ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A.
and subsidiaries

Consolidated Financial Statements as of 31 December 2016 and 2015

and Consolidated Management Report for financial year 2016.

(in thousand Euros).

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ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2016 AND 2015
(In thousand Euros)

ASSETS	Note	2016	2015
NON-CURRENT ASSETS		**243,376**	**279,778**
Intangible fixed assets	7	**54,808**	**67,771**
Property, Plant and Equipment	8	**8,999**	**14,912**
Real estate investment	9	**42,120**	**50,502**
Investment in Group and Associated Companies	10, 11, 32	**99,328**	**105,653**
Holdings based on the Equity Method.	10	36,356	45,592
Credits to companies based on the equity method	11, 32	62,972	60,061
Long-term financial investments	11, 12	**6,365**	**7,458**
Non-Current Trade Debtors	11, 13	**25,277**	**24,913**
Deferred tax assets	24	**6,479**	**8,569**
CURRENT ASSETS		**457,119**	**369,362**
Non-Current Assets held for sale	15	**51,365**	-
Inventories	16	**12,363**	**14,318**
Trade debts and other accounts receivable		**261,829**	**262,837**
Trade and service provision clients	11.13	218,935	221,865
Clients, companies based on the Equity Method	11.13	5,312	6,567
Miscellaneous debtors	11.13	17,362	26,826
Staff	11.13	1,578	1,331
Current tax assets	26	3	146
Other credits with Public Administrations	13, 26	18,590	6,057
Receivables from Shareholders		49	45
Short-term investments in Group and associated companies		**2,600**	**2,234**
Credits to companies based on the equity method	10, 11, 32	2,600	2,230
Other financial assets		-	4
Short-Term Financial Investments	11, 12, 13	**26,516**	**16,459**
Short-term prepayments	11	**18,003**	**13,462**
Cash and Other Equivalent Liquid Assets	11, 13, 17	**84,443**	**60,052**
TOTAL ASSETS		**700,495**	**649,140**

Notes 1 to 36 and Addenda I, II and III of the attached consolidated report are part of these consolidated financial statements

NET EQUITY AND LIABILITIES	Note	2016	2015
NET EQUITY		**211,573**	**219,473**
Own funds		**239,592**	**246,332**
Share Capital	18	57,492	57,492
Share premium	18	9,327	9,327
Own shares and equity interests		(7,104)	-
Reserves in Parent Company		124,451	138,073
Reserves in consolidated companies		71,202	41,421
Reserves in companies based on the equity method		(21,150)	(15,923)
Profit/Loss for the financial year attributable to parent company		5,374	15,942
Change in value adjustments	19	**(31,285)**	**(30,375)**
Hedging transactions		(27,248)	(27,206)
Translation differences from consolidated companies		(3,804)	(3,279)
Translation differences from companies based on the Equity Method		(233)	110
Subsidies, donations and legacies received	21	**1,933**	**2,056**
Minority Shareholders	20	**1,333**	**1,460**

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2016 AND 2015
(In thousand Euros)

NON-CURRENT LIABILITIES		**147,459**	**176,706**
Long-term Provisions	**23**	**7,176**	-
Long-term debts		**112,452**	**142,263**
Debentures and other marketable securities	**11, 22**	33,319	47,166
Debts with credit entities	**11, 22**	69,015	83,646
Financial lease creditors	**11, 22**	151	165
Derivatives	**14**	2,409	2,701
Other financial liabilities:	**22**	7,558	8,585
Long-term debts with Group and associated companies	**22, 32**	**9,237**	**9,552**
Deferred tax liabilities	**24**	**6,244**	**8,162**
Long-term accruals	**11, 22**	**12,350**	**16,729**
CURRENT LIABILITIES		**341,463**	**252,961**
Liabilities related to non-current assets held for sale	**15**	**14,289**	**-**
Short-term provisions	**23**	**1,180**	**1,292**
Short-term debts		**103,665**	**76,920**
Debentures and other marketable securities	**11, 22**	1,170	1,656
Debts with credit entities	**11, 22**	56,475	41,210
Financial lease creditors	**11, 22**	194	471
Other financial liabilities:	**22**	45,826	33,583
Short-term debts with group and associated companies	**11,22,32**	**143**	**112**
Trade debtors and other accounts payable		**222,095**	**174,534**
Suppliers	**11, 22**	177,245	131,338
Suppliers, group and associated companies	**11, 22, 32**	4	1,796
Miscellaneous creditors	**11, 22**	416	208
Staff	**11, 22**	3,417	3,039
Current tax liabilities	**26**	1,522	1,542
Other debts with Public Administrations	**26**	11,117	12,743
Advance payments from customers	**11, 22**	28,374	23,868
Short-term prepayments		**91**	**103**
TOTAL NET EQUITY AND LIABILITIES		**700,495**	**649,140**

Notes 1 to 36 and Addenda I, II and III of the attached consolidated report are part of these consolidated financial statements

CONTINUING OPERATIONS	**Note**	**2016**	**2015**
Net Turnover		**347,159**	**376,252**
Sales	**25**	343,476	371,553
Service provisions		1,852	2,213
Financial income for concession agreements		1,831	2,486
Finished products and goods-in-process inventory variations		**(227)**	**(47,431)**
Work carried out by the company for its assets		**203**	**588**
Supplies	**25**	**(212,038)**	**(193,514)**
Consumption of goods		3	(103)
Consumed raw materials and other consumables		(67,212)	(84,528)
Works performed by other companies		(144,829)	(108,351)
Impairment of goods, raw materials and other supplies		-	(532)
Other operating income		**265**	**739**
Casual income and other current operating income		252	598
Operating subsidies included in the profit/loss of the financial year		13	141
Personnel expenses	**25**	**(70,846)**	**(69,097)**
Wages, salaries and similar payments		(55,530)	(54,252)
Social security contributions		(15,316)	(14,845)
Other operating expenses		**(35,793)**	**(32,708)**
External services		(33,154)	(30,884)

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2016 AND 2015
(In thousand Euros)

Taxes		(2,873)	(2,602)
Losses, impairment and variation in provisions for trade transactions		234	778
Depreciation of fixed assets	**7, 8, 9**	**(5,683)**	**(4,050)**
Allocation of subsidies related to non-financial fixed assets		**5**	**18**
Impairment and profit/loss due to disposal of fixed assets	**8**	**187**	**906**
Other results		**3,170**	**1,801**
OPERATING PROFIT/LOSS		**26,402**	**33,504**
Financial income		**3,771**	**4,748**
Financial expenses		**(17,088)**	**(17,036)**
Variation in fair value of financial instruments		**360**	**(791)**
Exchange differences		**2,295**	**(2,240)**
Impairment and losses on disposal of non-current assets		**604**	**(200)**
Other financial income and expenses		**-**	**366**
FINANCIAL PROFIT/(LOSS)	**27**	**(10,058)**	**(15,153)**
Profit/(Loss)-sharing of companies based on the Equity Method		**(5,733)**	**(801)**
Impairment and profit/losses due to loss of significant influence		**-**	**(96)**
Negative difference of consolidation based on the Equity Method		**11**	**53**
PROFIT/LOSS BEFORE TAXES		**10,622**	**17,507**
Profit Tax	**26**	**(5,649)**	**(1,573)**
PROFIT/LOSS OF THE FINANCIAL YEAR ARISING FROM CONTINUING OPERATIONS		**4,973**	**-**
DISCONTINUED OPERATIONS			
Profit (loss) for the year from continuing operations	**15**	**387**	**-**
FINANCIAL YEAR CONSOLIDATED PROFIT/LOSS		**5,360**	**15,934**
Profits attributed to parent company		5,374	15,942
Profits attributed to minority shareholders		(14)	(8)

Notes 1 to 36 and Addenda I, II and III of the attached consolidated report are part of these consolidated financial statements.

		2016	**2015**
Financial Year Consolidated Profit/Loss		**5,360**	**15,934**
Income and expenses directly attributed to equity.			
Arising from cash flow hedge		(8,687)	(11,870)
From subsidiaries	*14*	*(813)*	*(589)*
From companies based on the Equity Method		*(7,874)*	*(11,281)*
Subsidies, gifts and bequests received.	21	-	141
Translation differences.		(1,235)	(2,948)
Tax effect.		2,599	800
Total consolidated net income and expenses directly attributed to equity		**(7,323)**	**(13,877)**
Transfers to consolidated profit and loss account.			
Arising from cash flow hedge		8,650	8,711
From subsidiaries	*14*	*930*	*588*
From companies based on the Equity Method		*7,720*	*8,123*

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2016 AND 2015
(In thousand Euros)

Subsidies, gifts and bequests received.	21	(164)	(308)
Tax effect.		(2,254)	(2,252)
Total transfers to the consolidated profit and loss account		**6,232**	**6,151**
TOTAL CONSOLIDATED RECOGNISED INCOME AND EXPENSES		**4,269**	**8,208**
Total income and expenses allocated to parent company		**4,339**	**8,235**
Total income and expenses allocated to minority shareholders		**(70)**	**(27)**

Notes 1 to 36 and Addenda I, II and III of the attached consolidated report are part of these consolidated financial statements.

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2016 AND 2015
(In thousand Euros)

	Declared Capital (Note 18)	Share premium (Note 18).	Reserves and Profit/loss for previous financial years (*) (Note 18)	Own shares in equity (Note 18)	Profit/loss of the Parent Company (Note 18)	Adjustments in value adjustments (Not e 19)	Subsidies (Note 21)	Minority Shareholders (Note 20):	TOTAL
A) Final Balance for Financial Year 2014	**57,492**	**9,327**	**177,015**	**-**	**(7,044)**	**(22,792)**	**2,180**	**1,883**	**218,061**
B) Adjusted balance, beginning of year 2015	**57,492**	**9,327**	**177,015**	**-**	**(7,044)**	**(22,792)**	**2,180**	**1,883**	**218,061**
I. Total recognised income and expenses.	-	-	-	-	15,942	(7,583)	(124)	(27)	8,208
II. Transactions with shareholders or owners.	-	-	(4,602)	-	-	-	-	(369)	(4,998)
Distribution of dividends.	-	-	*(4,602)*	-	-	-	-	-	*(4,602)*
Other transactions with shareholders or owners.	-	-	-	-	-	-	-	*(396)*	*(396)*
III. Other changes in equity.	-	-	(8,842)	-	7,044	-	-	-	(1,798)
C) Final Balance for Financial Year 2015	**57,492**	**9,327**	**163,571**	**-**	**15,942**	**(30,375)**	**2,056**	**1,460**	**219,473**
D) Balance beginning of year 2016	**57,492**	**9,327**	**163,571**	**-**	**15,942**	**(30,375)**	**2,056**	**1,460**	**219,473**
I. Total recognised income and expenses.	-	-	-	-	5,374	(910)	(123)	(70)	4,271
7II. Transactions with shareholders or owners.	-	-	(4,602)	(7,104)	-	-	-	(56)	(11,763)
Distribution of dividends.	-	-	*(4,602)*	-	-	-	-	-	*(4,602)*
Other transactions with shareholders or owners.	-	-	-	-	-	-	-	*(56)*	*(56)*
Transactions involving treasury shares	-	-	-	*(7,104)*	-	-	-	-	*(7,104)*
III. Other changes in equity.	-	-	15,534	-	(15,942)	-	-	-	(408)
E) Final Balance for Financial Year 2016	**57,492**	**9,327**	**174,503**	**(7,104)**	**5,374**	**(31,285)**	**1,933**	**1,333**	**211,573**

(*) This includes reserves in consolidated companies and reserves in companies based on the equity method.

Notes 1 to 36 and Addenda I, II and III of the attached consolidated report are part of these consolidated financial statements.

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT CORRESPONDING TO FINANCIAL YEARS ENDED AS OF 31 DECEMBER 2016 AND 2015

(in thousand Euros)

		Year ended on 31 December	
	Notes	**2016**	**2015**
A) Operating Cash Flow			
1. Financial year profit/loss before taxes		**10,622**	**17,506**
2. Profit/Loss Adjustments:		**21,024**	**18,735**
Depreciation of fixed assets	**7,8,9**	5,683	4,050
Write-downs for impairment	**8**	-	589
Provision variation		(234)	(778)
Allocation of subsidies		(18)	(159)
Results for write-offs and disposals of fixed assets	**8**	(187)	(906)
Results of write-offs and disposal of financial instruments	**27**	(604)	142
Financial income	**27**	(3,771)	(4,748)
Financial expenses	**27**	17,088	17,036
Exchange differences	**27**	(2,295)	2,246
Variation in fair value of financial instruments	**27**	(360)	791
Other Income and Expenses		-	(366)
Profit-sharing of companies based on the Equity Method		5,733	801
Impairment and profit/loss based on the Equity Method		-	96
Negative difference of consolidation		(11)	(53)
3. Changes in working capital		**45,699**	**(3,461)**
Inventories		1,955	(3,790)
Trade and other accounts receivable		(1,008)	65,249
Other current assets		(4,541)	(4,863)
Creditors and other accounts payable		47,581	(48,853)
Other current liabilities		12	(738)
Other non-current assets and liabilities		1,700	(10,466)
4. Other operating cash flows		**(14,195)**	**(13,868)**
Payment of interest		(17,212)	(17,145)
Collection of dividends		339	442
Collection of interests		3,432	4,306
Proceeds (payments) arising from the profit tax		(754)	(1,471)
5. Operating cash flow		**63,150**	**18,912**
B) Investment Activities Cash Flow			
6. Investment payments		**(27,066)**	**(21,564)**
Group and associated companies	**32**	(14,886)	(19,267)
Intangible fixed assets	**7**	(170)	(236)
Property, Plant and Equipment	**8**	(947)	(606)
Real Estate Investments	**9**	(2,099)	(1,348)
Other financial assets		(8,964)	(107)
7. Proceeds from divestment		**154**	**14,978**
Group and associated companies	**32**	-	1,592
Intangible fixed assets	**7**	19	498
Property, Plant and Equipment	**8**	135	454
Real Estate Investments	**9**	-	2,126
Other financial assets		-	10,308
8. Investment activities cash flow		**(26,912)**	**(6,585)**
C) Financing Activities Cash Flow			
9. Proceeds and payments for equity instruments		**(3,728)**	**142**
Acquisition of own equity instruments	**18**	(3,728)	-
Subsidies, gifts and bequests received	**21**	-	142
10. Proceeds and payments for financial liability instruments		**(7,367)**	**10,308**
a) Issue			
Debts with credit entities	**22**	-	62,856
Debt with group and associated companies		-	83
Other debts		13,711	11,996
b) Return and depreciation of			
Debentures and other marketable securities	**22**	(15,117)	-
Debts with credit entities	**22**	634	(59,376)
Debt with group and associated companies		(284)	(66)
Other debts		(6,311)	(5,185)
11. Payments for dividends		**(4,603)**	**(4,603)**
Dividends		(4,603)	(4,603)
12. Financing activities cash flow		**(11,970)**	**5,847**
D) Cash flows related to discontinued operations		**123**	**-**
D) Net increase/decrease in cash or cash equivalents		**24,391**	**18,174**
Cash and cash equivalents at beginning of the financial year	**17**	60,052	41,878
Cash or cash equivalents at the end of the financial year	**17**	84,443	60,052

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT CORRESPONDING TO FINANCIAL YEARS ENDED AS OF 31 DECEMBER 2016 AND 2015

(in thousand Euros)

1. Notes 1 to 36 and Addenda I, II and III of the attached consolidated report are part of these consolidated financial statements. **GROUP COMPANIES**

1.1 Parent Company

ORTIZ Y COMPAÑÍA, S.L. is a Limited Liability Company [Sociedad de Responsabilidad Limitada] incorporated in Spain on 31 January 1961. Subsequently, on 12 February 1971, it became a Corporation [Sociedad Anónima].

On 20 November 1995, the company changed its corporate name for the current one, Ortiz Construcciones y Proyectos, S.A.. The registered address of the company in Madrid was moved from Calle Santa María Magdalena 14 to Avenida Ensanche de Vallecas, 44 by virtue of a resolution of the Ordinary General Meeting held on 24 June 2010.

Its corporate purpose is the one described in its articles of association, which is:

- The procurement, management and execution of all kinds of works and constructions, both public and private.
- Execution of any kind of construction, installation and works aimed at buildings, roads, railways, road networks, tracks, ports, hydraulic works and any other special installation or project.
- Real estate and urban development activities, purchase and sale of real estate property and property development.
- Acquisition, ownership and use of all types of securities for its own account and incorporation of and shareholding in other companies with a similar corporate purpose.

Grupo Ortiz is diversified into five business lines: construction, energy, services, concessions and real estate, among which we find the following operational segments:

- **Construction:** Construction of civil works infrastructure, buildings, railway, water, environment, renovations, engineering and Indagsa industrialised construction system.
- **Energy:** Construction of photovoltaic, wind, thermal-solar and hydraulic power generation plants, high and middle voltage lines, electric substations, as well as maintenance of electro-mechanic installations and energy services.
- **Services:** Maintenance of infrastructure, roads, railways, comprehensive maintenance of buildings, urban and environmental services.
- **Concessions:** Concession operator with wide experience in investment financing, execution design, operation and maintenance.
- **Real Estate:** Equity area. Development and operation of real estate properties for rental and tertiary level products (offices and business premises).

Group companies whose activities are subject to specific environmental requirements have adopted the relevant measures in connection with those aspects, in compliance with applicable regulations in force. Based on the fact that such requirements are not considered to have a significant impact on the equity, financial situation and results of these consolidated annual accounts, this annual report does not include any specific breakdown in this regard.

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT CORRESPONDING TO FINANCIAL YEARS ENDED AS OF 31 DECEMBER 2016 AND 2015

(in thousand Euros)

The financial statements of the parent company Ortiz Construcciones y Proyectos, S.A.U. considered for consolidation purposes were those closed and audited on 31 December 2016. The consolidated financial statements corresponding to financial year 2015 were formulated by the Board of Directors on 16 March 2016 and approved by the General Meeting of Shareholders on 25 May 2016. These financial statements were deposited in the official records of the Business Registry of Madrid.

Consolidated annual accounts were prepared by the directors of the parent company, within the same term established for the preparation of the annual accounts of the parent company.

For the purposes of the drafting of the consolidated financial statements, it shall be construed that there is a group when the parent company has one or more subsidiaries, which are companies over which the parent company has a direct or indirect control. The principles applied in the preparation of the consolidated financial statements of the Group, as well as the consolidation perimeter are detailed in Note 1.2.

Addendum I to these notes contains the identification particulars of the subsidiaries included in the consolidation perimeter using the full integration method.

Addendum I to these notes contains the identification particulars of the associated and multi-group companies included in the consolidation perimeter using the participation method.

On the other hand, both the Parent Company and certain subsidiaries participate in JVs and Consortia; therefore, the balances corresponding to the JVs and Consortia are included in the respective companies by means of the proportional integration of balances corresponding to assets, liabilities, income and expenses. Addendum III includes a list of JVs and Consortia in which Group companies participate.

