraud prevention and investigation unit, performed actions in this area on an ongoing basis throughout the year.

In 2019 work continued to verify human rights compliance matters and support for the significant environmental parameters used by the Group in sustainability-related reports.

All of the weaknesses give rise to recommendations disclosed in the reports prepared, and the appropriate corrective measures are adopted. Significant recommendations are regularly monitored at the meetings of the Management Committee.

The actions taken are included in the Annual Internal Audit Report submitted to the Audit Committee.

Internal Audit also oversees the implementation of any new internal policy or regulation, as well as any modification to existing regulations or policies, ensuring consistency and compliance with policies established by the Board of Directors.

F.5.2 Indicate whether there is a discussion procedure whereby the financial auditor (pursuant to TAS), the internal audit department and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other reviews they have been engaged to perform to the company's senior executives and its Audit Committee or Board of Directors. State also whether the entity has an action plan to correct or mitigate the weaknesses identified.

Art. 15 of the Board Regulations includes the following responsibilities of the Audit Committee:

Section c): establish appropriate relations with the external auditors, assess the outcome of each audit and the management team's response to their recommendations, and intervene in cases of discrepancies between the two parties with regard to policies and methods applicable in the preparation of the financial statements, and receive information on matters that may jeopardise the auditor's independence, and any other matters related to the financial statement audit process, as well as other communications provided for in audit legislation and in auditing standards.

Section g): supervise the effectiveness of the Company's internal control, its internal audit services and risk management systems, and review the appointment and replacement of the persons responsible therefor and discuss with the auditors the significant weaknesses in the internal control system disclosed in the performance of the audit;

These responsibilities are performed actively, through the periodic meetings the Audit Committee holds with the Group's external auditors and with the department managers, and with the Group's Economic and Financial Director, Risk and Internal Control Director, Internal Audit Director and Compliance Director, who are all permanently invited to attend all of the Committee's meetings.

Thus, based on an annual schedule, the Audit Committee calls the heads of each of these areas in advance to attend in person and give a specific presentation to the Committee members on how they are managing risk in their respective areas.

The Audit Committee holds meetings at least once a year with the external auditors in order to ascertain the internal control weaknesses detected in the course of the audit which, where applicable, are corrected through the updating of the affected policies or rules and of the controls defined in the Internal Control System. In 2019 the external auditor attended the Audit Committee meetings on four occasions.

It should be noted that the Audit Committee has information on all the actions of the Internal Audit Department, the Risk and Internal Control Department and the Compliance Department, and receives a report on the weaknesses detected and on monitoring of compliance with all the significant recommendations made in the performance of its work.

The three departments are in constant communication with the Audit Committee regarding the aforementioned functions, particularly the function of preparing and keeping up-to-date:

- The annual planning of work.
- The Department's annual budget.
- The reports on each piece of work performed.
- The Department's Organisational and Procedural Rules.

The foregoing is carried out in order to monitor the activities performed, as an effective measure for developing and complying with the Audit Committee's oversight responsibilities.

F.6 Other relevant information None.

Not applicable.

F.7 External auditor's report

Indicate:

F.7.1 Whether the ICFR system information reported to the markets has been reviewed by the external auditor. If "yes", the related report should be included in the corresponding report as an Appendix. If "no", give reasons.

The Group requested a review report on the ICFR system information described in this document from the external auditor, which is attached as an Appendix, in line with Guidelines on the Auditor's Report relating to the Information on the ICFR system of Listed Companies, published by the CNMV on its website.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the company's degree of compliance with the recommendations of the Spanish Code of Good Governance for Listed Companies.

If a recommendation is not followed or only partially followed, a detailed explanation of the reasons should be provided so that the shareholders, investors and the market in general have sufficient information to evaluate the company's performance. Explanations of a general nature are not accepted.

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.

Followed [X] Explain [ ]

2. When a parent and a subsidiary are listed companies, both 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.

Followed [ ] Partially followed [ ] Explain [ ] Not applicable [X]

3. At the Annual General Meeting, in addition to the communication in writing of the Annual Corporate Governance Report, the chairperson of the Board of Directors should orally inform the shareholders, in sufficient detail, of the most important matters in relation to the company's corporate governance and, in particular, of:

   a) changes since the previous Annual General Meeting; and

   b) the specific reasons why the company does not follow certain recommendations of the Corporate Governance Code and the alternative rules applied in this connection, should any exist.

Followed [X] Partially followed [ ] Explain [ ]

4. The company should define and promote a policy of communication and contact with shareholders, institutional investors and voting advisers that fully complies with regulations against market abuse and treats shareholders in the same position in a similar manner.

   The company should publish this policy on its website, including information on how it has been implemented, identifying the liaison personnel or staff in charge of implementing it.

Followed [X] Partially followed [ ] Explain [ ]

5. The Board of Directors should not put forward to the General Meeting a proposal to delegate powers in order to issue shares or convertible securities with disapplication of pre-emption rights for an amount exceeding 20% of share capital upon delegation.

   When the Board of Directors approves any share or convertible security issue with disapplication of pre-emption rights, the company should immediately publish on its website the reports on such disapplication referred to in corporate legislation.

Followed	X	Partially followed		Explain	

6. The listed companies that prepare the reports indicated below, whether obligatorily or voluntarily, should publish them on their respective websites sufficiently in advance of the Annual General Meeting, regardless of whether or not they are required to disseminate them:

   a) Report on auditor independence.

   b) Reports on the functioning of the Audit Committee and the Remuneration and Nomination Committee.

   c) Audit Committee report on related-party transactions.

   d) Report on the corporate social responsibility policy.

Followed		Partially followed	X	Explain	

The Company draws up the report on auditor independence and the Audit and Compliance Committee's Activities and the independence of the Nomination and Remuneration Committee and reports in detail on the related-party transactions and corporate social responsibility in the financial statements, the Annual Corporate Governance Report and the integrated report.

The Annual Activities Report for each Committee and the details of related-party transactions and corporate social responsibility are published on the website upon the call of the Annual General Meeting.

7. The company should stream a live broadcast of the General Meetings on its website.

Followed	X	Explain	

8. The Audit Committee should ensure that the Board of Directors seeks to present the financial statements to the Annual General Meeting without scope limitations or qualifications for any matters in the auditor's report. Should such qualifications exist, both the chairperson of the Audit Committee and the auditors should give a clear account to the shareholders of the content and extent of such limitations or qualifications.

Followed	X	Partially followed		Explain	

9. The company should have a permanent, public record on its website of the requirements and procedures that it will accept in order to evidence the ownership of shares, the right to attend the General Meeting and the exercise or delegation of the right to vote.

   Such requirements and procedures should prioritise the attendance and the exercise of the rights of the shareholders and should be applied in a non-discriminatory manner.

Followed	X	Partially followed		Explain	

10. When any legitimate shareholder has exercised, prior to the General Meeting, the right to complete the agenda or present new resolution proposals, the company should:

    a) Immediately make such supplementary points and new resolution proposals public.

    b) Make public the attendance card model or vote delegation/proxy vote form with the modifications necessary so that the new points of the agenda, as well as alternative resolution proposals, can be voted on under the same terms as those proposed by the Board of Directors.

    c) Submit all those points or alternative proposals to vote and apply the same voting rules to them as are applied to the points and proposals prepared by the Board of Directors, including, specifically, the assumptions or deductions on which way to vote.

    d) After the General Meeting, communicate the breakdown of the vote on those supplementary points or alternative proposals.

Followed		Partially followed		Explain		Not applicable	X

11. If the company plans to pay attendance bonuses to the Annual General Meeting, it should establish beforehand a general policy on such bonuses, and the policy should be stable.

Followed		Partially followed		Explain		Not applicable	X

12. The Board of Directors should perform its duties with unity of purpose and independence of judgement, according all shareholders in the same position the same treatment. It should be guided by the corporate interest, understood as securing long-term, profitable and sustainable business that fosters its own continuity and maximises the company's economic value.

    In pursuit of corporate interest, in addition to respect for laws and rules and behaviour based on good faith, ethics and respect for customs and generally accepted good practice, the company should attempt to reconcile, where applicable, corporate interest with the legitimate interests of its employees, suppliers, customers and those of the other stakeholders that may be affected, as well as with the impact of the company's activities on the community as a whole and on the environment.