The main variations in the consolidation perimeter that took place during financial year 2016 are the following:

- Acquisition of the remaining 51% of the participations of Aldigavia, S.A.U and Aldigavia Oficinas S.L.U. reaching a participation of 100%. The Group has acquired the control of these companies exclusively for the purposes of later disposal (Note 15).
- Incorporation of the subsidiary Grupo Ortiz Properties SOCIMI, S.A.
- Incorporation of the subsidiary Ortiz Energy Japan K.K.
- Incorporation of the subsidiary Galindo Subestaciones México S.A.P.I de C.V.
- Incorporation of the subsidiary Ortiz Cocomex, S.A.P.I. de C.V.
- Increase of the share in the associated company Autopistas del Nordeste, S.A.S.
- Increase of the share Fortem Integral, S.L.
- Sale of the share in the associated company Imathia Construcciones, S.R.L.
- Sale of the share in the subsidiary Ortiz Elektra A.D.

The main variations in the consolidation perimeter that took place during financial year 2015 are the following:

- Acquisition of the remaining 50% of the participations of Ortega y Gasset Park, S.L. reaching a participation of 100%.
- Acquisition of the remaining 37.97% of the participations of Águeda Educatis, S.L. and Águeda Educatis Tres Cantos, S.L. reaching a participation of 100%.
- Acquisition of 33.33% of the shares of Imathia Construcciones, S.L.
- Incorporation of the associated company Concesión del Sisga, S.A.S.
- Increase of the participation in the multi-group company Inmuebles Gade, S.L.
- Increase of the participation in the associated company Fortem Integral, S.L.
- Decrease of the participation in the company Ortiz Sport Factory, S.L. from subsidiary to multi-group company.

Likewise, it must be stated that during financial year 2016, the Group has carried out a restructuring of its real-state business for the management of rents by combining those assets and liabilities related to said business under the subsidiary incorporated in 2016 Grupo Ortiz Properties SOCIMI, S.A. Such restructuring has been carried out by means of the following transactions:

- Incorporation of Grupo Ortiz Properties SOCIMI, S.A. by means of spin-off from the parent company Ortiz Construcciones y Proyectos, S.A. and the partial spin-off of the subsidiaries Agrícola El Casar, S.L.U., Ortiz Área Inmobiliaria, S.A.U. and Construcciones Icma Proakis, S.A.U.
- Acquisition by Grupo Ortiz Properties SOCIMI, S.A. to Agrícola El Casar, S.L.U. of its share in the companies Aldigavia, S.A.U. y Aldigavia Oficinas, S.L.U.
- Acquisition by Grupo Ortiz Properties SOCIMI, S.A. to Ortiz Construcciones y Proyectos, S.A. of its share in the subsidiary Ortega y Gasset, S.A.U.

Since those transactions were carried out between the Parent Company and 100% owned subsidiaries, they had no impact whatsoever in the consolidated financial statements of the Group.

The purpose of said restructuring is the disinvestment in the aforementioned business, whose loss of control is highly likely during financial year 2017. Therefore, those assets and liabilities of the subsidiaries belonging to Grupo Ortiz Properties have been classified under headings "Non-current assets held for sale" and "Liabilities related to non-current assets held for sale" of the consolidated balance sheet as of 31 December 2016 and the result of said operations under heading "Discontinued Operations" of the 2016 consolidated profit and loss account (Note 15).

Likewise, in August 2016, before said restructuring operations took place, the Group acquired the control of the companies Aldigavia, S.A.U. and Aldigavia Oficinas, S.L.U., obtaining a share of 100% in said companies for the only purposes of selling them within the framework of the aforementioned operation. Therefore, by virtue of the provisions of note 4.9 below, these companies have not been integrated by means of global integration being recorded as their fair value minus the estimated selling costs under the heading "Non-current assets held for sale" within the consolidated balance sheet.

1.2 Subsidiaries

Subsidiary companies were consolidated using the full consolidation or integration method. Subsidiary companies are those where the parent company holds a majority of voting rights or otherwise where the parent company holds –directly or indirectly– the power to govern its financial and operational policies with the aim of obtaining benefits of its activities. In order to determine the control of these companies, potential voting rights enforceable as of the closing date were taken into account, as applicable.

The breakdown of the Group subsidiaries is included in Addendum I.

The instances based on which these companies are consolidated correspond to the circumstances included in Art. 2 of the NOFCAC (Formulation Rules for Financial Statements), which are set out below:

1. When the parent company falls into any of the following instances in relation to another (subsidiary) company:
    a. The parent company has the majority of voting rights.
    b. The parent company is entitled to appoint or remove the majority of members of the governing body.
    c. The parent company may be entitled to the majority of voting rights by means of agreements executed with other partners.
    d. The parent company has designated with its votes the majority of members of the governing body which perform their office when the consolidated financial statements must be formulated and during the immediately previous two financial years. This circumstance is implied when the majority of members of the governing body of the dependent company are members of the governing body or senior managers of the parent company or a company dominated by it.
2. When the parent company has half or less than half of the voting rights, or even when it has almost no participation or no participation at all in another company or when the management power has not been specified (special purpose vehicles), but it participates in the risks and benefits of the entity or it is entitled to participate in the operating and financial decisions of such entity.

All dependent companies close their financial year on the 31 December.

2. ASSOCIATED AND MULTI-GROUP COMPANIES

2.1 Associated Companies

Associated companies are all those companies over which any of the companies included in the consolidation may exercise a significant influence. Significant influence must be construed as the participation in the company by the Group having the power to intervene in financial and operating decisions of such company without the Group having the control.

There are no significant constraints on the capacity of associated companies to transfer funds to the parent company under the form of dividends, debt repayment or advance payments, other than those that may result from the financing contracts of said companies or from their financial situation, and there are no contingent liabilities related to said companies that might have to be assumed by the Group. There are no significant companies where a share exceeding 20% is held that do not use the equity method.

By virtue of Article 155 of the Corporate Act, the Company has notified all these companies that it has more than 10 per cent of the capital, by itself or by means of another subsidiary.

All associated companies close their financial year on the 31 December.

2.2 Multi-Group Companies

Multi-group companies are those managed by the Group together with other companies unrelated to the Group.

The breakdown of the associate companies is included in Addendum II.

All multi-group companies close their financial year on the 31 December.

3. PRESENTATION PRINCIPLES

3.1 True and Fair View

The consolidated financial statements have been prepared based on the accounting records of Ortiz Construcciones y Proyectos, S.A. and the consolidated companies and include the necessary adjustments and reclassifications for the temporary and assessment harmonisation with the accounting criteria established by the Group.

These consolidated financial statements are prepared in accordance with the current business regulations as set out in the Code of Commerce amended by virtue of Act 16/2007, of 4 July, for the reform and adaptation of the business regulations on accounting matters for their international harmonisation based on the regulations of the European Union, Royal Decree 1514/2007, of 20 November, approving the General Accounting Plan, and Royal Decree 1159/2010, of 17 September, approving the rules for the formulation of financial statements, as long as it does not contradict the provisions of the aforementioned business reform, so as to show a true and fair view of the equity, the financial situation and the profit and loss of the Group, as well as the accuracy of the cash flows incorporated in the consolidated cash flow statement.

3.2 Critical Aspects of Assessing and Estimating Uncertainty

The preparation of the financial statements require the use by the Group of certain estimates and opinions regarding future events which are assessed continuously and are based on historical experience and on other factors, including future events expectations deemed reasonable given the relevant circumstances.

Resulting accounting estimates, by definition, do not always match the corresponding actual results. There follows an explanation regarding those estimates and opinions with a significant risk of giving rise to a material adjustment in the accounting values of assets and liabilities within the following financial year.

3.2.1. Fair value of derivatives or other financial instruments

The fair value or financial instruments which are not traded in active markets (for example, traded outside the official market) is established by applying assessment techniques. The Group applies its own criteria in order to select a number of methods and obtain hypothesis which are mainly based on the existing market conditions on the date corresponding to each balance. The Group has used discounted cash flow analysis for several exchange rate contracts which are not traded in active markets.

3.2.2. Estimated loss due to goodwill impairment

The Group verifies annually whether the goodwill has suffered any loss due to value impairment in accordance with the accounting policy set out in Note 4.7. The recoverable amounts of cash generating units (CGU) have been established based on calculations of the value in use. These calculations require the use of estimates (Note 7).

3.2.3. Recognition of Income

For the recognition of results for works contracts, within the general criteria of the performance percentage established by the adaptation of the General Account Plant to construction companies, the Group applied the so-called “schedule of values” which consists of the valuation of work units executed at the prices established in the contract.

The records of the Group confirm that its estimations are adequate and fair.

3.2.4. Useful life of tangible and intangible assets

The management of the Group establishes the useful lives and the corresponding charges for its tangible and intangible assets. Useful lives of tangible fixed assets are calculated in relation to the period in which those elements are expected to make economic profit. At year-end, the Group reviews the useful lives and in the event estimations differ from those previously made, the effect of changes are prospectively allocated from the financial year to which the relevant change applies.

3.2.5. Profit tax

The Group is subject to profit tax in many jurisdictions. The proper set of criteria is necessary in order to establish the provision for the profit tax at a global level. There are many transactions and calculations for which the final determination of the tax is unsure during the ordinary course of the business. The Group recognises liabilities for eventual tax claims based on whether additional taxes are estimated to be necessary. When the final tax result of these matters is different from the amounts initially recognised, such differences shall affect the tax on profits and the provisions for deferred taxes in the financial year during which such calculation is carried out.

The calculation of the profit tax requires interpretation on the tax regulations applicable to the Company. Besides, there are several factors, mainly -and non-exclusively- associated to changes in tax regulations and changes in the interpretations of the tax laws currently applicable, which require the carrying out of calculations by the management of the Company.

When the final tax result is different from the amounts initially recognised, such differences shall affect the tax on profits and the provisions for deferred taxes in the financial year during which such calculation is carried out. In this sense, there are no significant aspects subject to calculations that may have a relevant impact on the position of the Company.

The Group management assesses the recovery capacity of deferred taxes based on estimates of future tax results analysing whether they will have the capacity of generating sufficient profit on the periods where such deferred taxes are deductible. Deferred tax assets are registered when their future recoverability is likely. The recording and recoverability of the deferred tax assets is assessed upon generation and subsequently at each balance date in accordance with the evolution of the results foreseen in the Group's business plan. The management considers that the recovery of deferred tax assets registered by the Group is likely; however, estimations may change in the future as a result of changes in tax regulations or due to the impact of future transactions on tax balances.

Even though these estimates were made by the management with the most accurate information available at the end of the financial year by applying its best calculations and knowledge of the market, it is possible that eventual future events require the amendment of such calculations by the Group during subsequent financial years.

3.2.6. Fair value of real estate investments and stocks

The best evidence of the fair value of real estate investments and stocks in an active market is the price of similar assets. If such information is not available and given the current market situation, the Group establishes the fair value by means of an interval of fair value. For the establishment of the fair value, the Group uses a number of sources, including:

- Current prices in an active property market of a different nature, condition or location, adjusted in order to show the differences with those assets owned by the Group.
- Recent prices or properties in other less active markets, adjusted to show the relevant changes in the financial conditions from the day of the operation.
- Cash flow discounts based on estimations arising from the conditions of current lease agreements and, if possible, arising from the evidence of market prices of similar properties in the same location and state, by means of the application of discount fees which will reflect the uncertainty of the time factor.

There are no major uncertainties or risks that may imply significant changes in the short-term future value of assets and liabilities.

3.2.7. Provisions

Provisions are recognised when a present obligation, arising as a consequence of past events, is likely to cause an outflow of resources and the amount of the obligation may be estimated in a reliable manner. In order to comply with the requirements of the accounting regulations, significant estimations are necessary. The Group management makes estimations by assessing all the relevant events and information, the likelihood of occurrence of contingencies and the amount of the liability to be settled in the future.

During this financial year, no significant change in the accounting estimations causing amendments in the amounts or classifications of this financial year has been carried out.

3.3 Grouped Items

For the purposes of facilitating understanding of the balance sheet, the profit and loss account, the statement of changes in equity and the consolidated cash flow statement, these financial statements are presented in groups while the required analyses are included in the corresponding notes of the report.

3.4 Operating Company.

The consolidated financial statements have been prepared based on the operating company principle, which takes into account that the Group will realise its assets and settle its undertakings during the ordinary course of its operations.

3.5 Changes in accounting criteria.

The Group, pursuant to the conceptual accounting framework set out in the General Accounting Plan, once it has adopted a criterion for the application of generally accepted accounting principles keeps said criterion in a uniform manner in time, as long as the reasons behind the choice of the criterion remain unchanged, and always considering that any change to said criteria must have the principle of a true and fair view as its main point of reference.

4. RECOGNITION AND MEASUREMENT ACCOUNTING RULES

4.1 Subsidiaries

4.1.1. Control acquisition

The acquisition by the parent company (or another Group company) of the control of a subsidiary constitutes a business combination which is recognised following the acquisition method. This method requires the acquiring company to recognise, on the acquisition date, those identifiable assets acquired and liabilities undertaken in a business combination, as well as, where appropriate, the corresponding goodwill or negative difference. Subsidiaries are consolidated from the date on which their control is transferred to the Group and they are excluded from the consolidated on the date such control ceases.

The acquisition cost is established as the additions of the fair values, on the acquisition date, of the assets delivered, liabilities incurred or undertaken and equity instruments issued by the acquiring party and the fair value or any contingent consideration depending on future events or on the compliance with certain conditions which must be registered as an asset, a liability or net equity according to its nature.

Expenses related to the issue of equity instruments or financial liabilities delivered are not a part of the business combination cost, being registered in accordance with the regulations applicable to financial instruments (Note 4.13). Fees paid to legal advisers or other professionals taking part in the business combination are recorded as expenses as incurred. Those expenses generated internally for these concepts are not included in the cost of the combination nor are those, if any, incurred by the entity acquired.

The surplus, on the acquisition date, of the cost of the business combination, on the proportional part of the value of the identifiable assets acquired minus the cost of the liabilities undertaken representing the participation in the share capital of the company acquired is recorded as goodwill. In the exceptional situation that the amount exceeded the cost of the business combination, the surplus will be recorded in the consolidated profit and loss account as income.

4.1.2. Consolidation Method

Assets, liabilities, income, expenses, cash flows and other items of the financial statements of the companies of the Group are incorporated to the consolidated statements of the Group using the full integration method. This method requires the following:

a. Temporary harmonisation. The consolidated financial statements are established on the same date and period as the financial statements of the company require to consolidate. The inclusion of the companies the year-end of which is different, will be carried out by means of intermediate statements referred to the same date and period as the consolidated statements.

b. Assessment harmonisation. Elements corresponding to assets and liabilities, income and expenses and other items of the financial statements of the Group companies have been assessed using uniform methods. Elements corresponding to assets and liabilities, or those items corresponding to income or expenses assessed according to non-uniform criteria in relation to those applied in the consolidation are re-assessed, applying the necessary adjustments, for the sole purposes of consolidation.

c. Aggregation. The different items of the individual financial statements previously harmonised are aggregated based on their nature.

d. Elimination investment-net equity. The book values representing equity instruments of the subsidiary owned, whether directly or indirectly, by the parent company, are compensated by means of the proportional part of the net equity items corresponding to the aforementioned subsidiary attributable to said participations, generally, on the basis of the values resulting from the application of the acquisition method previously described. For consolidations after the financial year in which the control was acquired, the surplus or lack of net equity generated by the subsidiary from the acquisition date attributable to the parent company, is included in the consolidated balance sheet within the items 'reserves' or 'adjustments for changes in value', based on their nature. The part attributable to minority shareholders is recorded in item 'minority shareholders'.

e. Participation of minority shareholders. The assessment of minority shareholders is carried out based on its effective participation on the net equity of the subsidiary once the previously mentioned adjustments are applied. The consolidated goodwill may not be attributed to minority shareholders. The surplus between losses attributable to minority shareholders of a subsidiary and the portion of net equity proportionally corresponding to them is allocated to them, even though it may imply a debit balance in such item.

f. Elimination of intra-group items. Credits and debts, income and expenses and cash flows among Group companies are fully eliminated. Likewise, all profit and losses caused by internal transactions are eliminated and they are deferred until they are realised before third parties unrelated to the Group.

4.1.3. Control loss

When the control of a certain subsidiary is lost, the following rules apply:

a. The recognised benefit or loss is adjusted, for consolidation purposes, in the individual financial statements;

b. If the subsidiary became a multi-group or associated company, it must be consolidated or the equity method must be applied considering, for the purposes of its initial valuation, the fair value of the participation withheld on such date;

c. The participation in the net equity of the subsidiary withheld after the control loss which do not correspond to the consolidation perimeter will be assessed in accordance to the criteria applicable to financial assets (Note 4.9) considering as initial assessment the fair value on the date on which it ceases to fall within the aforementioned perimeter.

d. An adjustment is recognised in the consolidated profit and loss account so as to show the participation of minority shareholders in the income and expenses generated by the subsidiary in the financial year up to the control loss date and in the transfer to the profit and loss account of the income and expenses directly recorded as net equity.

4.2 Associated and Multi-Group Companies

4.2.1. Equity Method

Associated companies are included in the consolidated financial statements using the equity method.

When the equity method is applied for the first time, the participation in the company is assessed according to amount represented by the investment percentage of the Group companies on the net equity of said company, once its net assets have been adjusted to its fair value on the acquisition date of the significant influence.

The difference between the book net value of the participation in the individual statements and the amount mentioned in the previous paragraph constitutes the goodwill included in item "equity method holdings". In the exceptional situation that the difference between the amount based on which the investment has been recorded in the individual statements and the proportional part of the fair value of the net assets of the company was negative, said difference must be registered in the profit and loss account after re-evaluating the allocation of fair values to the assets and liabilities of the associated company.

In general, unless a negative difference arises in the acquisition of significant influence, the investment is initially value at its cost.

The results generated by the company based on the equity method are recognised from the date on which the significant influence is acquired.

The book value of the participation is modified (increases or decreases) in the proportion corresponding to the Group companies, based on the variations experienced in the net equity of the company owned from the initial assessment, once it has been eliminated the proportion of results unrealised generated in transactions between said company and the Group companies.

The highest value attributed to the participation as a consequence of the application of the acquisition method is reduced in subsequent years, charged to the consolidated result or to another relevant item within the net equity and as the corresponding equity elements are depreciated, derecognised or are disposed in favour to third parties. Likewise, the relevant charge to the consolidated results must be applied when losses due to impairment of equity elements of the owned company arise, with the limit of the capital gains allocated to such elements on the date the equity method was first applied.

Variations in the value of the participation corresponding to the profit and losses of the financial year of the owned company are party of the consolidated profit and losses, being therefore included in item "Profit(Loss)-sharing of companies based on the Equity Method". However, if the associated company incurred losses, the reduction of the account representing the investment will be limited based on the book value of the participation calculated using the equity method. If the participation had been reduced to zero, any additional losses and the corresponding liability shall be recognised to the extent legal or contractual liabilities -whether implicit or explicit- had been incurred, or in the event the Group had made payments on behalf of the owned company.

Variations in the value of the participation corresponding to other variations in net equity are shown in the corresponding headings of the net equity based on its nature.