Followed	X	Partially followed		Explain	

13. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise between five and fifteen members.

Followed [X] Explain [ ]

14. The Board of Directors should approve a director selection policy that:

a) is specific and verifiable;

b) ensures that appointment or re-election proposals are based on a preliminary analysis of the needs of the Board of Directors; and

c) favours diversity of knowledge, experience and gender.

The findings of the preliminary analysis of the needs of the Board of Directors should be included in the Nomination Committee's supporting report which should be published when the Annual General Meeting is called, to which the ratification, appointment or re-election of each director will be submitted.

The director selection policy should encourage the achievement of the target of at least 30% of the total members of the Board of Directors being female in 2020.

Each year the Nomination Committee shall verify compliance with the director selection policy and this shall be reported in the Annual Corporate Governance Report.

Followed [X] Partially followed [ ] Explain [ ]

15. Proprietary and independent directors should occupy an ample majority of Board places, while the number of executive directors should be the minimum number required, bearing in mind the complexity of the corporate group and the ownership interests held by the executive directors.

Followed [X] Partially followed [ ] Explain [ ]

16. The proportion of proprietary directors as a percentage of the total non-executive directors should not exceed the proportion of the company's capital they represent. This criterion may be relaxed:

a) at large cap companies where few equity stakes attain the legal threshold for significant shareholdings; and

b) at companies with multiple shareholders represented on the Board of Directors but not otherwise related.

Followed [ ] Explain [X]

The percentage represented by the four proprietary directors out of the total number of non-executive directors is greater than the ratio between the percentage held by Grupo Villar Mir, S.A.U., the shareholder that they represent, and the rest of the capital, but the Company does not have several shareholders with a significant and stable shareholding and neither has any shareholder requested its right to appoint directors.

The proprietary directors are a minority among the other categories of non-executive director and in the overall computation of the Board they are also in the minority.

17. The number of independent directors should represent at least half of all Board members.

However, if the company is not a large cap company or, even if it is but has one shareholder or various shareholders acting collectively controlling more than 30% of the share capital, the number of independent directors should represent at least a third of the total number of directors.

Followed [X] 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 carried out by the directors, 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 appointment as a company director, and of subsequent re-elections, and;

e) shares held in the company and any options thereon.

Followed [X] Partially followed [ ] Explain [ ]

19. After verification by the Nomination Committee, the Annual Corporate Governance Report should also disclose the reasons for the appointment of proprietary directors at the request of shareholders controlling less than 3% of capital and explain any rejection of a formal request for a Board place from shareholders whose ownership interest is equal to or greater than that of others applying successfully for a proprietary directorship.

Followed [ ] Partially followed [ ] Explain [ ] Not applicable [X]

20. Proprietary directors should resign when the shareholders they represent transfer 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.

Followed [ ] Partially followed [X] Explain [ ] Not applicable [ ]

The Villar Mir Group has gradually reduced its representation on the Board from six directors to the current four directors. However, its current representation, due to circumstances, is somewhat higher than the proportion it holds of the Company's share capital.

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 of Directors, based on a proposal from the Nomination Committee. In particular, just cause shall be presumed to exist when a director is appointed to a new post or undertakes new obligations that prevent him or her from devoting the necessary time to the duties required of a director, is in breach of the duties inherent to his or her position or comes under one of the grounds which result in the loss of his or her position as an independent director in accordance with the applicable legislation.

    The removal of independent directors may also be proposed as a result of a takeover bid, merger or similar corporate transaction producing changes in the company's capital structure, when such changes in the structure of the Board of Directors are made in order to meet the proportionality criterion set out in Recommendation 16.

Followed [X] 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.

    When a director is sued or tried for any of the offences established in corporate legislation the Board of Directors should examine the matter forthwith and, in view of the particular circumstances, decide whether or not he/she should be called on to resign. The Board of Directors should also disclose all such determinations in the Annual Corporate Governance Report.

Followed [X] Partially followed [ ] 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 of Directors makes material or reiterated decisions about which a director has expressed serious reservations, then he/she must draw the pertinent conclusions. Directors resigning on such grounds should set out their reasons in the letter referred to in the next recommendation.

    The terms of this recommendation also apply to the secretary of the Board, director or otherwise.

Followed [X] Partially followed [ ] 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 of Directors. 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.

Followed		Partially followed		Explain		Not applicable	X

25. The Nomination Committee should ensure that non-executive directors have sufficient time available to correctly discharge their functions. The Board Regulations should establish the maximum number of company directorships the Board members can hold.

Followed	X	Partially followed		Explain	

26. The Board of Directors should meet with the necessary frequency to properly perform its functions (at least eight times a year), in accordance with a calendar and agenda set at the beginning of the year, to which each director may individually propose the addition of other items.

Followed	X	Partially followed		Explain	

27. Directors' absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

Followed	X	Partially followed		Explain	

28. When directors or the secretary express concerns about a 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 minutes.

Followed	X	Partially followed		Explain		Not applicable	

29. The company should establish the appropriate channels in order for the directors to be able to obtain the advisory services required for the fulfilment of their functions, including, as the circumstances may require, external advisory services charged to the company.

Followed	X	Partially followed		Explain	

30. The companies should also offer the directors refresher programmes when the circumstances so advise, regardless of the knowledge required of the directors to discharge their functions.

Followed	X	Explain		Not applicable	

31. The agenda of the meetings should clearly indicate the items on which the Board of Directors must adopt a decision or resolution so that the directors can study or compile the information required to adopt them in advance.

Exceptionally, in urgent cases when the chairperson wishes to submit decisions or resolutions that do not appear in the agenda to the Board of Directors for approval, the prior and express consent of the majority of the directors present shall be required, and this shall be duly recorded in the minutes.

Followed [X] Partially followed [ ] Explain [ ]

32. The directors should be regularly informed of any changes in ownership interests and of the opinion of significant shareholders, investors and rating agencies as regards the company and its group.

Followed [X] Partially followed [ ] Explain [ ]

33. In addition to performing his or her functions as stipulated in the law and the bylaws, the chairperson, as the person responsible for the proper functioning of the Board of Directors, should prepare and submit to the Board of Directors a programme of dates and business to be transacted; should organise and coordinate regular evaluations of the Board and, as appropriate, the evaluation of the chief executive of the company; should be responsible for

managing the Board and its effective operation; should ensure sufficient time is devoted to discussing strategic matters; and should agree and review the refresher programmes for each director when the circumstances so advise.

Followed [X] Partially followed [ ] Explain [ ]

34. Should there be a lead director, in addition to the powers legally attributed to them, the company bylaws or Board regulations should also confer the following powers on them: to chair meetings of the Board of Directors should the chairperson (and deputy chairperson, if there is one) not be available; express the concerns of non-executive directors; contact investors and shareholders to learn their views in order to be able to form an opinion on their concerns, in particular in relation to the corporate governance of the company; and coordinate the succession plan for the chair.

Followed [ ] Partially followed [X] Explain [ ] Not applicable [ ]

Even if the Chairman of the Board is a non-executive member, the Company goes beyond good governance recommendations and has a coordinating director with the powers conferred by the Board of Directors regulations, which exclude the Succession Plan, which is the responsibility of the Nomination and Remuneration Committee, and contact with investors and shareholders, which is carried out by the General Economic and Financial Department and the Investor Relations Department and, where appropriate, with the involvement of other specific company departments when it is required on the basis of the matter or issue being raised.

35. The secretary of the Board of Directors should take special care to ensure that the Board's actions and decisions take into account the good governance recommendations included in this Good Governance Code that might be applicable to the company.

Followed [X] Explain [ ]

36. The Board of Directors in plenary session should evaluate the following points on a yearly basis and, if appropriate, adopt an action plan to correct any deficiencies detected in relation to the following:

a) the quality and efficiency of the Board's operation;

b) the operation and composition of its committees;

c) diversity in the composition and responsibilities of the Board of Directors;

d) the performance of the chairperson of the Board of Directors and the chief executive of the company; and

e) the performance and contribution of each director, placing particular emphasis on the parties responsible for the various committees of the Board.

The evaluation of the various committees is based on the reports they submit to the Board of Directors, and the evaluation of the Board is based on the report submitted to them by the Nomination Committee.

Every three years, the Board of Directors shall be assisted in the evaluation by an external consultant, the independence of which shall be verified by the Nomination Committee.