Temporary and value harmonisation is applied to associated investments in the same way applied for subsidiaries.

4.2.2. Modification of the participation

In order to establish the cost of an investment in a multi-group company, the cost of every individual transaction is considered.

In a new acquisition of participations in the company consolidated using the equity method, the additional investment and the new goodwill or consolidation negative difference the will be determined in the same way as for the first investment. However, if in relation to the same owned company a goodwill or a consolidation negative difference arises, such difference must be reduced up to the limit of the implicit goodwill.

In a reduction of the investment implying a reduction in the participation without any loss of significant influence, the new investment is valued based on the amounts corresponding to the participation percentage withheld.

4.3 Intangible Fixed Assets

4.3.1. Concession Agreements

Concession agreements, regulated assets.

The Sectoral Plan for companies holding concession of public infrastructures (in force since 1 January 2011), regulates the processing of service concessions contracts, which are defined as contract by virtue of which the awarding authority commissions the concession holder the construction, including the improvement and operation or just the operation, of infrastructures aimed at the provision of economic public serviced during the term foreseen in the agreement in exchange of a consideration. Any concession agreement shall comply with the following requirements:

- The awarding authority controls or regulated which public services must be provided by the concession holders with the infrastructure, the recipients of the service and their price; and
- The awarding company must control any significant residual participation at the end of the term of the agreement.

In these concession agreements, the concession holder acts as service provider, on the one hand, as provider of construction or improvement services for the infrastructure and, on the other hand, operation and maintenance services during the term of the agreement. The consideration received by the concession holder regarding the construction or improvement service of the infrastructure is recorded according to the fair value of said service, as and intangible fixed asset in those cases in which the right to charge an amount to users for the use of the public service is granted and such right is not unconditional but depending on the effective use of the service by users. The consideration of the construction or improvement service is recorded as an intangible fixed asset within item "Concession agreement, regulated asset" under heading "Intangible fixed assets" based on the intangible fixed asset model according to which the risk of claims is undertaken by the concession holder. The company calculated the depreciation of the concession asset systematically according to the straight-line method during the concession term.

Concession agreement, financial activation.

When the consideration for the construction or improvement services is an intangible fixed asset, financial expenses financing the infrastructure arising from the date the infrastructure is under operating conditions, are activated as long as there is reasonable evidence of their recovery with future income. Activated financial expenses are included in item "Concession agreement, financial activation", which are allocated to profit and losses proportionally to the Economic Financial Plan of the company, since it is foreseen that future income set out in the aforementioned plan will allow for the recovery of such expenses. Regarding the foreseen income, it is established the proportion occupation income represent in relation to the total income for each financial year. Said percentage is applied to the total of financial expenses foreseen for the concession period, in order to determine the amount thereof to be included under each financial year as financial expenses. In the event actual income of said financial year exceeds the one foreseen, the proportion will be calculated between the actual income and the aforementioned total of foreseen occupation income.

4.3.2. Goodwill

The goodwill arises in the acquisition of subsidiaries and it represents the surplus, on the acquisition date, of the cost of the business combination, on the proportional part of the fair value of the identifiable assets acquired minus the cost of the liabilities undertaken representing the participation in the share capital of the company acquired is recorded as goodwill.

On the initial recognition date, the goodwill is assessed according to the criteria set out in Note 4.1.1. After its initial recognition, the goodwill is assessed at its cost minus accumulated impairment losses.

The goodwill is allocated on the acquisition date, to each one of the cash generating units (CGU) or groups of cash generating units of the Group which are expected to benefit from the synergies of the business combination giving rise to such goodwill.

Due to the amendment of Article 39.4 of the Commercial Code for the financial statements corresponding to financial years commencing from 1 January 2016 by virtue of the approval of Act 22/2015, of 20 July, on Account Auditing, the goodwill will be subject to depreciation and its useful life will be, unless otherwise proven, 10 years with a straight-line recovery method.

The amortisation of tangible fixed assets, with the exception of land which is not amortised, is systematically calculated by means of the straight-line method based on their estimated useful lived taking into account the depreciation effectively applicable due to their operation and use.

Cash generating units (or groups of cash generating units) to which the goodwill has been allocated are subject, at least annually, to a verification of the value impairment and, if appropriate, the relevant expense is recorded in the profit and loss account due to the corresponding valuation correction.

Impairment losses related to goodwill are not subject to reversals in subsequent financial years.

4.3.3. Research and development expenses

Research expenses are recorded as expenses as they are incurred, whereas development expenses incurred during a project are recorded as intangible fixed assets if such development is feasible from a technical and commercial perspective, the necessary technical and financial resources for its completion are available, costs incurred may be reliably established and the generation of profits is likely.

Other development expenses are recognised as expenses when they are incurred. Development costs previously recorded as expenses may not be recorded as assets in a subsequent financial year. Development costs with a finite useful life which are activated, are depreciated using the straight-line method for each project, without exceeding 5 years.

If the useful life of developing expenses exceeded 5 years, the circumstances leading to such circumstance must be accounted for.

When the book value of a certain asset exceeds the corresponding estimated recoverable amount, its value is immediately reduced up to its recoverable amount (Note 4.7).

In the event that the favourable circumstances of the project which allowed for the capitalisation of the development expenses vary, the portion pending depreciation is recorded in the profit and loss account of the financial year in which said circumstances vary.

4.3.4. Licenses and trademarks

As of 31 December 2016 and 2015, within the item 'intangible fixed assets' of the Group, there are certain production licenses and trademarks which are valued at their acquisition value, without having applied on them any depreciation. We consider that this kind of asset has and indefinite useful life since, based on an analysis of all relevant factors, there is no foreseeable limit of the period throughout which it is expected that the asset generates entries of cash net flows for the company.

4.3.5. Computer software

Licenses for computer software acquired to third parties are capitalised on the basis of the costs incurred in order to acquire them and prepare them for the use of the specific programme. These costs are amortised over their estimated useful lives (4 years).

Expenses related to the maintenance of computer software are recognized as a expense when they are effectively incurred. Costs directly related to production of computer software identifiable and controlled by the Group which are expected to generate financial profit exceeding such costs during more than a year are recognized as intangible fixed assets. Direct costs include expenses of personnel developing such computer software and the proper percentage of general expenses.

4.4 Fixed Assets

Items corresponding to tangible fixed assets are valued according to their purchase price or production price minus the aggregated depreciation and aggregated amount of those losses registered.

The amount of the works carried out by the Group for its own fixed assets is calculated by adding to the acquisition price of the consumable materials, direct or indirect costs attributable to said assets.

Costs for the extension, upgrade and improvement of tangible fixed assets are allocated as assets with the highest value of the asset exclusively when they mean an increase in their capacity, performance or extension of their useful lives, and as long it is possible to estimate or to know the accounting value of the elements which are written off from the inventory due to replacement.

Costs corresponding to major repairs are recognised and amortised during their estimated useful life whereas recurring maintenance costs are allocated to the consolidated profit and loss account during the financial year in which they are incurred.

The amortisation of tangible fixed assets, with the exception of land which is not amortised, is systematically calculated by means of the straight-line method based on their estimated useful lived taking into account the depreciation effectively applicable due to their operation and use.

The depreciation coefficients applied in financial years 2016 and 2015 to those elements comprising the tangible fixed assets accounts are:

	Estimated years of useful life

Buildings	50
Technical Installations	4-10
Machinery and tools	7-8
Furniture	10
Data-processing equipment	5
Transport elements	6

The residual value and the useful life of assets is review and adjusted, where applicable, as of the date of preparation of the corresponding statement.

When the book value of a certain asset exceeds the corresponding estimated recoverable amount, its value is immediately reduced up to its recoverable amount (Note 4.7).

Profit and loss related to the sale of tangible fixed assets are calculated by comparing income obtained for the sale to the book value and they are recorded in the consolidated profit and loss account.

4.5 Real Estate Investments

Real estate investments include office buildings purchased which are maintained for the obtaining of long-term debts which are not occupied by the Group.

Elements included under this heading are recognised at their acquisition cost minus their corresponding accumulated depreciation and the relevant impairment losses experienced.

For the calculation of the depreciation of real estate investments we use the straight-line method based on the useful life years estimated for them, which amounts to 50 years.

4.6 Costs for Interests

Financial expenses directly attributable to the acquisition or construction of fixed assets which require a term exceeding a year in order to be used are allocated according to its value until the moment they are available for operation.

4.7 Losses due to Impairment of the Value of Non-Financial Assets

Assets with an indefinite useful life, such as the goodwill, are not subject to depreciation and they undergo impairment tests on a yearly basis. Assets subject to depreciation are subject to impairment tests as long as any event or change in circumstances imply that the book value may not be recoverable. Impairment losses are recognised for the excess of the book value of the asset on its recoverable amount, being such recoverable amount as the fair value of the asset minus sales costs or the value in use, whichever is the highest. For the purpose of assessing impairment losses, assets are grouped according to the lowest level for which there are cash flows that can be identified separately (cash generating assets). Non-financial assets, other than goodwill, which had suffered certain impairment losses are subject to reviews on each balance date to verify whether reversion of the loss had occurred.

4.8 Swaps

In those cases in which tangible or intangible fixed assets or real estate investments are acquired by means of commercial swaps, they are recognised at the fair value of the asset delivered plus the monetary compensations delivered in exchange, but for those cases in which there are clearer evidences of the asset received and with such limit. For these purposes, the Group considers that a certain swap has a commercial nature when the configuration of the cash flows of the intangible fixed asset received differs from the configuration of the cash flows of the asset delivered or the current value of the cash flows after taxes corresponding to the activities affected by the swap is modified. Besides, any of the aforementioned differences must be significant in relation to the fair value of the assets exchanged.

If the swap was not commercial or the fair value of the elements of the transaction cannot be established, the asset received is recognised at the book value of the assets delivered plus the monetary compensations delivered, with the limit of the fair value of the good received if it is lower as long as it is available.

4.9 Non-current assets (disposable groups) held for sale and liabilities related to non-current assets held for sale

Non-current assets are classified as held for sale when it is considered that their book value is being recovered by means of a sales operation rather than by means of their continuing use. This condition is deemed to be complied with when the sale is highly likely and it is available for immediate sale in its current conditions and it is foreseeable that the sale is to be completed within a term of one year from its classification date. These assets are valued at the lowest amount among their book value and the fair value minus the necessary costs for their disposal and they are not subject to depreciation.

Likewise, the Group include within this heading those companies acquired exclusively for the purpose of their later disposal whenever the requirements set forth in the previous paragraph are met. Under these circumstances, the disposable group will be valued at its fair value minus the estimated selling expenses.

Discontinued activities are those components of the Company that had been sold, disposed of by any other means or classified as held for sale. Likewise, they represent a significant business line or geographic area of the operations, they are part of a separate plan or they are subsidiaries acquired exclusively for their subsequent sale. The results generated by discontinued activities are included in a single specific line within the profit and loss account.

4.10 Financial assets

4.10.1. Loans and Items Receivable

Loans and items receivable are non-derivative financial assets with fixed or determinable collections which are not listed in an active market. Current assets are included in this group, except for maturities over 12 months from the date of the balance, in which case they must be classified as non-current assets. Loans and items receivable are included in "Credits to companies" and "Trade debtors and other accounts receivable" in the balance sheet. These financial assets are initially valued at their fair value, including those operation costs directly attributable and then at the depreciated cost recognising interests accrued based on their effective interest rate where this must be construed as the capitalization rate balancing the book value of the relevant instrument with the total amount of its corresponding estimated cash flows up to their maturity. Notwithstanding the foregoing, credits from trade operations with a maturity not exceeding a year are valued both at their initial recognition time and, subsequently, at their nominal value as long as the effect arising from the lack of updating of the cash flows is not significant.

At least at year end, all necessary valuation corrections due to impairment are applied if there is objective evidence of the fact that not all of the amounts owed are going to be collected.

The amount of the impairment loss is the difference between the book value of the asset and the current value of the estimated future cash flows, discounted at the effective interest rate at the time of initial recognition. Value adjustments, as well as, where appropriate, their reversion, are allocated in the consolidated profit and loss account.

4.10.2. Held-to-Maturity Investments

Held-to-maturity financial assets are debt securities with fixed or determinable collections and a set maturity which are negotiated in an active market and which the management of the Group has the effective intention and the capacity of holding until their maturity. If the Group sold an amount which as not insignificant of held-to-maturity financial assets, the whole category would be reclassified as available for sale. These financial assets are included in item 'non-current assets', except for maturities over 12 months from the date of the balance, which are classified as current assets.

Valuation criteria for these investments are identical to those for loans and other receivables.

4.10.3. Financial assets held for trading and other financial assets at fair value with changes in the profit and loss account:

All those assets held for trading which are acquired for the purposes of being sold in the short-term or which are part of a financial instrument portfolio jointly identified and managed so as to obtain short-term profits shall be considered financial assets at fair value with changes in the profit and loss account, as well as those financial assets so recorded by the Group at their initial recognition time for the inclusion within this category since that information would be more relevant. Derivatives are also classified as 'held for trading' as longs as do not refer to a financial guarantee agreement or have been recognised as hedging instruments.

These financial assets are valued, both initially and subsequently, at their fair value, recording any relevant change in value in the profit and loss account of the financial year. Transaction costs directly attributable to the acquisition shall be allocated to the consolidated profit and loss account of the financial year.

4.10.4. Financial assets available for sale

This category include debt security and equity instruments of other companies that have not been classified in any of the above categories. They are included as non-current assets unless the managements intends to dispose of the investment in the 12 months following the date of the consolidated balance sheet.

They are recognised at their fair value, recording the changes directly affecting the net equity until the relevant asset is disposed of or depreciated, moment in which the profits and losses accumulated in net equity are allocated to the consolidated profit and loss account, as long as it is possible to determine the aforementioned fair value. Otherwise, they are recorded at their cost minus value impairment losses.

Regarding financial assets available for sale, valuation corrections are made if there is objective evidence that their value has been impaired as a result of a reduction or delay in the estimated future cash flows in the case with debt instruments acquired or due to a lack of recoverability in the book value of the asset in the case with investments in equity instruments. Valuation correction is the difference between its cost or depreciated cost minus, when applicable, any valuation correction recognised in the profit and loss account and the fair value in the moment the valuation is made. In the case of equity instruments assessed at their cost since their fair value cannot be established, the valuation correction of their value is calculated as the difference between their book value and the recoverable amount, which is the higher amount of either their fair value less the sale costs, or the current value of the future cash flows derived from the investment. Except where there is better evidence available on the recoverable amount, for the calculation of the impairment of these investments, the net equity of the owned company is considered, corrected by the tacit capital gains existing on the assessment date. The valuation correction and, as the case might be, its reversion, is recorded in the consolidated profit and loss account of the financial year in which it is made.

If there is objective evidence of the impairment, the Group records in the consolidated profit and loss account those accumulated losses previously recorded in net equity due to the decrease of the fair value. Impairment losses recorded in the profit and loss account for equity instruments are not reverted through the profit and loss account.

Fair values of listed investments are based on current purchase prices. If the market for a financial asset is not an active market (for securities which are not listed), the Group establishes the fair value using assessment techniques including the use of recent transactions between the interested and duly informed parties, references to other instruments which are virtually equivalent, discount methods for estimated future cash flows and price-fixation models for options making the best use of observable data of the market and relying as little as possible on subjective considerations of the Group.

Financial assets are derecognised from the balance sheet when all risks and benefits attached to the ownership of the assets are virtually transferred. Particularly, in the case of the accounts receivable, it is widely understood that assets are derecognised whenever insolvency and default risks have been transferred.

Assets recorded as hedged items are subject to the valuation requirements of hedge accounting (Note 4.11).

4.11 Financial derivatives and hedge accounting

Financial derivatives are values, both at the initial time and during subsequent adjustments, at their fair value. The method for the recognition of resulting profits and losses depends on whether the derivative has been allocated as a hedging instrument or not and, where appropriate, on the type of hedging. The Group classifies certain derivatives as:

4.11.1. Hedging of fair value

Changes in fair value of derivatives designated and qualified as hedges of reasonable value are registered on the consolidated profit and loss account together with any change in fair value of the hedged asset or loss which is attributable to the hedged risk.

4.11.2. Cash flow hedge

The effective part of changes in the fair value of those derivatives which are designated and classified cash flow hedges are temporarily recognised in the net equity. Their allocation to the consolidated profit and loss account is applied during those financial years in which the foreseen hedging operation affects results, unless such hedging corresponds to a foreseen operation which results in the recognition of a non-financial asset or liability, in which case the amounts recorded in the net equity are included in the cost of the asset when purchased or of the liability when incurred.

The profit or loss corresponding to the non-efficient part is immediately recognised on the consolidated profit and loss account.

4.11.3. Hedging of a net investment in foreign business

In hedging operations for net investment in joint businesses with no independent legal personality and branches abroad, changes in the value of the derivatives attributable to hedged risks are temporarily recognised in net equity, being allocated to the profit and loss account in the financial years in which the net investment in the business abroad is disposed of.

Hedging instruments are valued and recorded based on their nature insofar they are, or they are not, efficient hedging.

In the case with those derivatives not eligible for hedge accounting, profit and losses in the fair value of those derivatives are immediately recognised in the consolidated profit and loss account.

4.12 Inventories

Inventories are assessed at their cost or at their realisable net value, whichever the lowest. When the realisable net value of inventories is lower than their purchase cost, the appropriate valuation adjustments will be made and recognised as an expense in the consolidated profit and loss account. If the circumstances causing the value adjustment are no longer applicable, the amount of the adjustment will be subject to reversion and recognised as income in the consolidated profit and loss account.

The cost is established using the weighted average cost. The cost of finished products and goods-in-process include the costs of the design, raw materials, direct labour, other direct costs and general production expenses (based on a standard work capacity of the production means). The realisable net value is the estimated selling price in the ordinary course of the business minis the necessary estimated costs for its completion, as well as, in the case with raw materials and goods-in-process, the necessary estimated costs for the completion of their production.

In the case of those inventories requiring a term over a year in order to be ready for sale include the cost of financial expenses foreseen for the fixed assets (Note 4.6).

Initial expenses, projects and installations are recognised at the acquisition or production cost. Their allocation to the cost of the works is made based on the executed production of such works.

4.13 Equity

The share capital is represented by ordinary shares.

The issue costs for new share or options are directly discounted from the net equity, as a reduction in reserves.

When any company within the Group acquired shares of the Company (own shares), the consideration paid, including any incremental cost directly attributable, is deduced from the equity until its withdrawal, new issue or disposal. When these actions are sold or subsequently issued again, any amount received, net from any incremental cost of the operation which may be directly attributable to it, is included in the equity.

4.14 Financial Liabilities

4.14.1. Debits and Items Payable

This category includes debits from trading operations and debits from non-trading operations. These external resources are classified as current assets, unless the Group has an unconditional right to differ their liquidation during 12 months after the date of the balance sheet.

These debts are initially recognised at their fair value, adjusted by any transaction costs directly attributable, which are subsequently recorded at the depreciated cost using the effective interest rate method. Said effective interest is the discount rate which balances de book value of the instrument with the projected future payments foreseen up to the maturity date of the liability.

Notwithstanding the foregoing, debits from trade operations with a maturity not exceeding a year and which have no contractual interest rate are valued both at their initial recognition time and, subsequently, at their nominal value when the effect arising from the lack of updating of the cash flows is not significant.

In the event that existing debts are re-negotiated, it shall be construed that there are no substantial changes in the financial liability when the lender of the new loan is the same one than the one granting the initial loan and the current value of cash flows, including net commissions, does not differ over 10% of the current value of those cash flows pending payment regarding the original liability calculated according to this same method.

In the case with convertible bonds, the Group establishes the fair value of the liability component by applying the interest rate for similar non-convertible bonds. Such amount is registered as a liability on the basis of the depreciated cost up to its settlement at the time of conversion or maturity. The rest of income obtained is allocated to the conversion option which is recorded in equity.

4.14.2. Financial liabilities held for trading and other financial liabilities at fair value with changes in the profit and loss account

All those liabilities held for trading which are issued for the purposes of being re-acquired in the short-term or which are part of a financial instrument portfolio jointly identified and managed so as to obtain short-term profits shall be considered financial liabilities at fair value with changes in the profit and loss account, as well as those financial liabilities so recorded by the Group at their initial recognition time for the inclusion within this category since that information would be more relevant. Derivatives are also classified as 'held for trading' as longs as do not refer to a financial guarantee agreement or have been recognised as hedging instruments (Note 4.11).

These financial liabilities are valued, both initially and subsequently, at their fair value, recording any relevant value changes in the consolidated profit and loss account of the financial year. Transaction costs directly attributable to the issue shall be allocated to the consolidated profit and loss account of the financial year in which they are incurred.

4.15 Subsidies Received

Refundable subsidies considered refundable are recorded as liabilities until they comply with the conditions to be considered non-refundable, whereas non-refundable subsidies are recorded as income directly attributed to net equity and are recognised as income on a rational and systematic basis correlated to the expenses arising from the subsidy. Non-refundable subsidies received from the partners are directly allocated to own funds.

For these purposes, a subsidy is considered non-refundable when there is a separate granting agreement for the subsidy, all conditions set out for its granting have been complied with and there are no reasonable doubts on its collection.

Monetary subsidies are recognised at the fair value of the amount granted and non-monetary subsidies are recognised at the fair value of the good received, both of them at the time of their recognition.

Non-refundable subsidies related to the acquisition of the intangible fixed assets, tangible fixed assets and real estate investments are allocated as income of the financial year proportionally to the depreciation of the corresponding assets or, as the case may be, when their disposal, valuation adjustment or derecognition is completed. On the other hand, non-refundable subsidies related to specific expenses are recorded in the consolidated profit and loss account of the financial year in which the relevant expenses and the ones granted in order to compensate the operation deficit in the financial year in which they are granted are accrued, unless they are allocated in order to compensate the operation deficit of future years, in which case, they are allocated in said years.

4.16 Current and Deferred Taxes

Expenses (income) arising from the profit tax are the amounts that, in relation to this item, are accrued during the financial year and include the expenses (income) arising from the current tax and the deferred tax.

Both expenses (income) arising from the current tax and from the deferred tax are recorded in the profit and loss account. However, the tax effect related to items which must be recorded in the net equity statement are thus recorded under such heading.

Current tax assets and liabilities are valued at the amounts which are expected to pay or receive from tax authorities in accordance with current regulations or those regulations approved pending publication at year-end.

Deferred taxes are calculated, in accordance with the liability method, based on the temporary differences arising between the tax basis of the assets and liabilities and their corresponding book values.

However, deferred taxes are not recognised if they arise from the initial recognition of a certain asset or liability or, in the case of a liability, from an operation other than a combination of business operations which at the time of the operation does not affect the book value or the tax base of the relevant tax. The deferred tax is established by applying current regulations and tax rates approved or pending approval at the balance sheet date and which is expected to be applied when the corresponding deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are only recognised when it is considered likely that the companies will have future tax gains against which temporary differences may be offset.

Deferred taxes of those temporary differences arising from dependent and associated investment and those of joint business are also recognised with the exception of those cases in which the Group is able to control de reversion time of the temporary differences and it is also likely that such temporary differences are not being reverted in a foreseeable future.

4.17 Provisions and Contingent Liabilities

Provisions for environmental restructuring, restructuring costs, and for legal claims are recognised when the Group has a present obligation, whether legal or implicit, as a result of past events, and it is foreseeable that resources may be necessary for the settlement of the obligation and the amount may be reliable estimated. Restructuring provisions include penalties for lease cancellation and payments for employee dismissal. Provisions for future operating losses are not recognised.

Provisions are valued at the current value of estimated payments for the settlement of the obligation at a pre-tax rate which reflects the assessments in current markets of the temporary value of the money and the specific risks of the relevant obligation. Provision adjustments for updating are recognised as financial expenses as accrued.

Those provisions with a maturity date equal to or under a year with a not significant financial effect, are not discounted.

When part of the payments necessary for the settlement of the provision is reimbursed by a third party, said reimbursement is recognised as an independent asset, as long as its reception is virtually a fact.

On the other hand contingent liabilities are any potential obligations arising as a result of past events, the materialisation of which depends on whether one or more future events beyond the Group's control occur. Said contingent liabilities are not subject to accounting registration so its breakdown is included within the report (Note 28).

4.18 Business Combinations

Merger, split-up and non-monetary contribution operations of a certain business between Group companies is registered according to the provisions set out for operations between related parties (Note 4.25).

Merger and split-up operations other than the previous ones and business combinations arising from the acquisition of all equity instruments of a certain company or part of a company making up one or more businesses are registered according to the acquisition method (Note 4.1).

4.19 Joint Ventures

The Group takes part in several joint businesses which are managed through multi-group companies or operations and assets jointly managed, among which temporary joint ventures (JVs) are included.

Joint businesses managed by means of the incorporation of an independent legal person or jointly controlled companies (multi-group companies) are recorded according to the criteria established in Note 4.2.

Regarding jointly managed assets and exploitations, involving the use of assets and other resources owned by the participants, the Group records its proportional part of the jointly managed and the liabilities jointly incurred based on the participation share, as well as the assets related to the joint exploitation under their control and the liabilities incurred as a consequence of the joint business.

Likewise, the share corresponding to income generated and expenses incurred due to the joint business are recorded in the profit and loss account. Additionally, expenses incurred regarding the participation in the joint business are also recorded.

Unrealized profits or losses arising from reciprocal transactions are eliminated proportionally to participation, as well as amounts from reciprocal cash flows, assets, liabilities, income and expenses.

4.20 Recognition of Income

The turnover include the fair value of the considerations received or to be received for the sale of goods and services in the ordinary course of the Group's activities. The turnover is recorded net from the value added tax, refunds and discounts and once the intra-group sales are eliminated.

The Group recognises income when the amount of such income may be valued in a reliable manner, it is likely that the Group is receiving future financial benefits and all particular conditions for each one of the Group activities are complied with as described below. The amount of income may not be reliably valued until all contingencies related to the purchase are not settled. The estimations of the Group are based on historical results taking into account the type of client, the type of operations and the specific terms of each agreement.

The criteria followed for the recognition of income in each one of the activity areas of the company are:

Construction and Engineering Activities

When the profit/loss of a construction contract may be estimated reliably enough, income and costs associated to such contract are recorded in the profit and loss account as such, with reference to the status of completion of the activity performed by virtue of the contract on the closing date of the balance sheet. For those works in which losses are estimated, in order to prepare an updated budget, the necessary provisions for covering them in full must be made when such circumstance is foreseen.

In order to establish the completion status of a certain contract, the company usually applies the completed work examination criteria. This method may be applied by means of the existence in all contracts, on a general basis, of the following elements:

- A definition of each and every work units that need to be executed in order to complete the works in full;
- The measurement of each one of these work units; and
- The certified price for each one of them.

The execution costs of the works are recorded in the books on an accrual basis, recording as expense those actually incurred during the execution of the work units completed (including those expenses accrued for which the corresponding invoice of the supplier has not been received, in which case the relevant liability associated to those invoices to be received is recorded).

The application of this method for profit recognition is combined with the drafting of a budget, which is performed for each building contract and per work unit. This budget is considered a key element for the management in order to keep a close monitoring of the work units when deviations are found between the budget and the real costs.

In exceptional cases, if it is not possible to make an estimate of the margin for the full contract, the total of costs incurred are recognised herein, while reasonably certain sales related to the works performed are accounted for as income from such contract, up to the limit of the aforementioned costs incurred in the contract.

Throughout the execution of the works, unexpected circumstances may arise which are not foreseen in the main contract and which may imply additional works to be carried out. Changes of the initial contract require the technical approval by the client and subsequently the financial approval allowing, from that moment on, the issue of certificates and the collection of payments for these additional works. On a general basis, we do not record income for these additional works until the client reasonably guarantees their approval; costs incurred for the execution of these works are actually registered as they are actually incurred, regardless of the degree of approval by the clients on the works carried out.

In the event that the amount of the executed work giving rise to each one of the works is higher than the certified amount for each one of them until the closing date, the difference between the two amounts is recorded under heading "Clients and other accounts receivable" in the consolidated balance sheet. If the amount of the executed work giving rise to each one of the works was lower than the amount of the certificates issued, the difference is recorded under the heading "Suppliers" in the consolidated balance sheet.

Those costs estimated for site clearance are registered upon its completion based on the estimation of costs to be incurred for this item; expenses arisen from the completion of the work until its final settlement are charged against the provision registered.

In those cases when, at closing date, there are construction contracts the results of which are negative, estimated losses are registered in the books when it is likely that such losses may be compensated with additional income.

In the event of claims against the client due to construction overruns, the Group will only register the corresponding income when the negotiations have reached an advanced stage and the likelihood that the client accepts this claim is high and its amount may be reliably measured.

Default interests are originated due to a delay in the collection of certifications with Public Administrations and are registered when it is likely that said interests are going to be received and their amount may be reliably measured.

Costs associated to the submission of bids for the awarding of works are charged to the profit and loss account as incurred when it is not likely or it is unknown, when incurred, that the contract will be awarded favourably. Costs related to the submission of bids are included in the cost of the contract when it is likely or known that the contract will be obtained or when it is known that said costs will be reimbursed or included within the income of the contract.

Concession and Service Provision Activities

Multi-Element Contracts

Concessions of public services are contracts between a private operator and the Administration, where the latter grant the private operator the right of supplying public services such as, for example, the supply of water and power or the operation of roads, airports or penitentiaries. The control of the asset remains in the hands of the public sector but the private operator is responsible for the construction of the asset, as well as for the operation and maintenance of the infrastructure. According to the agreement, concessions are classified as intangible fixed assets (whenever the main element is the fact that the concessionaire has the right to receive fees directly from the user of the level of future flows is not guaranteed by the granting entity) or financial assets (in those cases in which the granting entity can guarantee a level of future cash flows).

The Group offers certain agreements by means of which it builds an infrastructure in exchange for the obtaining of a concession for the operation of said infrastructure during a certain period. When these multi-element agreements take place, the amount being recorded as income is defined as the fair value of each one of the contract stages. Income regarding design and construction of the infrastructure is registered based on the criteria set out in previous paragraphs. Income regarding the operation of an intangible fixed asset is registered on an accrual basis as operating income whereas income regarding those cases where it was recorded as financial asset constitute a reimbursement of the principal with an element of interest income. For the characteristics of the main activities of the Group the following rules have been set out:

Car Parks

Within the car parks business divisions the following items must be highlighted:

- Short-Stay Car Parks:

In this case income comes from the use of parking spaces owned by the Group or under the administrative concession regime. Income from short-stay car parks are registered upon the sale of tickets by the hour and, in the case of subscribers, when the relevant instalments are collected.

- Short-stay and residential car parks:

Those car parks containing spaces for short stays and residents, called mixed car parks, register their income, regarding short-stay spaces, as described in the previous paragraph, and regarding spaces for residents, collections received for spaces delivered are registered as a liability and are allocated to the profit and loss account according to the straight-line method during the terms of the corresponding concessions, to the extent that the distributable costs may not be reasonably segregated. In the accounting period during which income is registered, the necessary provisions are made for the covering of those expenses that arise after the relevant deliveries are made. These provisions are made in accordance with the best estimates of the expenses to be incurred and that may only decrease in the event of payments regarding the reason giving rise to the provision or in the event of a decrease in the risk. Once the risk has disappeared or all payments are made, the exceeding provision is reverted. Activated costs are classified under the intangible fixed assets heading.

4.21 Income for Interests

Income for Interest is recognized using the effective interest rate method. When a certain loan or account receivable suffers a loss due to value impairment, the Group reduces the amount in books up to its recoverable amount, which is calculated based on the estimated future cash flows discounted at the original effective interest of the instrument and it keeps updating the account receivable as interest income. Interest income related to loans which have suffered losses due to value impairment are recorded using the original effective interest rate.

4.22 Income for Dividends

Income for dividends is recorded when the right to receive the payment is established.

4.23 Leases

4.23.1. Financial lease - lessee

The Group leases certain tangible fixed assets. Leases of tangible fixed assets in which the Group has virtually all risks and benefits arising from the property are classified as financial leases. Financial leases are capitalised at the beginning of the lease at the fair value of the asset under lease or at the current value of the minimum payments agreed by the lease agreement, whichever the lowest. For the calculation of the current value, the implicit interest rate of the contract is used and, if such amount cannot be established, the interest rate of the Group for similar operations is used.

Each payment for leases is distributed between the liability and the financial charge. The overall financial charge is distributed throughout the lease term and it is recognised under the profit and loss account for the financial year during which it is accrued, using the effective interest rate method. Contingent rents are expenses corresponding to the financial year in which they are incurred. The corresponding obligation for leases, net from financial charges, are included in "Creditors for Financial Leasing". Fixed assets acquired under the financial lease regime are depreciated during its useful life or the duration of the contract, whichever the lowest.

4.23.2. Operating lease - lessee

Leases in which the lessor keeps a major part of the risks and benefits arising from the ownership are classified as operating leases. Payments for operating leases (net from any incentive received from the lessor) are charged to the consolidated profit and loss account of the financial year in which they are accrued on a straight-line basis during the lease period.

4.23.3. Lessor

When assets are leased under financial lease, the current value of rent payments discounted at the interest rate provided by the agreement is recognised as an item receivable (Note 4.10). The difference between the gross amount receivable and the current value of such amount, corresponding to non-accrued interests, are allocated to the consolidated profit and loss account of the financial year in which said interests are accrued following the effective interest rate method.

When assets are leased under operating lease, the relevant asset is include in the consolidated balance sheet based on its nature. Income arising from leases is recognised following the straight-line method during the term of the lease.

4.24 Transactions in Foreign Currency

4.24.1. Operating and presentation currency

The operating currency is the currency of the main economic environment in which the Group operates, that is to say, the currency of the environment in which the Group generates and uses cash.

The consolidated financial statements of the Group are expressed in Euros, which is the operating and presentation currency of the Group.

4.24.2. Conversion of financial statements into a currency other than Euro

The conversion of the financial statements of a Group company the operating currency of which is not the Euro is carried out in accordance with the following rules:

- Assets and liabilities are converted into the exchange rate at closing date, being such rate the average spot rate existing as of that date;
- The items corresponding to net equity, including the profit and loss of the year, are converted into the historical exchange rate;
- The difference between the net value of assets and liabilities and net equity items is included in one of the net equity headings under the title "Translation Differences", if appropriate, net of tax effect and after deducting the part of such difference corresponding to minority shareholders, and
- The cash flows are converted into the exchange rate of the date in which each operation was made or by using a weighted average exchange rate of the monthly period as long as there were no significant variations.

The conversion difference recorded in the consolidated balance sheet is recognised in the consolidated profit and loss account of the period in which it is disposed of by other investment means in the consolidated company.

The historical exchange rate is:

- For net equity items existing on the date of acquisition of the shareholdings to be consolidated: the exchange rate on the date of transition;

- In the case of the income and expenses, included the ones directly allocated to net equity: the exchange rate on the date in which the operation was carried out. If exchange rates had not varied significantly, the weighted average rate of the monthly period will be used, and
- Reserves created following the transaction dates due to retained earnings will be consolidated at the effective exchange rate resulting from the conversion of income and expenses arising from those reserves.

The consolidated goodwill and the adjustments to fair values of assets and liabilities arising from the application of the acquisition method are considered elements of the company acquired, so they are converted into the exchange rate at closing date.

The conversion into Euros of the financial statements expressed in an operating currency corresponding to a hyperinflationary economy is carried out according to the following rules:

- Before their conversion into Euros, balances of the financial statements are adjusted according to the following criteria;
- Assets, liabilities, items within the net equity, income and expenses, are converted into Euros at the exchange rate of the closing date corresponding to the closest balance date;
- Comparative figures are those presented as current amounts corresponding to each year, with the exception of the ones corresponding to the first financial year in which the re-expression needs to be executed and therefore they are not adjusted based on subsequent variations which may have arisen regarding price levels or exchange rates.

As of 31 December 2016 and 2015, none of the group companies had the operating currency of a hyperinflationary economy.

4.24.3. Transactions and balances in foreign currency

Transactions in foreign currency are converted into operating currency by applying the exchange rates currently valid on the date of the transactions. Profit and loss in foreign currency resulting from the settlement of these transactions and from the conversion at closing exchange rates corresponding to the monetary assets and liabilities denominated in foreign currency are registered in the profit and loss account, unless they are different in the equity statement as qualified cash flow hedges and qualified net investment hedges.

Changes in the fair value of monetary bonds denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the depreciated cost of the bond and other changes in the book value of the bond. Translation differences are registered in the profit and loss account of the financial year and other changes in the book value are registered in the equity statement.

Translation differences corresponding to non-monetary items, such as equity instruments held at fair value with changes in the profit and loss account are allocated as part of the profit or loss at fair value. Translation differences corresponding to non-monetary items such as equity instruments classified as financial assets available for sale are included in the equity statement.

4.25 Transactions between Related Parties

In general, all operations between group companies are initially recognised at their fair value. If appropriate, should the price agreed upon be different from the fair value thereof, such difference will be recorded taking the type of economic operation into consideration. Subsequent valuations are made pursuant to the provisions of applicable regulations.

Notwithstanding the foregoing, in the operations the purpose of which is a business which includes the participations in the net equity which grant control over a company constituting a business, the Group follows this criteria:

4.25.1. Non-Monetary Contribution

In non-monetary contributions to a group company, both the contributing company and the acquiring company register the investment at the book value of the equity elements delivered in the consolidated financial statements at the date on which the operation is carried out. For these purposes, the consolidated financial statements of the largest group or sub-group in which the equity instruments are integrated the parent company of which is Spanish are used.

4.25.2. Merger and split-up

For operations between group companies in which the parent company of the group or sub-group intervenes together with its subsidiary, directly or indirectly, equity elements of the business acquired are valued at the amount corresponding to them in the consolidated financial statements of the group of sub-group. The difference arising is charged against the reserves item.

In the case of transactions between other group companies, the equity elements acquired are registered at their book values in the consolidated financial statements of the largest group or sub-group in which they are integrated and the parent company of which is Spanish.