The business relationships of the consultant or any company in its group with the company or any company of its group must be disclosed in the Annual Corporate Governance Report.

The process and the areas evaluated shall be disclosed in the Annual Corporate Governance Report.

Followed	X	Partially followed		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.

Followed		Partially followed		Explain		Not applicable	X

38. The Board of Directors should be kept fully informed of the business transacted and resolutions adopted by the Executive Committee. To this end, all Board members should receive a copy of the Committee's minutes.

Followed		Partially followed		Explain		Not applicable	X

39. All members of the Audit Committee, particularly its chairperson, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters and the majority of these members should be independent directors.

Followed	X	Partially followed		Explain	

40. Under the supervision of the Audit Committee, there should be a unit responsible for the internal audit function which ensures the systems of internal control and financial reporting function correctly, and which report to the non-executive chairperson of the Board or that of the Audit Committee.

Followed	X	Partially followed		Explain	

41. The head of internal audit should present an annual work programme to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Followed	X	Partially followed		Explain		Not applicable	

42. The Audit Committee should have the following tasks in addition to those provided for by law:

1. With respect to internal control and reporting systems:

   a) Oversee the preparation and integrity of the financial information of the company and, if applicable, of the Group, and check compliance with legal provisions, the accurate demarcation of the scope of consolidation and the correct application of accounting standards.

   b) Monitor the independence of the internal audit function; proposing the selection, appointment, re-appointment and removal of the head of internal audit; proposing the internal audit department's budget; approving its work plans and methods, ensuring that its activity focuses primarily on the company's significant risks; receiving periodic information on its activities; and checking that senior management acts on the findings and recommendations of its reports.

   c) Establish and monitor a mechanism whereby employees can report, in a confidential or, where possible and if appropriate, anonymous manner, any potentially significant irregularities within the company, particularly of a financial and accounting nature.

2. In relation to external auditors:

   a) the Committee should investigate the circumstances giving rise to the resignation of any external auditor;

   b) oversee the remuneration of the work of the external auditor to ensure that its quality and independence are not compromised;

   c) supervise that the company reports any change of auditors to the CNMV as a significant event, with an accompanying statement of any disagreements arising with the outgoing auditors and the reasons behind them;

   d) ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session to inform it of the work performed and the changes in the accounting situation and risks of the company; and

   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.

Followed	X	Partially followed		Explain	

43. The Audit Committee may call on any company employee or executive to be present at its meeting, even ordering their presence without another senior executive.

Followed	X	Partially followed		Explain	

44. The Audit Committee should be informed of the structural and corporate changes expected to be made by the company for analysis and reporting thereof prior to the Board of Directors meeting on their economic conditions and their accounting impact and, especially, as appropriate, on the proposed exchange ratio.

Followed	X	Partially followed		Explain		Not applicable	

45. The control and risk management policy should specify at least:

    a) The different types of financial and non-financial risk (operational, technological, legal, social, environmental, political and reputational, among others) the company is exposed to, 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 identified risks, 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.

Followed	X	Partially followed		Explain	

46. An internal control and management function should exist under the direct supervision of the Audit Committee, or as appropriate, of a specialist committee of the Board of Directors, for the management of risks, performed by a unit or internal department of the company, which would have the following functions allocated to it:

    a) Ensuring that the risk control and management systems function correctly and, in particular, that all the major risks affecting the company are adequately identified, managed and quantified.

    b) Actively participating in preparing the risk strategy and in major decisions regarding risk management.

    c) Ensuring that the risk control and management systems adequately mitigate risks in the framework of the policy defined by the Board of Directors.

Followed	X	Partially followed		Explain	

47. The members of the Nomination and Remuneration Committee -or of the Nomination Committee and of the Remuneration Committee, if they are separate- should be appointed with regard to their having the knowledge, skills and experience appropriate to the functions they would have to perform, and the majority of the members should be independent directors.

Followed		Partially followed		Explain	X

The Committee comprises four members, two of whom are independent non-executive directors, one who is classified in the category of “other non-executive director” and one who is a proprietary director.

48. Large cap companies should have separate Nomination and Remuneration Committees.

Followed		Explain		Not applicable	X

49. The Nomination Committee should consult with the company's chairperson of the Board of Directors and chief executive, especially on matters relating to executive directors.

    Any Board member may suggest directorship candidates to the Nomination Committee for its consideration.

Followed	X	Partially followed		Explain	

50. The Remuneration Committee should carry out its duties independently, and should have the following duties in addition to those attributed to it by law:

    a) Proposing to the Board of Directors the standard conditions for senior executive employment contracts.

    b) Checking compliance with the remuneration policy set by the company.

    c) Reviewing the remuneration policy applicable to directors and senior executives on a regular basis, including the remuneration systems with shares and their application, and ensuring that their individual remuneration is proportionate to what is paid to the other directors and senior executives of the company.

    d) Ensuring that possible conflicts of interest do not infringe upon the independence of the external advisory services provided to the committee.

    e) Verifying the information on the remuneration of the directors and senior executives contained in the various corporate documents including the annual report on the remuneration of the directors.

Followed	X	Partially followed		Explain	

51. The Remuneration Committee should consult with the company's chairperson and chief executive, especially on matters relating to executive directors and senior executives.

Followed	X	Partially followed		Explain	

52. The rules governing the composition and operation of the supervisory and control committees should be included in the Board of Directors Regulations and should be consistent with those applicable to statutory committees according to the aforementioned recommendations, including the following:

a) These should be formed exclusively of non-executive directors, with a majority of independent directors.

b) The committees should be chaired by an independent director.

c) The Board of Directors should appoint the members of such Committees having regard to the knowledge, aptitudes and experience of its directors and remit of each Committee and should discuss their proposals and reports. The Committees should report the business transacted and account for the work performed at the first plenary session of the Board following each Committee meeting.

d) Committees may engage external advisers when they feel this is necessary for the discharge of their duties.

e) Meetings should be recorded in minutes and should be made available to all Board members.

Followed		Partially followed		Explain		Not applicable	X

53. The oversight of fulfilment of the corporate governance rules, the internal codes of conduct and the corporate social responsibility policy should be entrusted to one, or shared between several, committees of the Board of Directors, which could include the Audit Committee, the Nomination Committee, the Corporate Social Responsibility Committee, if it exists, or a specialist committee the Board of Directors might decide to create through the exercise of its self-governing powers, to which the following minimum functions would be specifically assigned:

    a) The oversight of fulfilment of the company's internal codes of conduct and corporate governance rules.

    b) The oversight of the communication strategy and the relationship with shareholders and investors, including small and medium-sized shareholders.

    c) The regular evaluation of the suitability of the Company's corporate governance system, in order to ensure that it fulfils its mission to promote the corporate interest, and takes into account, as applicable, the legitimate interests of the other stakeholders.

    d) The review of the company's corporate responsibility policy to ensure that it is centred on value creation.

    e) The monitoring of the corporate social responsibility strategy and practices, and the evaluation of the degree of compliance therewith.

    f) The supervision and evaluation of the processes in relation to the various stakeholders.

    g) The evaluation of all the company's non-financial risks -including operational, technological, legal, corporate, environmental, political and reputational risk.

    h) The coordination of the process of reporting non-financial and diversity information in accordance with the applicable legislation and the international standards of reference.

Followed	X	Partially followed		Explain	

54. The corporate social responsibility policy should include the principles or commitments taken on by the company on a voluntary basis in its relationship with the various stakeholders and should identify at least the following:

a) The objectives of the corporate social responsibility policy and the development of support mechanisms.

b) The corporate strategy in relation to sustainability, the environment and social matters.

c) Specific practices in matters related to: shareholders, employees, customers, suppliers, social matters, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conduct.

d) The methods or systems for monitoring the results of the application of the specific practices mentioned in section c) above, the associated risks and the management thereof.

e) The mechanisms to supervise non-financial risks, ethics and business conduct.

f) The company's communication, participation and dialogue channels with stakeholders.

g) Responsible communication practices that prevent the manipulation of information and protect integrity and reputations.

Followed [X] Partially followed [ ] Explain [ ]

55. The company should disclose information on matters related to corporate social responsibility using an internationally accepted methodology in a separate document or in the directors' report.