The date for accounting effects of merger and split-up transactions between group companies is the one corresponding to the beginning of the financial year in which the transaction is approved, as long as it is a later date to the incorporation to the Group. If one of the intervening companies in the transaction had become part of the group in the financial year in which the merger or split-up took place, the date of accounting effects will be the one corresponding to the acquisition date.

The comparative information of the previous year is not expressed again in order to reflect the effects of the merger or spilt-up, even though the companies taking part in the transaction were part of the Group during such year.

4.25.3. Capital reductions, allocation of dividends and dissolution

In those cases in which the business in which the reduction of capital is applied, the payment of dividends is agreed and the liquidation share of the partner is cancelled remains within the Group, the assigning company will register the difference between the debt and the book value of the business delivered in the reserves item. The assignee registers the business in accordance with the rules for mergers and split-ups set out in Note 4.25.2.

4.26 Segmented information

4.26.1. Segmentation criteria

The criteria applied when submitting the segmented information of the Group included in the consolidated report have been the following:

Segmentation has been carried out based on business units separating the operating activities corresponding to construction, services, energy, real-estate and concessions (Note 33).

4.26.2. Basis and methodology of the information by segment

Income and expenses allocated to each one of the segments correspond to those directly attributable to the segment so they do not include financial results nor any other type of result other than the ones purely corresponding to operating results. Assets and liabilities of the segments are those directly related to their operations or to the participation in companies devoted to such activity.

Those identifiable components of the Group which are subject to similar risks and performances are identified by means of segmentation.

4.27 Environmental Assets and Liabilities

The consolidated group has no environmental liabilities, expenses, assets, provisions or contingencies that may be significant regarding the equity, the financial situation and its results. In view of the above, specific breakdowns have not been included in this report on the consolidated financial statements, concerning the information on environmental issues.

4.28 Benefits for Employees

Compensation for termination

Compensations for termination are paid to employees as a consequence of the decision of the Group of terminate its employment contract before the standard retirement age or when the employee voluntarily accepts to resign in exchange for these benefits. The Group recognises these benefits when it has undertaken demonstrably to terminate the employment of its employees in accordance with a formal and detailed plan that cannot be revoked or to provide benefits due to termination as a consequence of an offer for encouraging voluntary resignation. Those benefits which are not going to be paid up within twelve months following the balance date are discounted at their current value.

5. MANAGEMENT OF FINANCIAL RISK

5.1 Financial Risk Factors

The activities of the Group are exposed to several financial risks: market risk (including the exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The management programme of the global risk of the Group is based on the uncertainty of financial markets and tries to minimise the potential negative effects on its financial profitability.

(in thousand Euros)

The management of the Group's financial risks is handled by the Finance Management Department, which has established the necessary mechanisms to control exposure to variations in interest rates and exchange rates as well as credit and liquidity risks.

The management risk is controlled by the Treasury Department of the Group, which identifies, assesses and covers financial risks according to the policies approved by the Board of Directors. The Board provides written policies for the management of global risk, as well as for specific areas such as interest rate risk, liquidity risks, use of derivative and non-derivative instruments and investment of liquidity surplus.

a) Market Risk

Exchange Rate Risk

The Group operates at an international level in more than 10 countries and therefore, it is exposed to exchange rate risk due to foreign currency operations. As a consequence of the development of its business activities and operations, the Group is affected by financial risks due to exchange rates which are subject to centralised management.

The management has established a policy so as to manage their foreign currency exchange risk before the operating currency which established several "natural coverage" mechanisms, reinvesting liquidity surpluses in those countries in which it is implemented.

Likewise, in order to control the exchange risk arising from future commercial transactions, recognised assets and liabilities, the Company uses, according to the hedging policy established, forward contracts, negotiated through the Group's Corporate Treasury Department. The exchange risk arises whenever future commercial transactions and recognised assets and liabilities are denominated in a currency other than the operating currency of the Company. The Group's Corporate Treasury Department is in charge of managing the net currency position in each foreign currency using external foreign currency forward agreements.

Exposure to interest rate variations

The interest rate risk of the Group arises mainly from long-term debts with credit entities, which are mostly issued at variable rate, being the Euribor the main reference.

The policy of the Group consists of using interest rate swaps so as to convert into fixed debts the long-term debts with credit entities which can also be applied to debts related to concession projects developed through multi-group and associated companies.

The exposure to variable interest rate as of the end of financial years 2016 and 2015 is as follows:

	Thousand Euros	
Referenced to the Euribor	**2016**	**2015**
Debt at variable interest uncovered by financial derivatives	44,077	43,038
Debt of the Group (*)	159,979	173,678
Debt exposed to interest rate risk (%)	27%	24%

(*) Includes "Debentures and other marketable securities" and "Debts with credit entities".

The Group analyses its exposure to interest rate risk in a dynamic manner considering long-term financing, renewal of current positions and alternative financing. Said risk is not a significant risk taking into account the amounts finance at long-term.

a) Price Risk

The Group is not significantly exposed to price risk on capital securities since there are no significant investments, nor it is exposed to price risk on raw materials since on a general basis the variations in value are efficiently transposed to sales prices by all similar contractors operating within the same industry. The Group reduces and mitigates price risk with policies established by the Management, guaranteeing the production or obtaining at a fixed price of several raw materials with framework agreements.

b) Credit Risk

The credit risk of the Group is mainly related to trade credits. Once the contracts are under execution, the credit quality of the amounts pending collection is periodically assessed and all estimated recoverable amounts are reviewed in relation to those considered bad debts by means of the consolidation of the results of the financial year.

Operations with credit entities included as cash and cash equivalents and other financial assets for short-term deposits with credit entities are purchased with renowned financial entities.

Regarding the balances of item 'Clients and other accounts receivable', a high proportion of such balances refers to transactions with national and international public entities, so the Group considers that the credit risk is very limited. Regarding public sector clients, a significant portion of the balances refer to companies with a high credit rating with which there are no outstanding payments. A follow-up of the global position of item 'Clients and accounts receivable' is frequently made, as well as an individual analysis of the most significant exposures.

c) Liquidity Risk

During financial year 2015, the Group signed a syndicated loan agreement (Note 22) which has allowed to significantly reduce the short-term debt thus minimising the Group's exposure to the liquidity risk.

However, In order to manage the liquidity risk and to cover the different needs for funds, the Group prepares an annual cash budget and a monthly cash prevision, the latter including a daily breakdown and update. Likewise, the company applies a cautious management of the liquidity risk based on the maintenance of a sufficient cash level and the availability of financing by means of a sufficient amount of committed credit facilities and on a sufficient capacity for settling market positions.

Taking into consideration all of the foregoing, as of the date of issue of the financial statements of the company, the Group covers all need for funds so as to comply with every obligation towards suppliers, employees and administration in accordance with the cash flow foreseen for the financial year 2017.

5.2. Assessment of the Fair Value

The fair value of financial instruments being traded in active markets (such as assets available for sale) is based on market prices at the date of the balance sheet. The listing price used for financial assets is the current purchase price.

It is assumed that the book value of credits and debits for commercial transactions is similar to that of their fair value.

6. BUSINESS COMBINATIONS

During financial year 2016, no business combinations within the Group took place.

On 19 October 2015, the Group acquired the control of the company Ortega y Gasset Park, S.L., which operated a car park under the concession regime and which was previously classified as a joint business. The takeover was carried out by means of the purchase of shares corresponding to 50% of the share capital of the company, so the parent Company now owns a participation amounting to 100%.

On 30 November 2015, the Group acquired the control of companies Águeda Educatis, S.L. and Águeda Educatis Tres Cantos S.L.U., companies devoted to real estate activities, which were previously classified as associated companies. The takeover was carried out by means of the purchase of shares corresponding to 50% of the share capital of the company of the Company Águeda Educatis S.L. by the dependent company Ortiz Inmobiliaria, S.L.U., so this company now owns a participation amounting to 100%.

The values corresponding to both business combinations are detailed below:

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT CORRESPONDING TO FINANCIAL YEARS ENDED AS OF 31 DECEMBER 2016 AND 2015
(in thousand Euros)

	ORTEGA Y GASSET PARK	AGUEDA EDUCATIS
Cash and cash equivalents	35	396
Short-Term Financial Investments	27	27
Intangible fixed assets (Note 7)	13,443	-
Inventories (Note 16)	-	31,837
Accounts receivable	9	222
Total Assets	**13,514**	**32,482**
Debits and Items Payable	8,386	19,336
Long-term accruals	3,477	13,131
Net deferred tax liabilities	389	-
Total liabilities	**12,252**	**32,467**
ASSETS AND LIABILITIES AT FAIR VALUE	**1,262**	**15**
Cost of the business combination	631	7
Fair value of the previous participation	631	11
COST OF THE BUSINESS COMBINATION	**1,262**	**18**
Goodwill	**-**	**3**

7. INTANGIBLE FIXED ASSETS

The breakdown of items included under "Intangible fixed assets", with the exception of the consolidated goodwill included below, is the following:

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO FINANCIAL YEARS ENDED AS OF 31 December 2016 AND 2015

A) CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES CORRESPONDING TO FINANCIAL YEARS ENDED AS OF 31 December 2016 AND 2015

(In thousand Euros)

2016	Administrative concessions	Patents, licenses and trademarks	Goodwill	Computer software	Other intangible fixed assets	Advances, concession agreements	Concession Agreement, regulated assets	Concession Agreements, financial activation	Total
31 December 2015:									
Cost	18,322	42	23,300	270	2,290	4,950	24,750	320	73,944
Accumulated Amortisation:	(998)	1	-	(250)	(4)	-	(3,824)	-	(5,075)
Impairment	(298)	-	-	-	-	-	(1,100)	-	(1,398)
Net Book Value as of 31/12/2015	**17,026**	**43**	**23,300**	**20**	**2,286**	**4,950**	**19,826**	**320**	**67,771**
Cost:									
New entries	-	-	-	-	18	-	3,915	147	**4,081**
Disposals	-	-	-	(19)	-	-	-	-	**(19)**
Transfers	(13,684)	-	-	-	-	-	-	-	**(13,684)**
Perimeter variations	-	-	-	-	-	-	-	-	**-**
Other movements	-	-	-	-	-	-	-	-	**-**
Cost as of 31/12/2016	**4,638**	**42**	**23,300**	**251**	**2,308**	**4,950**	**28,665**	**467**	**64,321**
Accumulated amortisation:									
New entries	(202)	-	(2,330)	(12)	(8)	-	(738)	-	**(3,290)**
Disposals	-	-	-	18	-	-	-	-	**18**
Transfers	305	-	-	-	-	-	-	-	**305**
Perimeter variations	-	-	-	-	-	-	(373)	-	**(373)**

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO FINANCIAL YEARS ENDED AS OF 31 December 2016 AND 2015

A) CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES CORRESPONDING TO FINANCIAL YEARS ENDED AS OF 31 December 2016 AND 2015

(In thousand Euros)

Accumulated amortisation as of 31/12/2016	**(895)**	**1**	**(2,330)**	**(244)**	**(12)**	**-**	**(4,935)**	**-**	**(8,415)**
Accumulated depreciation as of 31/12/2016	**(298)**	**-**	**-**	**-**	**-**	**-**	**(1,100)**	**-**	**(1,398)**
Net Book Value as of 31/12/2016	**3,445**	**43**	**20,970**	**7**	**2,296**	**4,950**	**22,630**	**467**	**54,808**

2015	**Administrative concessions**	**Patents, licenses and trademarks**	**Goodwill**	**Computer software**	**Other intangible fixed assets**	**Advances, concession agreements**	**Concession agreement, regulated assets**	**Concession Agreements, financial activation**	**Total**
31 December 2014:									
Cost	1,595	47	23,297	1,302	2,290	10,002	37,251	1,091	76,875
Accumulated Amortisation:	(111)	(4)	-	(1,219)	-	-	(5,137)	-	(6,471)
Impairment	-	-	-	-	-	-	(1,100)	-	(1,100)
Net Book Value as of 31/12/2014	**1,484**	**43**	**23,297**	**83**	**2,290**	**10,002**	**31,014**	**1,091**	**69,304**
Cost:									
New entries	-	-	3	8	-	225	-	157	**393**
Disposals	-	(5)	-	(1,040)	-	-	(508)	(75)	**(1,628)**
Transfers	3,348	-	-	-	-	-	(11,993)	(853)	**(9,498)**
Perimeter variations	13,443	-	-	-	-	(5,277)	-	-	**8,166**
Other movements	(64)	-	-	-	-	-	-	-	**(64)**
Cost as of 31/12/2015	**18,322**	**42**	**23,300**	**270**	**2,290**	**4,950**	**24,750**	**320**	**73.9444**
Accumulated amortisation:									

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO FINANCIAL YEARS ENDED AS OF 31 December 2016 AND 2015

A) CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES CORRESPONDING TO FINANCIAL YEARS ENDED AS OF 31 December 2016 AND 2015

(In thousand Euros)

New entries	(260)	-	-	(71)	(4)	-	(626)	-	**(961)**
Disposals	-	5	-	1,040	-	-	85	-	**1,130**
Transfers	(323)	-	-	-	-	-	1,854	-	**1,531**
Perimeter variations	(304)	-	-	-	-	-	-	-	**(304)**
Accumulated amortisation as of 31/12/2015	**(998)**	**1**	**-**	**(250)**	**(4)**	**-**	**(3,824)**	**-**	**(5,075)**
Accumulated depreciation as of 31/12/2015	**(298)**	**-**	**-**	**-**	**-**	**-**	**(1,100)**	**-**	**(1,398)**
Net Book Value as of 31/12/2015	**17,026**	**43**	**23,300**	**20**	**2,286**	**4,950**	**19,826**	**320**	**67,771**

(In thousand Euros)

Transfers during financial year 2016 correspond to the classification of the car park of Ortega y Gasset Park, S.A.U. under "Non-current assets held for sale" (Note 15).

New registrations of financial year 2016 mainly correspond to the acquisition of the additional 50% of the Reyes Católicos which until then was being operated by means of an UTE (JV).

The breakdown regarding to variations of the perimeter during financial year 2015 correspond to the control acquisition of Ortega y Gasset Park, S.A.U. (Note 6), company operating under the concession regime, a short-stay car park and the loss of control of the company Ortiz Sport Factory, S.L.

Transfers of financial year 2015, mainly correspond to the classification under the concession agreement "Collado Villalba Car Park" under heading "Non-current trade debtors" since it is a financial asset.

Consolidated goodwill

The goodwill was allocated to the cash generating units (CGU) of the Group. There follows a summary in relation to the CGUs for the allocation of the goodwill:

	Thousand Euros	
CGU	**2016**	**2015**
Asteisa Tratamiento de Aguas, S.A.U.	23	26
Construcciones Icma-Proakis, S.A.U.	3,801	4,223
Contratas y Servicios Ferroviarios, S.A.U.	11,662	12,957
Elecor, S.A.U.	5,332	5,925
Impulsa Grup Ortiz, S.L.	12	13
Juan Galindo, S.L.U.	104	116
Ortiz Energía, S.A.U.	8	9
Grupo Ortiz Construcciones México, S.A.	25	28
Águeda Educatis, S.L.U.	3	3
Total	**20,970**	**23,300**

The recoverable amount of the CGU is determined based on the calculations of the value in use. The calculations are used in estimations of cash flows based on financial budgets approved by the Management and which cover a five-year period. Budgets and estimation have been prepared based on sales growth hypotheses in a range between -5% and 15% (2015: between -5% and 15%), margins which are consistent with the reality of the last financial years and a discount rate of 7% (2015: 7.44%), and a growth rate of the residual value amounting to 0% (2015: 0%).

Sensitivity analyses are additionally carried out for this type of goodwill, mainly related to the gross operating margin and the discount rate so as to make sure that possible changes in the estimation do not affect the possible recovery of the registered goodwill. In particular, a pessimistic scenario has been prepared featuring a reduction of the gross operating margin amounting to 100 basic points, which do not cause impairments.

Due to the amendment of Article 39.4 of the Commercial Code for the financial statements corresponding to financial years commencing from 1 January 2016 by virtue of the approval of Act

22/2015, of 20 July, on Account Auditing, the goodwill will be subject to depreciation and its useful life will be, unless otherwise proven, 10 years.

The expense due to the depreciation of the Consolidated Goodwill in financial year 2016 amounted to 2,330 thousand Euros as registered in the consolidated Profit and Loss Account, under heading "Depreciation of fixed assets."

Administrative concessions, concession agreements, patents, licenses and trademarks

The most significant elements included in these headings are the following as of 31 December 2016 and 2015:

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT CORRESPONDING TO FINANCIAL YEARS ENDED AS OF 31 December 2016 AND 2015
(In thousand Euros)

2016	Maturity date	Operating period	Amortisation of the financial year	Cost	Accumulated depreciation	Impairment losses	Boo valu
Reyes Católicos Car Park (1)	25/07/2048	40 years	(218)	7,830	(964)	-	6,86
Alameda Car Park	31/12/2049	40 years	(57)	3,398	(447)	(1,100)	1,85
Iliada Car Park	22/08/2046	40 years	(106)	3,957	(822)	-	3,13
Juan R. Jiménez Car Park	02/02/2046	40 years	(161)	6,026	(1,195)	-	4,83
Pamplona Car Park	29/01/2047	40 years	(106)	3,999	(821)	-	3,17
Andorra II Car Park	16/07/2047	40 years	(91)	3,454	(688)	-	2,76
Photovoltaic Park Universidad Málaga	10/11/2036	25 years	(114)	3,197	(629)	(298)	2,27
"Andrés Torrejón" Pavilion in Móstoles	11/02/2045	30 years	-	4,950	-	-	4,95
			(853)	**36,811**	**(5,566)**	**(1,398)**	**29,84**

2015	Maturity date	Operating period	Amortisation of the financial year	Cost
Reyes Católicos Car Park (1)	25/07/2048	40 years	(109)	3,915
Alameda Car Park	31/12/2049	40 years	(57)	3,398
Iliada Car Park	22/08/2046	40 years	(106)	3,957
Juan R. Jiménez Car Park	02/02/2046	40 years	(161)	6,026
Pamplona Car Park	29/01/2047	40 years	(106)	3,999
Andorra II Car Park	16/07/2047	40 years	(91)	3,454
Photovoltaic Park Universidad Málaga	10/11/2036	25 years	(114)	3,197
Ortega y Gasset Car Park (2)	01/06/2064	50 years	(54)	13,684
"Andrés Torrejón" Pavilion in Móstoles	11/02/2045	30 years	-	4,950
			(798)	**46,580**

(1) In 2015, the car park was operated by the Reyes Católicos JV, in which the parent company had a share of 50%. During financial year 2016, Ortiz Construcciones Proyectos acquired the remaining 50%. Therefore the JV was wound-up and the Group started operating the car park at 100%.

The consolidation perimeter was incorporated in October so only the depreciation corresponding to 2 months in 2015 was included. During financial year 2016, it was re-classified under heading "Non-current assets for sale.