Followed [X] Partially followed [ ] Explain [ ]

56. The directors' remuneration should be sufficient to attract and retain directors with the required profile and to compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise the independent judgement of the non-executive directors.

Followed [X] Explain [ ]

57. Variable remuneration linked to the company's and personal performance, and remuneration comprising the delivery of shares, share options or other share-based instruments referenced to the share value and the long-term saving schemes such as pension plans, retirement systems or other employee welfare systems should be confined to executive directors.

The delivery of shares as remuneration for non-executive directors may be included provided the directors retain them until the end of their tenure. The foregoing shall not apply to shares the directors need to dispose of, as the case may be, to satisfy the costs of their purchase.

Followed [X] Partially followed [ ] Explain [ ]

58. In the case of variable remuneration, remuneration policies should include technical limits and safeguards to ensure they reflect the professional performance of the recipients and not simply the general progress of the markets or the company's industry or other similar circumstances.

In particular, the variable components of the remuneration:

a) Should be linked to performance criteria that are predetermined and measurable, and these criteria should take into account the risk assumed to achieve a profit.

b) Should promote the sustainability of the company and include non-financial criteria that are suited to the creation of value in the long term, such as compliance with the internal rules and procedures of the company and with its risk control and management policies.

c) Should be established on the basis of a balance between compliance with the short-, medium- and long-term objectives, which enables the remuneration of performance over a period of time that is long enough to evaluate their contribution to the sustainable creation of value, where the elements of performance being measured are not limited to specific, occasional or extraordinary events.

Followed	X	Partially followed		Explain		Not applicable	

59. The payment of a significant portion of the variable components of the remuneration should be deferred for a sufficient minimum period of time to ensure that the pre-established performance conditions are met.

Followed		Partially followed		Explain	X	Not applicable	

The annual variable remuneration of the Company’s executive directors is linked to the achievement of certain annual objectives, the degree of fulfilment of which is determined by the Board of Directors at the proposal of the Nomination and Remuneration Committee.

The remuneration policy for directors, approved by the Annual General Meeting, establishes that the payment of the Annual Variable Remuneration will be linked to the achievement of specific business objectives.

60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report entailing a decrease in such earnings.

Followed	X	Partially followed		Explain		Not applicable	

61. A significant portion of the variable remuneration of the executive directors should be linked to the delivery of shares or financial instruments referenced to their value.

Followed		Partially followed		Explain		Not applicable	X

62. Once the shares, share options or rights over shares relating to remuneration systems have been allocated, the directors should not be able to transfer the ownership of a number of shares equal to twice their fixed annual remuneration, and neither should they be able to exercise the options or rights until a term of at least three years from allocation has elapsed.

    The foregoing shall not apply to shares the directors need to dispose of, as the case may be, to satisfy the costs of their purchase.

Followed		Partially followed		Explain		Not applicable	X

63. The contractual agreements should include a clause to enable the company to claim repayment of the variable components of the remuneration when the payment was not adjusted to the performance conditions, or when the payment was made in line with data subsequently proven to be inaccurate.

Followed	X	Partially followed		Explain		Not applicable	

64. Payments for contract termination should not exceed an amount established as equal to two years' total annual remuneration, and should not be paid until the company is able to check that the director has met the pre-established performance criteria.

Followed	X	Partially followed		Explain		Not applicable	

H. OTHER INFORMATION OF INTEREST

1. If there is any salient feature of corporate governance at the entity or the group entities that has not been dealt with in the other sections herein, and which it is necessary to include in order to provide the most complete and reasoned information on corporate governance structure and practices at the entity or its group, provide a brief description.

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.

   In particular, indicate whether the company is subject to any legislation other than the Spanish legislation on corporate governance, and if so, include the information that it is required to provide, where such information differs from that required in this report.

3. The company may also indicate whether it has voluntarily adhered to any other codes of ethical principles or good practice of an international, industry-specific or other nature. If so, state the code in question and the date of adherence thereto. In particular, comment on whether the Spanish Code of Good Tax Practices of 20 July 2010 was adhered to.

A.6. DESCRIBE THE RELATIONSHIPS, UNLESS THEY HAVE SCANT RELEVANCE FOR BOTH PARTIES, EXISTING BETWEEN THE SIGNIFICANT SHAREHOLDERS OR SHAREHOLDERS REPRESENTED ON THE BOARD AND THE DIRECTORS, OR THEIR REPRESENTATIVES IN THE CASE OF DIRECTORS WHO ARE LEGAL PERSONS.

On his appointment as the Company's CEO on 28 June 2018, José Antonio Fernández Gallar ceased to discharge all his executive duties at Promociones Inmobiliarias Espacio, S.L. and subsidiaries, and was formally replaced in his role as member of the Board of Directors at this company and at its subsidiaries Espacio Medina, S.L. and Espacio Living Homes, S.L. in 2019.

C.1.13. INDICATE THE AMOUNTS OF THE ITEMS RELATING TO THE OVERALL REMUNERATION OF THE BOARD OF DIRECTORS.

The overall remuneration of the Board of Directors includes the fixed annual remuneration of the Board of Directors and the remuneration received by the executive directors in the performance of their senior management duties, in accordance with the Remuneration Policy approved by the Annual General Meeting on 28 May 2019.

C.1.25 INDICATE HOW MANY BOARD OF DIRECTORS MEETINGS WERE HELD DURING THE YEAR. ALSO INDICATE ANY OCCASIONS ON WHICH THE BOARD HELD MEETINGS AT WHICH THE CHAIRPERSON WAS NOT PRESENT.

The chairperson is absent from the meeting when the Board evaluates the chairperson in terms of the exercise of his or her duties as such.

C.1.34 INDICATE THE NUMBER OF YEARS THAT THE CURRENT AUDIT FIRM HAS BEEN UNINTERRUPTEDLY AUDITING THE SEPARATE AND/OR CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY. ALSO INDICATE THE NUMBER OF YEARS AUDITED BY THE CURRENT AUDIT FIRM AS A PERCENTAGE OF THE TOTAL NUMBER OF YEARS DURING WHICH THE FINANCIAL STATEMENTS HAVE BEEN AUDITED.

In 2002 DELOITTE, S.L. was appointed as auditor of both the Company and the Group. The audit of the Company in the preceding 14 years and the audit of the Group in the preceding 12 years was performed by Arthur Andersen.

C.2.1.- AUDIT AND COMPLIANCE COMMITTEE.

FUNCTIONS, PROCEDURES AND RULES OF ORGANISATION AND OPERATION OF THE AUDIT AND COMPLIANCE COMMITTEE: The functions entrusted to the Audit and Compliance Committee and the procedures and rules governing the organisation and operation thereof are described in Article 15 of the Board Regulations: "Article 15. The Audit and Compliance Committee. 1.- The number of members of the Audit Committee shall not be less than three or more than seven, and shall be determined by the Board of Directors. All the members of the Audit Committee must be directors who are not executives of the Company and do not have a contractual relationship other than that by which they are appointed. Of these, at least two of the members of the Audit Committee shall be independent directors and one of them shall be appointed taking into consideration his/her knowledge and experience in matters relating to accounting, audits 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 rules of operation set out below. 2.- Without prejudice to other tasks assigned to it by law, the bylaws, the Annual General Meeting or the Board of Directors, the Audit and Compliance Committee shall have the following basic responsibilities: a). reporting to the Annual General Meeting on any issues raised at it by shareholders in matters within its competence, and considering any suggestions on such matters made to it by shareholders, the Board of Directors and the Company's management; b). proposing the appointment of the auditor, the terms and conditions of engagement, the scope of the professional mandate and, where appropriate, their revocation or non-renewal; c). Establishing the appropriate relations with the external auditor, assessing the results of each audit and the responses of the management team to its recommendations and mediating in the cases of discrepancies between the latter and the former in relation to the principles and rules applicable to the preparation of the financial statements, and receiving information on those matters that might jeopardise the independence of the auditors and any other matters related to the process of performing the audit, as well as those other communications provided for in audit legislation and the technical standards on auditing; d) in any case, they must receive annually from the auditor written confirmation of its independence of the Company or entities directly or indirectly related to it, as well as information on additional services of any kind provided to the Company by the aforementioned auditor, or by persons or entities related to it in accordance with the provisions of Audit Law 19/1988, of 12 July; e) Issuing annually, prior to issuing the auditor's report, a report expressing an opinion on the independence of the auditor. The aforementioned report should, in any event, express an opinion on the additional services referred to in the preceding point; f). supervising compliance with the audit agreement, ensuring that the opinion on the financial statements and the main contents of the auditor's report are drafted clearly and precisely; g). supervising the effectiveness of the Company's internal control, its internal audit services and risk management systems, as well as reviewing the appointment and replacement of the persons responsible therefor and discussing with the auditors the significant weaknesses in the internal control system disclosed in the performance of the audit; h). supervising the process of preparing and presenting the financial information and reviewing the appointment and replacement of those responsible; i) reviewing the Company's financial statements, monitoring compliance with legal requirements and the correct application of generally accepted accounting principles, and reporting on proposals for the modification of accounting principles and rules suggested by management; j) reviewing the prospectuses and periodic financial information to be provided by the Board to the markets and their supervisory bodies; k). examining compliance with the Internal Code of Conduct in the Securities Markets, the Regulations of the Board of Directors, the Regulations of the Annual General Meeting, the Code of Ethics of the OHL Group and, in general, the rules of governance of the Company, and making the necessary proposals for their improvement. In particular, the Audit Committee is responsible for receiving information and, where appropriate, issuing reports on disciplinary measures concerning members of the Company's senior management team; l) informing the Board prior to the adoption of resolutions regarding the creation or acquisition of shares in special purpose vehicles or entities domiciled in countries or territories considered to be tax havens; m) informing the Board of Directors in advance of all matters contemplated in the law, the bylaws and the Board Regulations, and in particular on: 1) the financial information that the Company must periodically make public, 2) the creation or acquisition of ownership interests in special purpose vehicles or entities domiciled in countries or territories considered to be tax havens, 3) the proposal to amend the Regulations of the Board of Directors; n) identifying, proposing, directing, promoting and supervising the Corporate Social Responsibility policy of the OHL Group, and preparing the Corporate Social Responsibility report on an annual basis. 3.- The Audit Committee shall appoint a chairperson from among its members who must be an independent director. In the absence of the chairperson, the oldest independent director shall chair the meeting. The chairperson's term of office shall be a maximum of four years, and he or she may be re-elected after a period of one year has elapsed since leaving office. The secretary of the Board of Directors, and in his or her absence the deputy secretary of the Board of Directors, will act as secretary. Minutes shall be taken of the resolutions adopted at each meeting, which shall be reported to the Board in plenary session. 4.- The Audit Committee shall meet periodically as required and at least four times a year. One of the sessions will necessarily be devoted to evaluating the efficiency of and compliance with the Company's rules and procedures of governance and preparing the information that the Board of Directors must approve and include in its annual public documentation. It will be convened by the chairperson, who must call the meeting at the behest of the chairperson of the Board of Directors or of two members of the Committee itself. Committee meetings shall be valid when at least half plus one of its members are present or represented. Resolutions shall be adopted by an absolute majority of the members attending the Committee. Voting in writing and without a meeting shall only be permitted when none of the members object to such procedure. 5.-Any member of the management team or of the Company's personnel who is required to do so shall be obliged to attend the meetings of the Audit Committee and to cooperate with it and provide it with the information available to that member. The Committee may also request the auditor's attendance at the meetings. 6.- To ensure optimal performance of its duties, the Audit and Compliance Committee may seek the advice of external professionals, whose engagement shall be requested to the Board of Directors, which may not refuse the engagement unless in a reasoned manner and in the Company's best interests."

MOST IMPORTANT ACTIONS IN 2019:

• Monitoring of the evolution of the business and financial position of the Company and the Group.
• Favourable report to the Board of Directors on the budget for the year and monitoring of budget compliance.
• With regard to economic and financial information, review prior to the Board of Directors meeting of the periodic quarterly and half-yearly information, and the separate and consolidated financial statements and directors' reports for the year ended 31 December 2018, for their submission, following approval by the Board of Directors, to the market and the regulatory agency, together with information demanded from the Company by the CNMV and the replies thereto. Review, prior to their authorisation for issue by the Board of Directors, of the Annual Corporate Governance Report for 2018.
• Review and approval of the OHL Tax Report for 2018.
• Analysis of related-party transactions in relevant areas for the Committee.
• With regard to the external auditor, analysis of the independence and proposed appointment of the external auditor; note of the conclusions of the external auditors and the main matters in their reports in relation to their limited review at 30 June and their review of the 2018 financial statements, and proposal of the re-election of the appointment of the external auditor for 2019, a review of fees and a favourable report on the independence of the external auditor.
• With regard to the internal audit function, analysis of internal audit reports included in its annual plan and other ad hoc reviews requested by management or the Committee itself during 2019.
• With regard to risk control, analysis and note of the main risks of the Group and changes therein.
• With regard to compliance, supervision of the actions of the Compliance Department in relation to the Code of Ethics, surveillance measures, conduct of business and crime prevention and management of incidents reported through the

Ethics Channel. In particular, supervision of the work plan established for obtaining ISO 37001 certification (anti-bribery management systems) and UNE 19601 certification (criminal risk compliance management system).
In addition, on 26 February 2019, the Audit and Compliance Committee resolved to initiate an investigation in relation to the facts that, in accordance with information in the press, were investigated by Central Examining Court No. 6 under number 8 of its separate pieces, and the law firm Baker & Mackenzie was engaged to perform the investigation under the management of the Compliance Department. This is a legal proceeding to which the Company is not a party which is investigating an allegedly widespread practice of paying commissions to public officials relating to the award of construction work in Spain. The Audit and Compliance Committee met throughout 2019 at the law firm carrying out the internal investigation, receiving partial reports on the progress of the investigation, which ultimately proved to be inconclusive and not useful for the legal investigation under way, and it has kept the Board of Directors up to date on this matter on a timely basis. At the date of issue of this ACGR the investigation is ongoing.

- Annual self-assessment of the functioning of the Committee.
- Draft of the Committee's Activities Report.

C.2.1.- NOMINATION AND REMUNERATION COMMITTEE.

FUNCTIONS, PROCEDURES AND RULES OF ORGANISATION AND OPERATION OF THE NOMINATION AND REMUNERATION COMMITTEE: The functions, procedures and rules relating to the organisation and functioning of the Audit Committee are described in Article 16 of the Board Regulations: "Article 16. Nomination and Remuneration Committee. 1.- The Board of Directors shall designate from among its members a Nomination and Remuneration Committee. The number of members of the Nomination and Remuneration Committee shall not be fewer than three or more than seven, and shall be determined by the Board of Directors. All Nomination and Remuneration Committee members must be directors who are not executives of the Company and do not have a contractual relationship other than that by which they are appointed and at least two of them shall be independent. The Nomination and Remuneration Committee shall have the powers and be governed by the rules of operation set out below. 2.- Without prejudice to any other functions assigned by law, the bylaws or the Board, the Nomination and Remuneration Committee shall have at least the following functions: a) Evaluating the competencies, knowledge and experience required on the Board of Directors. For this purpose, it shall define the functions and skills required for candidates to cover each vacancy and shall evaluate the time and dedication required to perform their duties effectively. b) Setting a representation goal for the gender with less representation on the Board of Directors and preparing recommendations on how to achieve that goal. c) Submitting to the Board of Directors the proposals for the appointment of independent directors by co-option or, if applicable, for the Annual General Meeting's consideration, as well as the proposals made by the General Meeting for such directors' re-election or removal. d) Reporting the proposals for appointment of the other directors by co-option or submission to the decision of the Annual General Meeting, as well as the proposals for their re-election or removal by the General Meeting. e) Proposing to the Board the members that must form part of each Committee. f) Reporting the proposals for appointment and removal of senior executives and the basic conditions of their contracts. g) Examining and organising the succession of the chairperson of the Board of Directors and the Company's chief executive and, if necessary, submitting proposals to the Board of Directors for such succession to occur in an orderly and planned manner. h) Proposing to the Board of Directors the remuneration policy for directors and general managers or those who carry out their senior management functions reporting directly to the Board, Executive Committees or CEOs, 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 that they are observed. i) Periodically reviewing the remuneration programmes, assessing the suitability thereof and their yields.