Losses due to impairment of Individual Intangible Fixed Assets

During financial year 2016 and 2015, the Group has not registered or reverted valuation corrections due to impairment for any element corresponding to intangible fixed assets.

Intangible fixed assets located abroad

As of 31 December 2016 and 2015, the Group has no investment in intangible fixed assets related to investments located out of the Spanish territory, or the rights of which may only be exercised outside such territory.

Capitalised Financial Expenses

The Group capitalises those financial expenses incurred into during the financial year regarding the financing for the development of assets under construction as long as such assets are related to those tangible fixed assets with a production cycle over a year. During financial years 2016 and 2015 no capitalisation of interests has arisen.

Intangible fixed assets unrelated to business operations

As of 31 December 2016 and 2015 there are no intangible fixed assets which are not related to business operations.

Fully depreciated intangible fixed assets

As of 31 December 2016 the cost of elements within item 'intangible fixed assets' which are fully depreciated in use comes up to 265 thousand Euros (73 thousand Euros in 2015).

Intangible fixed assets related to guarantees

Intangible fixed assets amounting to 7,084 thousand Euros guarantees loans with credit entities amounting to 5,164 thousand Euros as of 31 December 2016.

Intangible fixed assets amounting to 16,921 thousand Euros guarantees loans with credit entities amounting to 8,310 thousand Euros as of 31 December 2015.

Intangible fixed assets related to reversion

As of 31 December 2016 and 2015, elements within item 'intangible fixed assets' related to reversion are the ones previously listed in section "Administrative concessions, concession agreements, patents, licences and trademarks".

Insurances

The Group has subscribed insurance policies covering those risks intangible fixed assets are subject to. The coverage of such policies is deemed to be sufficient.

8. TANGIBLE FIXED ASSETS

The breakdown and movements of those items included under "tangible fixed assets" during financial years 2016 and 2015 is as follows:

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED REPORT FOR FINANCIAL YEAR ENDED AS OF 31 December 2016
(in thousand Euros)

2016	**Lands**	**Buildings**	**Machinery**	**Technical Installations**	**Other Installations**	**Furniture**	**Tools and Auxiliary Resources**	**Data-processing equipment**	**Transport elements**	**Other fixed assets**	**Assets under construction and advances**	**Total**
31 December 2015												
Cost	6,901	2,904	28,987	2,070	168	648	95	220	2,895	187	-	45,075
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated Amortisation:	-	(781)	(25,759)	(674)	(138)	(439)	(85)	(118)	(2,059)	(110)	-	(30,163)
Net Book Value as of 31/12/2015	**6,901**	**2,123**	**3,228**	**1,396**	**30**	**209**	**10**	**102**	**836**	**77**	**-**	**14,912**
												-
Cost:												-
New entries	-	-	219	-	24	17	-	10	340	38	299	947
Disposals	-	-	-	-	(1)	(55)	-	(7)	(64)	(1)	-	(128)
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Conversion differences	-	-	17	-	-	-	-	1	(14)	4	-	8
Transfers	(5,428)	(1,025)	2,815	(2,196)	-	-	-	-	-	-	-	(5,834)
31 December 2016	**1,473**	**1,879**	**32,038**	**(126)**	**191**	**610**	**95**	**224**	**3,157**	**228**	**299**	**40,068**
												-
Accumulated amortisation:												-
New entries	-	(34)	(1,499)	(189)	(7)	(50)	(4)	(34)	(263)	(21)	-	(2,101)
Disposals	-	-	-	-	1	37		3	(23)	1	-	19
Conversion differences	-	-	(126)	(59)	-	3	-	8	3	(1)	-	(172)
Transfers	-	289	-	1,059	-	-	-	-	-	-	-	1,348
31 December 2016		**(527)**	**(27,384)**	**137**	**(144)**	**(449)**	**(89)**	**(141)**	**(2,342)**	**(130)**	**-**	**(31,069)**
												-
Cost	1,473	1,879	32,038	(126)	191	610	95	224	3,157	228	299	40,068
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated Amortisation:	-	(527)	(27,384)	137	(144)	(449)	(89)	(141)	(2,342)	(130)	-	(31,069)

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED REPORT FOR FINANCIAL YEAR ENDED AS OF 31 December 2016
(in thousand Euros)

Net Book Value as of 31/12/2016	**1,473**	**1,352**	**4,654**	**11**	**47**	**161**	**6**	**83**	**815**	**98**	**299**	**8,999**

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED REPORT FOR FINANCIAL YEAR ENDED AS OF 31 December 2016
(in thousand Euros)

Thousand Euros

2015	Lands	Buildings	Machinery	Technical Installations	Other Installations	Furniture	Tools and Auxiliary Resources	Data-processing equipment	Transport elements	Other fixed assets	Assets under construction and advances	Total
31 December 2014												
Cost	6,901	2,904	31,936	2,111	297	1,343	840	728	3,596	206	-	50,862
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated Amortisation:	-	(720)	(26,498)	(534)	(255)	(1,032)	(798)	(655)	(2,254)	(178)	-	(32,924)
Net Book Value as of 31/12/2014	**6,901**	**2,184**	**5,438**	**1,577**	**42**	**311**	**42**	**73**	**1,342**	**28**	**-**	**17,938**
Cost:												
New entries	-	-	230	-	-	7	1	16	288	64	-	606
Disposals	-	-	(2,752)	(41)	(129)	(651)	(746)	(506)	(883)	(92)	-	(5,800)
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Conversion differences	-	-	(88)	-	-	(5)	-	(8)	(73)	-	-	-
Transfers	-	-	(339)	-	-	(46)	-	(10)	(33)	9	-	(419)
31 December 2015	**-**	**-**	**(2,949)**	**(41)**	**(129)**	**(695)**	**(745)**	**(508)**	**(701)**	**(19)**	**-**	**(5,787)**
Accumulated amortisation:												
New entries	-	(61)	(1,889)	(184)	(12)	(54)	(13)	(37)	(383)	(25)	-	(2,658)
Disposals	-	-	2,581	44	129	649	726	505	628	90	-	5,352
Conversion differences	-	-	51	-	-	(2)	-	14	5	-	-	68
Transfers	-	-	(4)	-	-	-	-	55	(55)	3	-	(1)
31 December 2015	**-**	**(61)**	**739**	**(140)**	**117**	**593**	**713**	**537**	**195**	**68**	**-**	**2,761**
Cost	6,901	2,904	28,987	2,070	168	648	95	220	2,895	187	-	45,075
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated Amortisation:	-	(781)	(25,759)	(674)	(138)	(439)	(85)	(118)	(2,059)	(110)	-	(30,163)
Net Book Value as of 31/12/2015	**6,901**	**2,123**	**3,228**	**1,396**	**30**	**209**	**10**	**102**	**836**	**77**	**-**	**14,912**

(in thousand Euros)

Transfers of financial year 2016 mainly correspond to the classification of those fixed assets related to real-estate assets for rent management under heading "Non-current assets held for sale" (Note 15), given the disinvestment purpose of such business line. These elements are broken down under the heading "real-estate investments" under the same note, since they are aimed at their exploitation by means of lease.

Losses due to impairment of Individual Tangible Fixed Assets

During financial years 2016 and 2015, the Group has not registered or reverted valuation corrections due to impairment for any element corresponding to tangible fixed assets.

Tangible fixed assets located abroad

As of 31 December 2016 and 2015, the following investments by the Group in tangible fixed assets are located abroad:

			Thousand Euros			
			2016			2015
	Book value	Accumulated depreciation	Impairment losses	Book value	Accumulated depreciation	Impairment losses
Machinery	1,201	(832)	-	1,139	(717)	-
Furniture	65	(34)	-	55	(29)	-
Data-processing equipment	128	(71)	-	107	(50)	-
Transport elements	410	(351)	-	399	(222)	-
Other tangible fixed assets	132	(41)	-	92	(22)	-
	1,936	**(1,329)**	**-**	**1,792**	**(1,040)**	**-**

Capitalised Financial Expenses

The Group capitalises those financial expenses incurred into during the financial year regarding the financing for the development of assets under construction as long as such assets are related to those tangible fixed assets with a production cycle over a year. During financial years 2016 and 2015 no capitalisation of interests has arisen.

Tangible fixed assets unrelated to business operations

As of 31 December 2016 and 2015 there are no tangible fixed assets which unrelated to business operations.

Fully depreciated tangible fixed assets

Under heading 'constructions' there are no fully depreciated elements. The cost of the rest of elements of item 'tangible fixed assets' which are fully depreciated come up to an amount of 19,717 thousand Euros (13,504 thousand Euros as of 31 December 2015).

Tangible fixed assets related to guarantees

As of 31 December 2016 and 2015 there are no tangible fixed assets which related to guarantees.

Tangible fixed assets related to reversion

As of 31 December 2016 and 2015 there are no tangible fixed assets related reversion.

Insurances

(in thousand Euros)

The Group has subscribed insurance policies covering those risks tangible fixed assets are subject to. The coverage of such policies is deemed to be sufficient.

Goods under financial lease - lessee

Headings "Machinery" and "Transport elements" include assets under financial lease in which the Group acts as lessee, the amounts of which are shown below:

	Thousand Euros	
	2016	**2015**
Cost - capitalised financial leases	3,283	1,649
Accumulated depreciation	(448)	(595)
Book value	**2,835**	**1,054**

The Group has several vehicles and machinery elements under non-cancellable financial leases. Their maturity dates range between 3 and 8 years and the Group owns the assets.

Assets under operating lease

The profit and loss account includes expenses for operating leases corresponding to the leasing of machinery and real estate amounting to 10,442 thousand Euros (2015: 8,120 thousand Euros).

9. REAL ESTATE INVESTMENTS

Real estate investments include, land, office buildings, premises and car parks purchased which are maintained for the obtaining of long-term debts which are not occupied by the Group.

The breakdown of these real estate investments are shown in the following table:

			Thousand Euros
2016	**Lands**	**Buildings**	**Total**
Balance as of 31/12/2015			
Cost	27,539	26,220	53,759
Accumulated depreciation	-	(3,257)	(3,257)
Impairment	-	-	
Net Book Value as of 31/12/2015	**27,539**	**22,963**	**50,502**
Cost:			
New entries	-	2,099	2,099
Disposals	-	-	-
Impairment	-	-	-
Transfers	-	12,477	12,477
Perimeter variation	-	-	-
Balance as of 31/12/2016	**27,539**	**15,842**	**43,381**
Accumulated amortisation:			
New entries	-	(293)	(293)
Disposals	-		
Transfers	-	2,289	2,289
Balance as of 31/12/2016	**-**	**(1,261)**	**(1,261)**

(in thousand Euros)

Cost	27,539	15,842	43,381
Accumulated depreciation	-	(1,261)	(1,261)
Impairment	-		
Net Book Value as of 31/12/2016	**27,539**	**14,581**	**42,120**

			Thousand Euros
2015	**Lands**	**Buildings**	**Total**
Balance as of 31/12/2014			
Cost	55,203	25,525	80,728
Accumulated depreciation	-	(2,833)	(2,833)
Impairment	(5,873)	-	(5,873)
Net Book Value as of 31/12/2014	**49,330**	**22,692**	**72,022**
Cost:			
New entries	902	446	1,348
Disposals	(1,068)	(165)	(1,233)
Impairment	-	-	-
Transfers	(21,625)	271	(21,354)
Perimeter variation	-	143	143
Balance as of 31/12/2015	**(21,791)**	**695**	**(21,096)**
Accumulated amortisation:			
New entries	-	(431)	(431)
Disposals	-	7	7
Transfers	-	-	-
Perimeter variation	-	-	-
Balance as of 31/12/2015	**-**	**(424)**	**(424)**
Cost	27,539	26,220	53,759
Accumulated depreciation	-	(3,257)	(3,257)
Impairment			
Net Book Value as of 31/12/2015	**27,539**	**22,963**	**50,502**

Transfers of financial year 2016 mainly correspond to the re-classification of the Group's real-estate investments under heading "Non-current assets held for sale" (Note 15).

Transfers corresponding to financial year 2015 mainly correspond to the re-classification of stocks of several plots of lands located in Madrid as a consequence of the Group's decision to develop real estate in them.

Under this heading we include plots of land devoted to the development of future real estate and construction project (mainly residential and office buildings) the Group keeps in order to generate rents through leases the breakdown of which is the following:

- Lands: This item is basically made up of lands the Group owns within the Partial Development Plan UZP 1.04 "Atayuela" in Madrid, together with other ones located in El Casar (Guadalajara), Tarifa (Cádiz) and Gumiel de Izán and Villanueva de Izán (Burgos).
- Constructions: the main elements within this category are an office building located in Madrid and premises and garages located in several real estate developments built by the Group in Madrid, Fuenlabrada and Tres Cantos (subject matter of transfer from real-estate investments to Non-Current Assets held for sale).

(in thousand Euros)

Impairment losses related to Real Estate Investments

During financial year 2016 and 2015, the Group has not registered or reverted valuation corrections due to impairment for any element corresponding to real-estate investments.

Real Estate Investments located abroad

As of 31 December 2016 and 2015, the Group has no real estate investments abroad.

Real Estate investments unrelated to business operations

As of 31 December 2016 and 2015, the has no real estate investments which are not unrelated to business operations.

Fully depreciated real estate investments

As of 31 December 2016 and 2015, there are no real estate investments which are fully depreciated.

Real estate investments related to guarantees

Real estate investments used for the guarantee of loans with credit entities come up to 11,000 thousand Euros as of 31 December 2016. (2015: 15,030 thousand Euros).

Additionally, there are 8,641 thousand Euros of real estate investments under guarantee corresponding to the contingent liabilities described in Note 26 as of 31 December 2016. (2015: 8,641 thousand Euros).

Real estate investments related to reversion

As of 31 December 2016 and 2015, the Group has no real estate investments under reversion.

Insurances

The Group has subscribed insurance policies covering those real estate investments are subject to. The coverage of such policies is deemed to be sufficient.

Income and expenses from real estate investments

The consolidated profit and loss account includes the following income and expenses from real estate investments.

	Thousand Euros	
	2016	**2015**
Income for leases	644	1,054
Direct operating expenses	1,334	871

10. HOLDINGS IN COMPANIES BASED ON THE EQUITY METHOD

Holdings based on the Equity method correspond mainly to the participation of the Group in special purpose companies which are incorporated for the development of concession projects in the fields of infrastructures and power.

The breakdown of holdings in companies based on the equity method is the following:

(in thousand Euros)

	Thousand Euros	
	2016	**2015**
Ola Ortiz Construccion SPA	-	110
Aldigavia, S.A.U.	-	646
Aldigavia oficinas, S.L.U.	-	2,597
Urbanizadora Gade S.A	127	7,818
Inmuebles Gade, S.L.	15,253	15,260
Accesos de Ibiza, S.A.	3,799	3,934
Expociencia, S.L.	-	-
Viario A-31,S.A.	2,174	1,829
Africana Energia, S.L.	-	-
Alten Renewable Energy Insvements	5,359	5,404
Alten Renewable Energy Developments	3,959	2,915
Alten Pozohondo, S.L.	96	77
Alten El Casar, S.L.	-	-
Alten Los Hinojosos, S.L.	-	-
Alten Energias Renovables, S.L.	1,436	1,303
Alten Alconera, S.L.	2,224	1,935
Alten Alange, S.L.	1,445	1,293
Alten Alconera Dos, S.L.		-
Alten 2010 Renovables, S.L.	31	-
Alten Gestion de Proyectos, S.L.	-	-
Dumar Ingenieros, S.L.	-	-
Alten Hinojosa del Valle, S.L.	-	-
Bulevar del Arte y la Cultura, S.A.	123	83
MedSolar SPV10, S.R.L.	14	13
Ormats Mantenimiento Integral, S.L.	84	200
Superficie Cartera de Inversiones, S.A.U.	153	169
Explotaciones Eólicas Vélez Rubio, S.L.U.	-	-
Fortem Integral, S.L.	77	-
SPC 20 Infra e Saneamento Marabá	-	-
Construcciones Inca-Ortiz	-	-
Concesión del Sisga, S.A.S.	-	6
Autopistas del Nordeste, S.A.S.	-	-
Ortiz Sport Factory, S.L.	-	-
Total	**36,356**	**45,592**

The movement of holdings based on the equity method during financial year 2015 mainly correspond to the decrease in value of the share in Urbanizadora Gade, S.A. due to the losses arising as a consequence of the registration of the tax liability described in note 28 and the classification of the investments in Aldigavia S.A.U. and Aldigavia Oficinas S.L.U. under heading Non-current assets held for sale (Note 15).