j) Monitoring remuneration transparency. k) Reporting on transactions that give rise or may give rise to a conflict of interests and, in general, on the matters included in chapter on IX of these Regulations. l) Considering suggestions made to the chairperson by members of the Board, senior executives or the Company's shareholders. ll) Reporting to the plenary session of the Board on the proposal of appointment and removal of the Board of Directors' secretary and deputy secretary. m) Annually reporting to the plenary session of the Board on the evaluation of the chairperson of the Board's performance. n) Identifying, proposing, directing, promoting and supervising the Corporate Social Responsibility policy of the OHL Group, and preparing the Corporate Social Responsibility report on an annual basis. ñ) Reviewing the regulations and practices of the Company relating to Corporate Governance, by proposing any amendments it deems appropriate so that they are in line with the standards, recommendations and best practices in this matter. The Nomination and Remuneration Committee shall meet whenever the Board or its chairperson requests that a report be issued or a proposal be adopted and, in any case, whenever it is deemed necessary for the proper performance of its functions. In any case, it shall meet to draw up the specific report on the Company's proposed remuneration policy to be submitted to the Annual General Meeting. Independently 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 chairperson, who must call the meeting at the behest of the chairperson of the Board of Directors or of any member of the Committee itself. 4.- The Committee shall appoint a chairperson from among its members who must be an independent director. In the absence of the chairperson, the oldest independent director shall chair the meeting. The secretary of the Board of Directors, and in his or her absence the deputy secretary of the Board of Directors, will act as secretary. Minutes shall be taken of the resolutions adopted in each meeting, which shall be submitted to the plenary session of the Board. 5.- Any member of the Company's management team or any of its employees summoned to attend the Committee's meetings shall be obliged to do so and to provide his or her cooperation and access to the information available to that member. The Committee may also request the auditor's attendance at the meetings. 6.- To ensure optimal performance of its functions, the Nomination and Remuneration Committee may seek the advice of external professionals, to which end the provisions of Article 26 of these Regulations shall apply."

MOST IMPORTANT ACTIONS IN 2019:

- Analysis of, and report to the Board of Directors on, the CEO's variable and extraordinary remuneration, assessing compliance with objectives and criteria.
- Analysis of, and report to the Board of Directors on, the variable and extraordinary remuneration of the OHL Group's senior executives.

• Analysis of the composition of the Board of Directors in accordance with good governance recommendations.
• Report on and proposal of the re-election of independent directors to the Annual General Meeting, considering that they continue to meet the profile and skills required to discharge their office, and assessing and reporting favourably on their suitability by verifying compliance with the Director Selection Policy.
• Favourable report to the Board of Directors on a new Group organisational chart.
• Favourable report to the Board of Directors on the Board of Directors remuneration report for 2018, verifying that the remuneration policy in force was applied correctly.
• Favourable report to the Board of Directors on the proposal to amend the directors' remuneration policy subsequently approved by the Annual General Meeting.
• Analysis of and report on the amount and nature of the related-party transactions performed in the year in accordance with Group regulations.
• Analysis on the information on sustainability (non-financial information statement) and favourable report thereon to the Board of Directors for its approval and authorisation for issue in the framework of the Group's integrated annual report.
• Self-assessment of the functioning of the Committee.
• Draft of the Committee's Activities Report.

E.5.- INDICATE ANY RISKS THAT AROSE DURING THE YEAR.

The update of the main risks for the Group in 2019 is as follows:

LIQUIDITY RISK AND ACCESS TO THE FINANCIAL MARKETS: This risk is managed by maintaining adequate levels of cash and marketable securities, as well as arranging and holding lines of sufficient funding to cover all financing needs, maintaining, at all times, a level of financial flexibility that is sufficient for the business activity carried on by the Group.

The Group's liquidity position at 31 December 2019 comprises the following:

- Credit and factoring facilities available in the amount of EUR 38,424 thousand.
- Current financial assets and cash and cash equivalents amounting to EUR 784,452 thousand.

It is important to note that the above amount includes a deposit of EUR 140,000 thousand securing a line of guarantees for the multi-product syndicated financing agreement, which represents 17.9% of the total.

Despite this liquidity which is a result of the divestments made and, in particular, the sale of the Concessions Division, in the last few years, the Group has seen its liquidity position fall as it has had to meet significant needs for funds for its projects in deficit, which will also occur in the next two years. The Group also has financial obligations which it will also have to meet in the coming years (see Note 3.18 to the consolidated financial statements).

In this context, the Group's directors consider that the Group's business plan for 2020 and subsequent years will enable this risk to be mitigated sufficiently. This plan is based on the following:

- Obtainment of gross margins of between 6% - 7% and recovery of profit levels in projects.
- Strictly controlling and reducing the Group's costs, both in terms of production costs and overheads.
- Obtainment of business volumes that enable a coverage of the backlog guaranteeing the growth/maintenance of the Group's activity.
- Focus on the generation of cash by the projects, performing ongoing monitoring of working capital.
- Divestment of non-strategic assets and collection of loans from related entities. In this regard it is important to note the collection of the debt from the Villar Mir Group and Pacadar amounting to EUR 125,697 thousand, plus the corresponding interest, scheduled for 30 September 2020 (see Note 3.10 to the consolidated financial statements).

It should also be noted that the Group reached substantially the objectives set in its business plan for 2019 (improved net and gross profit from operations, reduction in overheads, obtainment of contracts totalling EUR 2,700 million, notable fall in the outflow of cash relating to projects, obtainment of funds from divestments of non-strategic assets, etc.).

In 2020 efforts will continue to be focused on reinforcing the measures successfully applied in 2019 to strengthen liquidity, including the following:

- Actions to improve cost control and performance risk in projects, and exhaustive monitoring of their profitability.
- Strengthening of the Contract and Working Capital Committees:
  - The Contract Committee aims to control the level of risk assumed in bids, avoiding bidding where future profitability could be compromised beyond the normal risk and reward level of the activity.
  - The Working Capital Committee monitors and promotes active management of collections and the recovery of guarantees in all projects and geographical areas.

- Also, with regard to the projects in deficit there is a strict control of cash outflow in order to keep it to a minimum.
  - Active management of divestments of non-strategic assets and collection of receivables from related entities.

In addition, to ensure that there are sufficient guarantees to cover its obligations arising from contracts, the Group is carrying out negotiations with the banks with which the multi-product syndicated financing (MSF) was arranged. The original agreement was signed in December 2016 and novated successively, the latest novation being executed on 15 January 2020. At the date hereof, the MSF matures on 31 May 2020, and negotiations are ongoing for future extensions to the line of guarantees drawn down in the amount of EUR 313 million. In addition, on 15 January 2020 the Group obtained a new line of guarantees totalling EUR 40 million, granted by the same banks as the MSF, which matures at 12 months and is 50% secured by the Spanish Export Credit Insurance Company (CESCE).

In 2019 the Group also increased its lines of the surety companies in the US and other countries, ensuring the conditions for maintaining a sustainable backlog in one of the Group's main markets.

The Group's directors estimate that the mitigating measures in place will enable it to ensure the continuity of its activity and meet all its obligations.

However, there are aspects that may represent uncertainties with regard to compliance with the business plan for 2020 and therefore give rise to possible deviations from it (failure to meet the contract forecasts, unforeseen mismatches in working capital, etc.). Specifically, the main uncertainty involves the impact on the business of the health crisis caused by COVID-19 (see Note 5 to the consolidated financial statements), the effects of which on the Group's activity and liquidity are difficult to quantify at present.

In order to mitigate the liquidity pressures that this situation is causing, on 30 April 2020, the Group entered into an agreement with the banks of the MSF to grant a financing line totalling EUR 140,000 thousand which matures on 30 October 2021. The financing can be drawn down subject to compliance with a series of conditions precedent, the most important of which is the grant of a guarantee for up to 70% of its amount by the ICO as part of the COVID-19 government aid programme.

This loan is secured by OHL Desarrollos, S.L. and other OHL Group subsidiaries, and the interest rate is Euribor plus a spread of between 3.5%-5.5% according to various periods.

SITUATION OF INSOLVENCY AND LIQUIDATION of Autopista Eje Aeropuerto Concesionaria Española, S.A. and Aeropistas, S.L.U.: these companies have been involved in insolvency proceedings since January 2014 and their liquidation was requested in October 2015. The legal proceedings relating to various issues concerning the settlement of the concession arrangement and other matters (see Note 15.3.2 to the consolidated financial statements) are still ongoing. Of particular note was the submission in October 2019 of the claim in the appeal for judicial review under way which was initiated by the Company at Chamber 3 of the Supreme Court, against the criterion of the unlimited liability of the government, previously notified by the Ministry.