The breakdown of this item during the financial year is shown below:

	Thousand Euros	
	2016	**2015**

Balance as of 1 January	**45,592**	**44,431**
Share in profit/loss	(5,733)	(801)
New entries - Incorporation as associated companies	-	31
Write-offs – Incorporations as non-current assets held for sale	(3,243)	(11)
Other changes in Net Equity	(260)	1,942
Balance as of 31 December	**36,356**	**45,592**

Holdings based on the equity method include the balances of the goodwill generated on the date the equity method was first applied. Out of the total amount of goodwill comprising the balance of holdings based on the equity method, it is important to highlight, according to their amount, the following ones corresponding to the following companies:

	Thousand Euros	
	2016	**2015**
Alten Alange.	3,745	3,745
Alten Alconera	3,757	3,757
Alten Hinojosa del Valle	685	685
Dumar Ingenieros	509	509

The amount of assets, liabilities, ordinary income and the result of the financial year, as per the individual financial statements of the companies based on the equity method, as of 31 December 2016 and 2015, expressed in thousand Euros, is as follows:

2016	**Assets**	**Liabilities**	**Operating income**	**Result**
Urbanizadora Gade S.A	15,185	16,766	-	(17,218)
Inmuebles Gade, S.L.	33,022	13,765	-	(4)
Accesos de Ibiza, S.A.	76,002	62,536	8,532	728
Expociencia, S.L.	1,017	834	-	-
Alten Energias Renovables, S.L.	30,686	3,600	503	405
Alten Alconera, S.L.	62,402	64,551	5,485	105
Alten Alange, S.L.	66,161	69,429	6,086	177
Alten Alconera Dos, S.L.	38,639	40,269	2,869	(422)
Alten 2010 Renovables, S.L.	8,645	2,797	136	97
Bulevar del Arte y la Cultura, S.A.	13,100	12,781	1,706	(45)
Africana Energia, S.L.	335,676	364,544	37,861	(8,670)
Ormats Mantenimiento Integral, S.L.	1,700	1,450	5,601	231
Superficie Cartera de Inversiones, S.A.U.	34,649	19,419	10,252	2,203
Explotaciones Eólicas Vélez Rubio, S.L.U.	62,270	64,056	8,266	(242)
Fortem Integral, S.L.	1,471	1,320	556	(83)
Viario A-31,S.A.	102,289	91,937	16,320	1,644
Alten Renewable Energy Investments	23,677	1,130	-	(197)
Alten Renewable Energy Developments	12,076	34	215	(335)
Alten Gestion de Proyectos, S.L.	1,948	5,649	1,136	(995)
Alten Pozohondo, S.L.	26,126	24,163	2,146	19
Alten El Casar, S.L.	1,998	1,996	-	(2)
Dumar Ingenieros, S.L.	473	734	-	(3)
Alten Hinojosa del Valle, S.L.	7,185	9,178	1,361	361
Alten Los Hinojosos, S.L.	11,993	12,731	1,211	(14)
Ortiz Sport Factory, S.L.	6,290	6,776	1,096	(282)
Concesión del Sisga, S.A.S.	30,199	22,833	13,222	1,013
Autopistas del Nordeste, S.A.S.	75,776	67,661	27,416	1,454
Ola Ortiz Construcción SPA	756	918	-	(404)
MedSolar SPV10, S.R.L.	2,433	2,404	437	2

(in thousand Euros)

SPC 20 Infra e Saneamento Marabá	-	160	-	-
Construcciones INCA-Ortiz, S.A.	-	-	-	-
Ortiz Cocomex, S.A.P.I. de C.V.	-	-	-	-
	1,083,844	**986,421**	**152,413**	**(20,477)**

2015	**Assets**	**Liabilities**	**Operating income**	**Result**
Aldigavia, S.L.U.	32,098	30,781	1,030	(807)
Aldigavia oficinas, S.L.U.	84,771	71,502	2,613	(977)
Urbanizadora Gade S.A	15,656	20	-	50
Inmuebles Gade, S.L.	32,767	13,502	-	(4)
Accesos de Ibiza, S.A.	72,431	64,564	7,934	955
Expociencia, S.L.	1,017	834	-	-
Alten Energias Renovables, S.L.	29,915	3,419	360	730
Alten Alconera, S.L.	65,755	68,375	5,715	35
Alten Alange, S.L.	68,911	72,426	6,360	82
Alten Alconera Dos, S.L.	41,038	42,241	3,544	(15)
Alten 2010 Renovables, S.L.	7,634	1,883	197	186
Bulevar del Arte y la Cultura, S.A.	13,288	13,090	1,978	113
Africana Energia, S.L.	350,665	370,646	41,126	(8,170)
Ortmats Mantenimiento Integral, S.L.	2,060	1,482	5,601	131
Superficie Cartera de Inversiones, S.A.U.	42,785	26,455	10,336	1,459
Explotaciones Eólicas Vélez Rubio, S.L.U.	63,398	63,841	7,765	(1,461)
Fortem Integral, S.L.	3,772	4,146	601	(589)
Viario A-31,S.A.	100,517	91,809	16,390	1,676
Alten Renewable Energy Insvements	23,348	601	-	(25)
Alten Renewable Energy Developments	10,048	1,171	-	(402)
Alten Gestion de Proyectos, S.L.	1,453	3,952	614	(906)
Alten Pozohondo, S.L.	27,346	25,467	2,236	8
Alten El Casar, S.L.	1,997	1,994	-	(4)
Dumar Ingenieros, S.L.	450	708	-	(10)
Alten Hinojosa del Valle, S.L.	7,607	9,962	1,442	(566)
Alten Los Hinojosos, S.L.	12,511	13,316	1,261	(146)
Ortiz Sport Factory, S.L.	6,483	6,687	1,053	(250)
Concesión del Sisga, S.A.S.	3,861	3,847	-	-
Autopistas del Nordeste, S.A.S.	22,577	22,571	127	(7)
Ola Ortiz Construccion SPA	620	404	-	(35)
MedSolar SPV10, S.R.L.	2,609	-	478	2
SPC 20 Infra e Saneamento Marabá	-	129	-	-
Construcciones INCA-Ortiz, S.A.	1,090	2,347	-	(29)
	1,150,478	**1,034,172**	**118,761**	**(8,976)**

None of the associated and multi-group companies are listed.

The Group has not incurred contingencies regarding associated and multi-group companies, but for the contingent liabilities described in Note 28.

The Group has not registered losses in the financial year for an amount of 4,357 thousand Euros (2015: 3,635 thousand Euros) corresponding to associated companies. Unregistered accumulated losses come up to 9,414 thousand Euros (2015: 5,057 thousand Euros).

The Group acquired in 2015 investment undertakings regarding its participation in the associated companies Autopistas del Nordeste, S.A.S and Concesión del Sisga, S.A.S for the development of concession projects for and amount of 46,917 thousand Euros to be paid up in the following 5 years. After the investments carried out in 2016, as of 31 December 2016, investment commitments amount to 31,330 thousand Euros, to be carried out in the following 4 years.

(in thousand Euros)

11. FINANCIAL INSTRUMENTS

11.1. Category-by-Category Analysis

The book value of each financial instrument category established in the rules and recording and valuation of "Financial Instruments", is as follows:

Financial Assets

	Thousand Euros							
	Long-term financial assets							
	Equity instruments		Debt securities		Credits, Derivatives and Others		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Held-to-Maturity Investments	-	-	-	-	782	783	**782**	**783**
Short-term loans and items receivable (Note 12)	-	-	-	-	92,933	91,058	**92,933**	**91,058**
Financial assets available for sale (Note 12):	-	-	-	-	-	-	**-**	**-**
- Assessed at a reasonable value	699	591	-	-	-	-	**699**	**591**
	699	**591**	**-**	**-**	**93,915**	**91,841**	**94,614**	**91,841**

	Thousand Euros							
	Short-term financial assets							
	Credits, Derivatives and Others		Debt securities		Credits, Derivatives and Others		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Fair value assets with changes in losses and profits:	3,617	2,921	76	92	-	-	**3,693**	**3,013**

(in thousand Euros)

Short-term loans and items receivable (Note 12)	**-**	-	-	-	268,659	272,314	**268,659**	**272,314**
Cash and other equivalent liquid assets (Note 17)	**-**	-	-	-	84,443	60,052	**84,443**	**60,052**
	3,617	**2,921**	**76**	**92**	**353,102**	**332,366**	**356,795**	**335,379**

Financial Liabilities

	Thousand Euros							
	Long-term financial liabilities							
	Debts with credit entities		**Debentures and other marketable securities**		**Derivatives and others**		**Total**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Debts and items payable (Note 22)	69,166	83,811	-	-	29,145	34,866	98,311	118,677
Derivative financial instruments (Note 14) and Obligations (Note 22)	-	-	33,319	47,166	2,409	2,701	35,728	49,867
	69,166	**83,811**	**33,319**	**47,166**	**31,554**	**37,567**	**134,039**	**168,544**

	Thousand Euros							
	Short-term financial liabilities							
	Debts with credit entities		**Debentures and other marketable securities**		**Derivatives and others**		**Total**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Debts and items payable (Note 22)	56,669	41,681	-	-	255,516	194,047	**312,185**	**235,728**
Derivative financial instruments (Note 14) and Obligations (Note 22)	**-**	-	1,170	1,656	-	-	**1,170**	**1,656**
	56,669	**41,681**	**1,170**	**1,656**	**255,516**	**194,047**	**313,355**	**237,384**

(in thousand Euros)

11.2. Classification by Maturity

As of 31 December 2016, this is the breakdown of the amounts of the financial instruments with an established or determinable maturity classified by maturity year:

Financial Assets

	Thousand Euros						
	Financial Assets						
	2016	2017	2018	2019	2020	Years Subsequent	Total
Investment in Group and Associated Companies:							
- Credits to companies	2,600	-	-	-	-	62,972	**65,572**
- Other financial assets	-	-	-	-	-	-	-
Financial investments:							
- Credits to companies	9,667	-	-	-	-	4,884	**14,551**
- Other financial assets	13,156	-	-	-	-	782	**13,938**
- Debt securities	-	-	-	-	-	-	-
Trade debts and other accounts receivable:							
- Trade and service provision customers	218,935	-	-	-	-	25,277	**244,212**
- Clients, group and associated companies	5,312	-	-	-	-	-	**5,312**
- Miscellaneous debtors	17,362	-	-	-	-	-	**17,362**
- Personnel	1,578	-	-	-	-	-	**1,578**
Short-term accruals	**18,003**	-	-	-	-	**-**	**18,003**
	286,613	**-**	**-**	**-**	**-**	**93,915**	**380,528**

(in thousand Euros)

Financial Liabilities

	Thousand Euros						
	Financial Liabilities						
	2017	2018	2019	2020	2021	Years Subsequent	Total
Debts:							
- Debentures and other marketable securities	1,170	-	33,319	-	-	-	**34,489**
- Debts with credit entities	56,475	14,442	27,654	16,524	1,448	8,947	**125,490**
- Financial lease creditors:	194	66	39	27	19	-	**345**
- Other financial liabilities	45,826	927	913	938	922	3,858	**53,384**
Derivatives	**-**	**-**	**-**	**-**	**-**	**2,409**	**2,409**
Accruals	**91**	**-**	**-**	**-**	**-**	**12,350**	**12,441**
Debt with group and associated companies	**143**	**-**	**-**	**-**	**-**	**9,237**	**9,380**
Trade creditors and other payables:							
- Suppliers	177,245	-	-	-	-	-	**177,245**
- Suppliers, group and associated companies	4	-	-	-	-	-	**4**
- Miscellaneous creditors	416	-	-	-	-	-	**416**
- Personnel	3,417	-	-	-	-	-	**3,417**
- Advance payments from clients	28,374	-	-	-	-	-	**28,374**
	313,355	**15,435**	**61,925**	**17,489**	**2,389**	**36,801**	**447,394**

12. FINANCIAL ASSETS AT FAIR VALUE WITH CHANGES IN THE PROFIT AND LOSS ACCOUNT

This section includes the following concepts and amounts:

	Thousand Euros					
	2016			2015		
	Non-Current	Current	Total	Non-Current	Current	Total
Shares	699	3,617	**4,316**	591	2,921	**3,512**
Obligations	-	76	**76**	-	92	**92**
Financial investments	**699**	**3,693**	**4,392**	**591**	**3,013**	**3,604**

	Thousand Euros	
	2016	2015
Securities with an official listed amount		
- Equity securities – Eurozone	3,617	2,921
- Convertible bonds	-	-
- Fixed interest obligations at 7% and maturity date in 2019 - Eurozone	-	-
Securities without an official listed amount:		
- Equity securities – Eurozone	699	591
- Other debt securities	76	92
	4,392	**3,604**

(in thousand Euros)

The fair value of all net equity securities is based on the current purchase price of an active market.

Changes occurred during the financial year regarding the fair value of the assets valued at fair value with changes in the profit and loss account are registered in "Variation of the fair value of financial instruments" under 'Financial Profit/Loss of the profit and loss account coming up to 360 thousand Euros (2015: -791 thousand Euros) (Note 27).

During financial year 2015, stocks of Banco Santander were sold, giving rise to a negative result of 279 thousand Euros registered under heading "Impairment and gains/losses on disposal of financial instruments".

Maximum exposure to credit risk as of the date of submission of the information is that of the fair value of the assets.

13. LOANS AND RECEIVABLES

	Thousand Euros	
	2016	**2015**
Long-term loans and items receivable:		
- Credits to associated companies (see Note 32)	62,972	60,061
- Credits to third parties	4,884	6,084
- Other financial assets	782	783
- Non-current trade debtors: concession agreement, collection rights	25,277	24,913
- Deferred tax assets	6,479	8,569
	100,394	**100,410**
Short-term loans and items receivable:		
- Work completed but pending certification	151,244	151,697
- Certificates and invoices	33,985	42,750
- Accounts receivable	23,564	18,574
- Retention money guarantee	10,142	8,844
- Clients, associated companies (see Note 32)	5,312	6,567
- Miscellaneous debtors	17,362	26,826
- Personnel	1,578	1,331
- Public Administrations	18,593	6,203
- Receivables from Shareholders	49	45
- Short-term credits to associated companies	2,600	2,234
- Credits to third parties	9,667	9,185
- Other financial assets	13,156	4,261
	287,252	**278,517**
Short-term prepayments	18,003	13,462
Total Loans and Items Receivable	**405,649**	**392,389**

Loans and accounts receivable are valued at their nominal value, which does not differ significantly from its fair value since the updating of the future flows is not significant.

As of 31 December 2016 and 2015, heading "Miscellaneous debtors" mainly includes the account receivable arising from the sale of certain lands described in Note 16, out of which 16,251 thousand Euros were collected in 2016.

As of 31 December 2016, the amount of discounted invoices due to factoring comes up to 40,031 thousand Euros (2015: 53,687 thousand Euros).

Impairment of accounts receivable and foreign currency

The breakdown of the impairment losses of accounts receivable from clients is as follows:

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED REPORT FOR FINANCIAL YEAR ENDED AS OF 31 December 2016
(in thousand Euros)

	Thousand Euros
Value impairment of credits as of 31/12/2014	**19,787**
Valuation adjustment for impairment	1,720
Impairment reversion	(1,484)
Debits and reductions (regularisation of final irrecoverable amounts)	(1,014)
Transfers and other variations (business combinations, etc.)	841
Value impairment of credits as of 31/12/2015	**19,850**
Valuation adjustment for impairment	(30)
Impairment reversion	(14)
Debits and reductions (regularisation of final irrecoverable amounts)	160
Transfers and other variations (business combinations, etc.)	(259)
Value impairment of credits as of 31/12/2016	**19,708**

Book values of loans and accounts receivable are denominated in the following currencies:

Long-term loans and items receivable	**Thousand Euros**	
	2016	**2015**
Euros	79,992	95,052
Peso – Colombia	19,745	4,927
Nuevo Sol – Peru	81	59
Lei – Romania	2	2
Real – Brazil	247	247
Other currencies	327	123
	100,394	**100,410**

Short-term loans and items receivable	**Thousand Euros**	
	2016	**2015**
Euros	178,178	203,067
Peso – Colombia	22,725	27,115
Peso – Mexico	32,855	2,663
Nuevo Sol – Peru	39,450	38,238
Peso – Chile	11,950	5,666
Zloty - Poland	2,435	2,527
Lei - Romania	1,652	1,679
Real - Brazil	840	709
Quetzal - Guatemala	986	1,329
Lempira - Honduras	1,345	3,029
Balboa - Panama	12,729	5,957
Japan - Yen	110	-
	305,255	**291,979**
Total Loans and Items Receivable	**405,649**	**392,389**

Other financial Assets

Thus heading comes up to an amount of 13,156 thousand Euros (2015: 4,261) corresponding to:

- 8,935 thousand Euros corresponding to bank deposits (2015: 960). Mainly arisen from new short-term deposits with Banco Sabadell.
- 579 thousand Euros corresponding to professional payments on account (2015: 378)
- 955 thousand Euros corresponding to guarantees and deposits (2015: 983)
- 2,644 thousand Euros corresponding to contributions to JVs (2015: 1,940)

(in thousand Euros)

Non-current trade debtors: concession agreement, collection rights

The entire heading corresponds to the unconditional collection right associated to the concession of the car park called "Honorio Lozano", in the municipality of Collado Villalba.

14. DERIVATIVE FINANCIAL INSTRUMENTS

	Thousand Euros	
	2016	**2015**
	Liabilities	**Liabilities**
Interest rate swaps - cash flow hedges	2,409	2,701
Total	**2,409**	**2,701**
Minus non-current part		
Interest rate swaps - cash flow hedges	2,409	2,701
Non-Current Part	**2,409**	**2,701**
Current Part	**-**	**-**

The Group has subscribed with several financial entities interest rate hedging agreement for loans with credit entities guaranteeing a rate between 0.409% and 3.99% (2015: between 0.409% and 3.99%).

During financial year 2015 the Group executed an interest rate hedging agreement regarding the syndicated financing described in Note 22.

As of 31 December 2016, the amount of the notional principal of the interest rate hedging agreements comes up to 70,560 thousand Euros (71,432 thousand Euros as of 31 December 2015).

15. The effective part registered in the net equity of financial year 2016 for cash flow hedges comes up to -813 thousand Euros (2015: -589 thousand Euros) and it generates a tax effect equally registered in net equity for an amount coming up to 203 thousand Euros (2015: 147 thousand Euros) registered as a differed tax. Settlements of these derivatives generated during the financial year a negative gross effect of 895 thousand Euros (2015: 588 thousand Euros).**ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS**

As mentioned in Note 1.1., during financial year 2016, the Group has carried out a restructuring of its real-state business for the management of rents by combining those assets and liabilities related to said business under the subsidiary incorporated in 2016 Grupo Ortiz Properties SOCIMI, S.A.U. and its holding companies.

The purpose of said restructuring is the disinvestment in the aforementioned business, whose loss of control is highly likely during financial year 2017. Therefore, those assets and liabilities of the subsidiaries belonging to Grupo Ortiz Properties have been classified under headings "Non-current assets held for sale" and "Liabilities related to non-current assets held for sale" of the consolidated balance sheet as of 31 December 2016 and the result of said operations under heading "Discontinued Operations" of the 2016 consolidated profit and loss account.

(in thousand Euros)

Likewise, in August 2016, before said restructuring operations took place, the Group acquired the control of the companies Aldigavia, S.A.U. and Aldigavia Oficinas, S.L.U., obtaining a share of 100% in said companies for the only purposes of selling them within the framework of the aforementioned operation. Therefore, by virtue of the provisions of assessment standard 4.9 below, these companies have not been integrated by means of global integration being recorded the investment on such companies as their fair value minus the estimated selling costs under the heading "Non-current assets held for sale" within the consolidated balance sheet.

15.1. Non-current assets and disposal groups held for sale

There follows a comparative breakdown of the assets of the subsidiaries Grupo Ortiz Properties SOCIMI, S.A.U. and Ortega y Gasset Park, S.A.U., included in this heading:

	Thousand Euros	
	2016	**2015**
Disposable group held for sale:		
Intangible fixed assets	13,259	13,379
Real Estate Investments	20,910	21,212
Other current assets	1,452	1,125
	35,621	**35,716**

Likewise, the breakdown of investments at fair value of Aldigavia, S.A.U. and Aldigavia Oficinas, S.L.U. included under this heading as of 31 December 2016 is the following:

	Thousand Euros
	2016
Aldigavia	1,340
Aldigavia Oficinas	14,404
	15,744

These companies were multi-group companies as of 31 December 2015 integrated by means of the equity method (Note 10).

15.2. Liabilities directly related to non-current assets held for sale

	Thousand Euros	
	2016	**2015**
Financial debt	7,934	6,975
Derivatives	176	-
Long-term accruals	3,551	3,547
Deferred tax liabilities	1,609	1,623
Trade debtors and other accounts payable	358	387

(in thousand Euros)

Other liabilities	661	117
Total	**14,289**	**12,649**

15.3. Analysis of the profit/loss of discontinued operations

It includes the result generated by the subsidiaries Grupo Ortiz Properties SOCIMI, S.A.U. and Ortega y Gasset, S.A.U.:

	Thousand Euros	
	2016	**2015**
Income	5,917	5,563
Expenses	(5,490)	(5,789)
Profit before taxes of discontinued operations	**427**	**(226)**
Profit Tax	(40)	107
Profit after taxes of discontinued operations	**387**	**119**

16. The “Profit and Loss Account”, the “Statement of the Consolidated Global Profit and Loss Account” and the “Cash Flow Statement” of 2015, have not been updated with the amount corresponding to discontinued operations, since the relevant amounts are not significant. Therefore, said statements are not fully comparable to the amounts corresponding to the previous year. **INVENTORIES**

The breakdown of this heading by homogeneous activity groups and degree of completion in the following:

	Thousand Euros	
	2016	**2015**
Goods for sale	15	65
Land and Plots	-	-
Raw materials and other supplies	1,265	1,290
Goods-in-process	7	7
Finished products	3,990	7,592
Supplier advance payments	7,086	5,364
	12,363	**14,318**

In financial year 2016, several business premises and garages have been transferred to "Non-current assets held for sale" amounting to 3,422 thousand Euros that, as of 31 December 2016, are included within heading "Real-estate investments" detailed in Note 15.