SITUATION OF INSOLVENCY of Cercanías Móstoles Navalcarnero, S.A.: in May 2016 a petition for voluntary insolvency proceedings was filed, which was granted and legally declared on 16 August 2016 (see Note 15.3.2 to the consolidated financial statements) and there have been no significant changes with regard to this proceeding.

However, the Group considers that the concession arrangement upholds the right to recoup the net investment and the amounts contributed as loans to the company.

CONTRACT FOR THE DESIGN AND CONSTRUCTION OF THE SIDRA MEDICAL RESEARCH CENTRE (Doha, Qatar) Qatar Foundation for Education, Science and Community Development (QF): the joint venture (JV) between the company and Contrack Cyprus Ltda. (55% - 45%, respectively) initiated arbitration proceedings on 30 July 2014, at the International Chamber of Commerce (see Note 15.3.2. to the consolidated financial statements).

The parties' counterclaims at the date of issue of these notes to the consolidated financial statements, that relate to their claims, are as follows: the JV claims reimbursement of the amount of the enforced guarantees (QAR 880 million, EUR 214 million), the amount of the unpaid alterations made that were already recognised in the partial award (QAR 182 million, EUR 44 million), the amount of the unpaid alterations made for which no arbitration decision has been handed down (QAR 76 million, EUR 18 million), and the construction prolongation costs in line with the prolongation period recognised in the partial award (QAR 322 million, EUR 78 million). For its part QF claims termination costs in excess of the outstanding contract price to be applied (QAR 3,636 million, EUR 885 million), defect repair costs (QAR 124 million, EUR 30 million) and contractual penalties for delay by the JV subcontractor (QAR 792 million, EUR 193 million).

Both the legitimacy and the amounts of the items included in each claim are subject to the decision of the arbitral tribunal, which will be handed down during the quantum stage of the arbitration proceedings. The aforementioned decision will not affect the following: (i) the amount of the guarantee enforced against the JV (QAR 880 million, EUR 210 million), which is fixed and in all cases functions as a collection right in the JV's favour, (ii) the amount of the unpaid alterations made for which no arbitration decision has been handed down (QAR 182 million, EUR 44 million), which is also fixed and functions as a collection right in the JV's favour and (iii) the amount of the repair of defects (QAR 124 million, EUR 30 million), which is also fixed and functions as a collection right in QF's favour.

On 21 November 2018, a partial award was handed down with certain rulings, including the statement on the legality of the termination of the contract. This statement enabled QF to file the claim indicated above in relation to the actual costs of completion of the work that exceed the contract price yet to be applied. The JV filed an appeal in the UK for the partial annulment of this award which was dismissed on 2 October 2019. In addition, on 27 February 2019 another partial award was handed down to determine the percentage of work completed at the time of termination, which determined that approximately 95% of the work had been completed at the time of termination.

On 19 June 2019, partial award no. 6 was handed down dismissing the claim made by the JV for disruption costs. The JV was claiming QAR 65 million (EUR 15.8 million) in this connection.

A partial award on “Defects” was handed down on 12 March 2020. QF was claiming QAR 320.7 million in this connection (EUR 78 million), of which QAR 124.2 million (EUR 30 million) were recognised and QAR 167.6 million (EUR 41 million) rejected. Although there is no payment order which, as the case may be, will be issued when decisions have been handed down on all the counterclaims, in accordance with the principle of prudence, the Parent provisioned the amount that the Group would have to assume due to its ownership interest as a result of this partial award on "Defects" which totals EUR 15,125 thousand.

Nevertheless, based on up-to-date third-party reports and the interpretation thereof by the Parent's management and when a decision may be handed down, the Parent's directors reassessed the various outcomes of the arbitration as a whole and concluded that, despite the current uncertainty surrounding the process, it is unlikely that additional losses will arise for the Group.

LITIGATION ARISING FROM CONSTRUCTION PROJECTS: the Group is involved in litigation in relation to certain projects (see Note 15.3.2 to the consolidated financial statements), in which it continues to strive to make collection as it considered its rights arising therefrom will prevail.

In addition, in the so-called "Lezo Case" which is at the examining stage, at the date hereof no action has been brought against the company and, accordingly, OHL is not a party to the proceeding. In any event, it is cooperating actively with the justice authorities and furnishing the information required of it.

IMPAIRMENT OF FINANICAL INSTRUMENTS: as part of the annual review of the value of the Group's assets in order to mark them to market, of particular note in 2019 was the impairment recognised due to the Old War Office Project.

REVIEW OF THE BACKLOG: a total of EUR 584,583 thousand were derecognised in 2019 in relation to the backlog, due mainly to the termination of the agreement with Aleatica, Autopista Atizapan Atlacomulco and of the Autopista Rio Magdalena contract. The latter is subject to arbitration proceedings due to the differing interpretations of the contract by OHL and Aleatica.

F.1.2 B) 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.

APPROVING BODY AND DATE OF UPDATE:

The 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 approving 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 fails to approve the update, review or repeal thereof.

Principle on information transparency and accuracy:

The Code of Ethics is the main channel for the development of the Group's corporate values:

- Professional ethics, integrity, honesty, loyalty, effectiveness and responsibility vis-à-vis our stakeholders, in all actions of the Group, while observing current legislation in full.
- Will to succeed and continuous improvement in professional performance, while striving at all times for excellence.
- Transparency in the dissemination of information, which must be adequate, accurate, verifiable and complete.
- Creation of value with a permanent quest for sustainable profitability and growth.
- Constant promotion of committed quality, innovation, safety and respect for the environment.

Based on the basic principle of behaviour required of all the Group's personnel of respect for the law, a key guideline of conduct in the relationship with the market is the transparency and accuracy of information.

In this sense, the Code of Ethics specifies that: "OHL undertakes to transmit complete and truthful information on the Group companies which allows shareholders, analysts and other stakeholders to reach an objective opinion on the Group. Also, OHL undertakes to cooperate with the supervisory or inspection bodies or entities in any way it may be required in order to facilitate administrative oversight. The Group's employees shall ensure that all financially significant transactions that are performed on behalf of the Company are included clearly and accurately in the appropriate accounting records so as to present fairly the transactions performed. Accounting principles and standards must be strictly followed and financial reports must be complete and accurate. It is also necessary to implement suitable internal procedures and controls ensuring that financial and accounting reporting complies with the law, regulations and the requirements arising from the Group's listing on the stock markets. Any conduct aimed at avoiding tax obligations or obtaining profit at the expense of the tax authorities, the social security system or similar bodies is expressly forbidden."

Audit Committee:

Section 15-k) of the Board of Directors Regulations details the Audit Committee's responsibilities as follows: "Examining 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 making the required proposals for improving them."

Thus, the Group's Code of Ethics itself states that "any doubt, criticism or suggestion aimed at improvement must be made known to the Audit Committee, which is the competent body to ensure compliance with this Code and to promote both its dissemination and the specific training for its correct application".

In this regard, and given the importance of compliance with the Code for the Group, the necessary means to achieve the goals established (among others, the creation of a Compliance Department and the launch of an Ethical Communications Channel) have been provided.

Since early 2015, the Group has had an Anti-Corruption policy implementing 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 of any form of corruption and affects all the people working at the Group. The Group has also had a crime prevention programme since 2016 which was updated in 2019 to adapt it to the new organisational structure. Following this review and adaptation process, the Group submitted the system to an external audit and obtained the following Aenor certifications:

- ISO 37001 (anti-bribery management systems)
- UNE 19601 (anti-bribery management systems)

Any case of non-compliance that matches the characteristics defined in the Code will be investigated and may lead, where appropriate, to the imposition of legal and disciplinary measures.

Code of ethics communication, distribution and training plan:

The content of the Code of Ethics must be known and understood by all persons composing the OHL Group. For this reason, the Group performs various communication, training and distribution actions required for it to become known.

The main actions are:

- Making the Code of Ethics available on the corporate Intranet in the two main languages of the Group, and on the OHL Group's website (www.ohl.es/ética e integridad), in Spanish and English.
- Inclusion of an additional clause in the employment contract, requiring knowledge and an understanding of, and compliance with, the Code of Ethics.
- Design of specific training actions for all the Group's personnel.
- Disclosure to relevant third parties. Commercial contracts between the OHL Group and third parties include clauses that refer to the existence of the Code of Ethics of the OHL Group and to the obligation of complying with the code in delivering services to the OHL Group.

The Code of Ethics and Anti-Corruption Policy course is mandatory and by December 2019 it had been completed by a total of 3,117 people, broken down as follows:

Countries / Number of people trained
Spain / 2,393
Mexico / 334
Chile / 170
Colombia / 96
Peru / 121
Other countries / 3
Total / 3,117

The distribution and awareness of the Code of Ethics is the responsibility of the Corporate Resources Department, whereas supervision corresponds to the Group's Internal Audit Department.

On the basis of a multi-year rotation plan, the Audit Committee receives a report from the Internal Audit Department of the OHL Group setting out the actions taken by each delegated area during the last few periods, in order to monitor the degree of compliance with and application of the Code of Ethics of the OHL Group.

Because of its importance, it should be noted that on 1 October 2013 the Board of Directors, at the proposal of the Audit Committee, agreed to create the Compliance Department, which depends on the secretary of the Board of Directors and reports to this Committee.

The main functions of this department, according to the manual of functions in force, are as follows:

- Identifying legal risks, especially those that stem from the criminal liability of legal persons or entail reputational risks.

- Promoting the implementation of the processes necessary to avoid legal breaches related to criminal or reputational risks, and limiting, to the extent possible, the cases of criminal liability at the Company, thereby actively contributing to preventing and stopping criminal activity.

- Promoting a clear organisational 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 executives and directors.

- Establishing, in an objective and demonstrable manner, control and supervisory measures aimed at avoiding this conduct by employees, at all levels, and proposing the disciplinary measures that would be implemented if this conduct were to take place.

- Supervising and ensuring that there is a Set of Rules, Policies and Regulations that reasonably guarantee the reliability of the financial information, and compliance with the laws, regulations and policies that apply to the Group.

- Periodically informing the secretary of the Board and the Audit Committee of the performance of the Annual Action Plan with regard to its management.

- Establishing measures for the prevention of criminal acts in the following areas:

  - Anti-corruption: crimes of private corruption, bribery and corruption in international commercial transactions.
  - Cybercrimes: hacking crimes, disclosure of trade secrets and similar offences.
  - Control during the preparation of financial information: investor fraud crimes.
  - Market Abuse and Share Price Manipulation.
  - Non-compliance with the Spanish Personal Data Protection Organic Law (LOPD) and the privacy protection regulations.
  - Money laundering.
  - Fraud to obtain subsidies and government aid.
  - Crimes against natural resources and the environment.
  - Workplace harassment.

- Enforcing the Code of Ethics and proposing the review thereof to adapt it to any amendments made to the legal framework prevailing at any given time, ensuring the dissemination and awareness thereof within the Group.

- Proposing the approval of the internal regulations implementing the Code of Ethics, which include a disciplinary system for breaches thereof.

- Processing the complaints received through the Ethics Channel.

- Promoting and overseeing the training activities regarding the Code of Ethics.

Since 2012, the OHL Group has established an Ethical Communications Channel that is governed by an internal procedure published on the corporate Intranet.

F.2. ASSESSMENT OF FINANCIAL REPORTING RISKS

F.2.1. The main features of the risk identification process, including risks of error or fraud, as regards:

Whether the process exists and is documented.

Whether the process covers all financial reporting objectives (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and how frequently.
Whether a specific process is in place to define the scope of consolidation, taking into account, inter alia, the possible existence of complex corporate structures and special purpose entities or vehicles.
Whether the process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.
Indicate the entity's governing body that oversees the process.

The risk management strategic goals are aimed at achieving the following:

- Meeting the Group's strategic and operating objectives.
- Protecting the Group's reputation, legal certainty and ensuring its sustainability.
- Protecting the security of the shareholders' equity.
- Protecting the interests of the other stakeholders with an interest in the progress of the organisation.
- Improving innovation, competitiveness and confidence in the OHL Group.

A common set of risk management methodologies, tools and techniques are implemented in order to:

- Identify and manage risks at Group, Division and project level.
- Develop an integrated report that allows for identification and follow-up of critical risks.
- Align the risk tolerance levels with the Group's goals.
- Enhance risk reporting and communication.
- 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 in a timely manner.

Risk management is a fundamental part of the OHL Group's organisational culture. All risks must be identified, prioritised, aligned with the strategic and operational objectives, and assessed. To achieve this, the OHL Group follows the Governance Model on Risk Management and the Risk Management Framework contained in the Risk Management Policy.

The Group performs periodic reviews of its 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-raising and open dialogue in the face of risk. The OHL Group seeks open, timely and frank discussions on risk, besides being more aware of risks. OHL Group management provides the tools required for its employees to harness the opportunities related to the risks and, thus, facilitate risk reporting, monitoring and measurement.

Documentation of the processes that may materially affect financial reporting is subject to ongoing monitoring and improvement.

An important part of this monitoring and improvement process is updating the scope of the Financial Reporting System in order to establish, within the Group, relevant companies and also identify the significant operating or support processes for such companies and their associated risks. All of this is based on the materiality and risk factors inherent to each division.

This scope is determined on the basis of on materiality criteria, both qualitative and quantitative, in order to identify 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 significant transactions, as well as material companies, considering the existing degree of centralisation/decentralisation.

Based on the scope determined at any given time and on the processes involved in the generation of the financial information, risks which may affect the information are identified, thereby covering all financial reporting goals (existence and occurrence; completeness; valuation; rights and obligations; and submission and reporting) and taking into account the various aforementioned risk categories insofar as they affect financial information.

The scope of the ICFR system is reviewed at least annually before establishing the financial reporting schedule of the subsidiaries, and whenever a new company with a significant impact is included or excluded from the Group's scope of consolidation. In this regard, the Group has a scope of consolidation identification process whereby the Group's Corporate Economic and Administrative Division updates the scope considering the notifications of any changes received based on the defined procedure. In 2019 two new companies were included within the scope of the ICFR system.

The Group's General Economic and Financial Department, through its Economic and Administrative Division, is responsible for maintaining the scope and financial information risk identification process, and is also charged with informing the external and internal audit of any changes in the scope.

ACCESSION TO THE SPANISH CODE OF GOOD TAX PRACTICES.

The Company hereby states that by resolution of the Board of Directors on 12 May 2015, the OHL Group has acceded to the Spanish Code of Good Tax Practices with the Spanish Ministry of Economy and Finance, and accepts its principles as its own.

This Annual Corporate Governance Report was approved by the Company's Board of Directors at its meeting held on:

[05/05/20]

Indicate whether any directors voted against or abstained in relation to the approval of this Report.

Yes [ ] No [X]

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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 THE YEAR ENDED 31 DECEMBER 2019

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

As requested by the Board of Directors of Obrascón Huarte Lain, S.A. ("the Entity") and in accordance with our proposal-letter of 31 January 2020, we have applied certain procedures of the accompanying information relating to the ICFR system of Obrascón Huarte Lain, S.A. for the year ended 31 December 2019, which summarises the internal control procedures of the Entity 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, irrespective of the quality of the design and operational effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, that 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 Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity'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 Entities", 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 Entity's annual financial reporting for the year ended 31 December 2019 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 will not express an audit opinion in the terms provided for in those regulations.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the directors' report- and assessment of whether this information will address all the information required in accordance with the minimum content described in section F, of the ACGR form, relating to the description of the ICFR system as established in Spanish National Securities Market Commission (CNMV) Circular 5/2013, of 12 June 2013, subsequently amended by CNMV Circular 7/2015, of 22 December 2015, and CNMV Circular 2/2018, of 12 June 2018 ("the CNMV Circulars").

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 Entity.

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 the reports prepared by the Internal Audit Department, senior executives and other internal or external specialists providing support functions to the Audit Committee.

4. Comparison of the information detailed in point 1 above with the knowledge of the Entity's ICFR system 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 Committee and other committees of the Entity 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 the CNMV Circulars, for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.

Antonio Sánchez-Covisa Martín González

5 May 2020