During financial year 2015, several lands located in Madrid which were subsequently sold, were transferred to this heading.

The main transactions for the sale of lands carried out during financial year 2015 are described below:

- Sale of a plot of land located in Madrid amounting to 16,919 thousand Euros, the book net value amounted to 12,597 thousand Euros (which was depreciated at 2,031 thousand Euros), which gave rise to the recovery of the entire depreciated amount and to the obtaining of an additional benefit of 1,292 thousand Euros; both effects are registered under heading "Variation in inventories" of the consolidated profit and loss account.

(in thousand Euros)

- Sale of a plot of land located in Vallecas amounting to 8,191 thousand Euros, the book net value amounted to 7,128 thousand Euros (which was depreciated at 3,843 thousand Euros), which gave rise to the recovery of the entire depreciated amount coming up to 1,063 thousand Euros, registered under heading "Variation in inventories" of the consolidated profit and loss account.
- Sale of a plot of land located in Vallecas amounting to 1,371 thousand Euros, the book net value amounted to 900 thousand Euros, which gave rise to a benefit of 471 thousand Euros, registered under heading "Variation in inventories" of the consolidated profit and loss account.

Likewise, as a consequence of the acquisition of the control of the associated company Águeda Educatis Tres Cantos, S.L.U. included in Note 6, inventories amounting to 31,837 thousand Euros corresponding to a residential urban development the sale of which was executed on the 4 December 2015 were included in the consolidated perimeter.

Under heading "Finished Products" we can mainly find a housing development in Ojén (Málaga).

Impairment losses related to inventories

During financial year 2016, the Group has not recorded valuation corrections due to impairment. During financial year 2015, it recorded 1,925 thousand Euros corresponding to the housing development located in the province of Málaga.

During financial year 2016, the Group has not recorded valuation corrections due to impairment. During financial year 2015, it recorded 3,094 thousand Euros as a consequence of the aforementioned sale of land.

Inventories located abroad

As of 31 December 2016 and 2015, the Group has no inventories abroad.

Capitalised Financial Expenses

During financial years 2016 and 2015 no capitalisation of interests has arisen.

Inventories related to guarantees

Loans with credits entities are guaranteed by means of inventories valued at 5,800 thousand Euros (2015: 9,010 thousand Euros).

Insurances

The Group has subscribed several insurance policies covering those risks goods are subject to. The coverage of such policies is deemed to be sufficient.

17. CASH AND OTHER EQUIVALENT LIQUID ASSETS

For the purposes of the consolidated cash flow statement, cash and cash equivalents include:

	Thousand Euros	
	2016	**2015**

Cash	84,443	60,052
	84,443	**60,052**

18. OWN FUNDS

Share Capital

	Thousand Euros	
	2016	**2015**
Declared capital	57,492	57,492
	57,492	**57,492**

The subscribed share capital is made of 1,913,226 ordinary bearer shares (nominative, represented by means of book entries) with nominal value of € 30.05 each, fully paid up.

As of 31 December 2016 and 2015, the following are the companies participating in the share capital with a percentage of or over 10%:

Company	**No. of shares**	**% share**
Participaciones La Cartuja S.L.	902,076	47.15%

Share premium

This reserve may be freely allocated.

Own shares in equity

The changes in own shares during the financial year was as follows:

	2016		**2015**	
	Number of own shares.	**Thousand Euros**	**Number of own shares.**	**Thousand Euros**
At the beginning of financial year	-	-	-	-
Increases/purchases	130,189	7,104	-	-
At the end of financial year	130,189	7,104	-	-

As of 17 October and 3 November 2016, the Parent Company purchased 130,198 shares at a unit price of 54.567 Euros to minority shareholders of the Company.

These shares are registered thus reducing the value of the equity of the Company as of 31 December 2016 for an amount of 7,104 Euros (2015: 0).

Own shares held by the Parent Company do not exceed 20% of its share capital.

Reserves

	Thousand Euros	
	2016	**2015**

(in thousand Euros)

Reserves in consolidated companies		
- Legal Reserve	11,934	11,934
- Other reserves	112,517	126,139
- Reserves in Consolidated Companies Global Integration	71,202	41,421
- Reserves in Consolidated Companies based on the Equity Method	(21,150)	(15,923)
Reserves in consolidated companies	**174,503**	**163,571**

Legal reserve

The legal reserve has been allocated in accordance with Article 274 of the Corporations Law which establishes that, in any case, an amount equivalent to 10% of the benefit of the financial year will be devoted to the legal reserve until it reaches, at least 20% of the share capital.

As long as it does not exceed the limit established, this reserve may be allocated to the compensation of losses, if there are not enough reserves available to such purpose, and it must be replenished with future benefits.

Profit/Loss for the financial year of the Parent Company

There follows the distribution proposal of the profit/loss of the parent company for financial year 2016 to be submitted to the General Board of Shareholders, as well as the one approved on the 25 May 2016 corresponding to the distribution of profit/loss of 2015:

	Thousand Euros	
	2016	**2015**
Base for Distribution:		
Profit/loss for the financial year	15,423	4,846
TOTAL	**15,423**	**4,846**

	Thousand Euros	
	2016	**2015**
Application of Profit/Loss:		
To dividends	4,602	4,602
To profit/loss of previous financial years	7,402	244
To voluntary reserves	3,419	-
TOTAL	**15,423**	**4,846**

19. ADJUSTMENTS DUE TO VALUE CHANGES

Conversion differences

The breakdown of heading "Conversion differences" for financial years ended as of 31 December 2016 and 2015 is the following:

	Thousand Euros	
	2016	**2015**
Opening balance	**(3,169)**	**(518)**

(in thousand Euros)

- Corresponding to consolidated companies	(526)	(2,745)
- Corresponding to companies based on the Equity Method	(343)	94
Final balance	**(4,037)**	**(3,169)**

Other adjustments due to value changes

The breakdown of heading "Other adjustments due to value changes" as of 31 December 2016 and 2015:

	Thousand Euros	
	2016	**2015**
Opening balance	**(27,206)**	**(22,274)**
Adjustments due to hedging transactions	(42)	**(4,932)**
- Corresponding to the parent company	(124)	(380)
- Corresponding to consolidated companies based on the Equity Method	81	(4,552)
Final balance	**(27,248)**	**(27,206)**

(in thousand Euros)

20. MINORITY SHAREHOLDERS

The breakdown of this item by companies for financial years 2016 and 2015 is the following:

	Thousand Euros		
	2016		
	Reserves corresponding to minority shareholders	Profit/loss corresponding to minority shareholders	Total Minority Shareholders
Impulsa Grup Ortiz, S.L.	(3)	(13)	(16)
Arquitectura Industrializada Andaluza, S.L.	269	(1)	268
Ortiz Colombia, S.A.S.	47	(1)	47
Grupo Ortiz Construcciones México, S.A.	-	-	-
Personal Management y Construcción, S.A. de C.V.	-	-	-
OSM Construcciones, SAPI de CV.	1,035	-	1,035
Total	**1,348**	**(15)**	**1,333**

	Thousand Euros		
	2015		
	Reserves corresponding to minority shareholders	Profit/loss corresponding to minority shareholders	Total Minority Shareholders
Impulsa Grup Ortiz, S.L.	(1)	(6)	(7)
Arquitectura Industrializada Andaluza, S.L.	270	(2)	268
Grupo Ortiz Polska, S.A.	-	-	-
Ortiz Elektra, A.D.	3	-	3
Ortiz Colombia, S.A.S.	45	-	45
Grupo Ortiz Construcciones México, S.A.	-	-	-
Ortiz Brasil Construcoes Ltda.	-	-	-
Personal Management y Construcción, S.A. de C.V.	-	-	-
OSM Construcciones, SAPI de CV.	1,151	-	1,151
Total	**1,468**	**(8)**	**1,460**

21. CAPITAL SUBSIDIES RECEIVED

The breakdown corresponding to these subsidies is the following:

	Thousand Euros	
	2016	2015
Opening balance	**2,056**	**2,180**
Received during the financial year	**-**	142
Profit/loss allocation	(132)	(308)
Tax effect	9	42
Final balance	**1,933**	**2,056**

(in thousand Euros)

The breakdown of the subsidies received in the company is the following:

	Thousand Euros	
	2016	**2015**
- Corresponding to the parent company	332	332
- Corresponding to consolidated companies	98	109
- Corresponding to companies based on the Equity Method	1,503	1,615
Final balance	**1,933**	**2,056**

22. DEBITS AND ITEMS PAYABLE

	Thousand Euros	
	2016	**2015**
Non-Current:		
Debentures and other marketable securities	33,319	47,166
Debts with credit entities	69,015	83,646
Financial lease creditors	151	165
Derivatives	2,409	2,701
Other financial liabilities:	7,558	8,585
Debts with related parties	9,237	9,552
Deferred tax liabilities	6,244	8,162
Long-term accruals	**12,350**	**16,729**
Short-term provisions	**7,176**	
	147,459	**176,706**
Current:		
Debentures and other marketable securities	1,170	1,656
Debts with credit entities	56,475	41,210
Financial lease creditors	194	471
Derivatives	-	-
Other financial liabilities	45,826	33,583
Debts with related parties	143	112
Suppliers	177,245	131,338
Related parties suppliers	4	1,796
Miscellaneous creditors	416	208
Staff	3,417	3,039
Current tax liabilities	1,522	1,542
Public Administrations	11,117	12,743
Advance payments from customers	28,374	23,868
Short-term accruals	**91**	**103**
Short-term provisions	**1,180**	**1,292**
	327,174	**252,961**

21 The book value of long-term debts is similar to that of its fair value since the effect of the discount is not significant.**Debts and Items Payable in Foreign Currency**

The book value of the Group debts and items payable is denominated in the following currencies:

	Thousand Euros	
	2016	**2015**
Euros	361,567	352,880
Peso - Colombia	32,894	32,185
Peso - Mexico	19,502	2,001
Nuevo Sol - Peru	27,325	23,380

(in thousand Euros)

Peso - Chile	12,761	6
Zloty - Poland	36	36
Lei - Romania	1,086	1,021
Quetzal-Guatemala	2,308	5,446
Lempira-Honduras	970	3,547
Balboa- Panama	9,907	9,121
Yen-Japan	6,169	-
Other currencies	108	44
	474,633	**429,667**

22.2 Undrawn Facilities

The Group has the following undrawn credit facilities:

	Thousand Euros	
	2016	**2015**
Variable rate:		
- with maturity under a year	12,000	7,500
- with maturity over a year (*)	63,400	65,000
Fixed rate:		
- with maturity under a year	-	-
	75,400	**72,500**

(*) Includes section B of the syndicated financing described in Note 22.4

22.3 Bonds

As of 3 July 2014, Ortiz Construcciones y Proyectos, S.A. issued bonds to the Alternative Fixed-Income Market (MARF) with the following characteristics:

- Debt issued: The nominal amount of the issue comes up to € 50,000,000 made up of 500 bonds of 100,000.00 each, grouped a single class or series. The price of the issue was 100% of the nominal value.
- Issue and payment date: 3 July 2014
- Maturity date: 3 July 2019
- Economic rights of the holder: The interest rate amounts to a nominal annual 7% payable annually on the nominal value of the bonds from time to time. It will be accrued daily and it will be payable annually in arrears from the issue and payment date.

The Issuer has certain limitations regarding:

a. Additional debt
b. Certain acquisitions and sales.
c. Distribution of dividends to shareholders.
d. Transactions with related parties.
e. Corporate resolutions and structural amendments.

(in thousand Euros)

f. Certain information and ratio calculations.

g. Change in the control

h. Security rights.

The first 3 limitations will only apply if financial ratios the compliance with which is established in the information document are not met; the Management considers that these ratios have been met as of 31 December 2016 and 2015.

The following information, additional to the issue, must be highlighted:

- As of the 26 May 2014, the agency AXESOR granted the Issuer a credit rating of BB with positive perspective and the SCOPE agency granted a rating of BB with stable trend.
- The issuer has no security rights. The issue is guaranteed by the companies Ortiz Energía, S.A.U., Prorax, S.A.U., Ingeniería y Diseños Técnicos, S.A.U., Indag, S.A.U., Elecor, S.A.U., Contratas and Servicios Ferroviarios, S.A.U., Cia. Internacional de Construcción y Diseño, S.A.U. Asteisa Tratamientos de Agua, S.A.U. and Construcciones Icma-Proakis, S.A., which represent more than 80% of the EBITDA; it is required that guarantors represent, at least 80% of the EBITDA.

In any case, all additional and contractual information related to the Issue may be checked in the Issue Prospectus with the aforementioned ISIN code.

The fair value of the liability elements included in "Obligations and other marketable securities" is calculated at the market interest rate corresponding to an equivalent non-convertible bond. The residual amount, representing the value of the net equity element, is included in item 'Own Funds net from deferred taxes'.

The breakdown corresponding to bonds as of 2016 and 2015 is as follows:

	Thousand Euros	
	2016	**2015**
Obligations and bonds (nominal values)	50,000	50,000
Effect Depreciated Cost (for fees)	(381)	(534)
Bonds held by the Group	(16,300)	(2,300)
	33,319	**47,166**

The fair value of the liability elements of the convertible bond as of 31 December 2015 and 2016 does not differ from its book value.

During financial year 2016, the Parent Company acquired 140 bonds by means of subsequent sale transactions with the purpose of reducing the financial costs of the Group. The face value of said bonds comes up to 14,000 thousand Euros.

This is the breakdown of the maturity of the bonds issued in July 2014 (which also includes the ones acquired by the Group) as of 31 December 2016:

				Thousand Euros
	2017	**2018**	**2019**	**Total**
Nominal value	-	-	50,000	**50,000**
Interest	3,500	3,500	3,500	**10,500**
Total	**3,500**	**3,500**	**53,500**	**60,500**

(in thousand Euros)

The breakdown of the maturity of the bonds issued as of 31 December 2015 is as follows:

				Thousand Euros	
	2016	**2017**	**2018**	**2019**	**Total**
Nominal value	-	-	-	50,000	**50,000**
Interest	3,500	3,500	3,500	3,500	**14,000**
Total	**3,500**	**3,500**	**3,500**	**53,500**	**64,000**

22.4 Loans with Credit Entities

Loans with credit entities are those listed below corresponding to financial years 2016 and 2015:

					Thousand Euros
					2016
Instrument	**Interest Rate Range**	**Disposed of as of 31/12/2016**	**Maturity 1 year**	**Maturity 2-5 years**	**Maturity Other years**
Syndicated loan	3.00% - 3.50%	53,819	9,233	44,586	-
Credit facilities of the Official Credit Institute (ICO)	3.11% - 3.59%	750	750	-	-
Loan policies	0.93% - 2.76%	34,796	34,590	206	-
Funding Project- Finance	0.64% - 2.65%	11,000	-	11,000	-
Mortgages	0.15% - 2.00%	14,627	1,404	4,276	8,947
Debts for forfeiting		9,610	9,610	-	-
Accrued and unpaid interests		888	888	-	-
Total		**125,490**	**56,475**	**60,058**	**8,947**

					Thousand Euros
					2015
Instrument	**Interest Rate Range**	**Disposed of as of 31/12/2015**	**Maturity 1 year**	**Maturity 2-5 years**	**Maturity Other years**
Syndicated loan	2.50% - 3.50%	58,302	4,439	53,863	-
Credit facilities of the Official Credit Institute (ICO)	1.85% - 2.30%	2,004	2,004	-	-
Loan policies	1.90% - 5%	32,437	32,437	-	-
Funding Project- Finance	2.00% - 2.65%	16,500	87	11,862	4,551
Mortgages	0.15% - 3.00%	14,749	1,379	6,354	7,016
Debts for forfeiting		-	-	-	-
Accrued and unpaid interests		864	864	-	-
Total		**124,856**	**41,210**	**72,079**	**11,567**

As of 18 September 2015, the Group subscribed a long-term syndicated loan contract which cancelled other loans and credit lines amounting to 77,030 thousand Euros, and by virtue of which a maximum initial amount of 110,000 thousand Euros (extendible to 140,000 thousand Euros by means of adhesion of other financing entities that have granted financing to the Group) is granted, structured on a Tranche A amounting to 55,000 thousand Euros (intended for cancelling a series of loans and lines of credit) and a Tranche B of revolving credit for an amount of 55,000 thousand Euros (this last tranche also serves the purpose of financing the general treasury needs of the Group).

As of 03 December 2015, the aforementioned syndicated loan was extended to 120,000 thousand Euros (60,000 from Tranche A and 60,000 from Tranche B). The resulting accounting balance of the recast credits a per this Agreement in 31 December 2015 amounts to 58,302 thousand Euros.

(in thousand Euros)

Amounts made available by means of this credit bear an interest equivalent to Euribor plus a variable differential value between 2.5% and 3.5% depending on specific ratios.

Tranche A was made available in its entirety as of the subscription date of the contract and its later extension, and its maturity date is 18 September 2020. During financial year 2016, an amount coming up to 4,800 thousand Euros has been depreciated.

As of 31 December 2016 and 2015, no part of Tranche B has been made available.

On the other hand, it is established that the loan is dependent on the compliance with ratios, as it is usually the case for this type of operations, which the Management considers as complied with as of 31 December 2016.

Nominal maturity dates, classified by year, of Tranche A of this financing is as follows:

Maturity date	Thousand Euros
March 2017	4,800
September 2017	4,800
March 2018	6,000
September 2018	7,200
March 2019	7,200
September 2019	8,400
March 2020	8,400
September 2020	8,400
Total	**55,200**

The amount of factoring and credit lines not made available as of 31 December 2016 amounts to 100,470 thousand Euros (2015: 100,332 thousand Euros).

22.5 Financial lease creditors

The reconciliation between the total amount of minimum future payments for leases and its current value at year-end is the following:

	Thousand Euros	
	2016	**2015**
Total amount of minimum future payments at year-end:		
- Up to 1 year	194	471
- Between 1 and 5 years	150	165
- More than 5 years	-	-
Current value at year-end	**344**	**636**

The current value of liabilities for financial lease is the following:

	Thousand Euros	
	2016	**2015**

- Up to 1 year	194	471
- Between 1 and 5 years	150	165
- More than 5 years	-	-
	344	**636**

22.6 Deferral of Payments to Suppliers

There follows the information required by the Second Final Provision of Act 31/2014, of 3 December, which has been prepared by applying the Resolution of the Institute of Accounting and Account Auditing on the 29 January 2016.

	2016	**2015**
Average term of payment to suppliers	188	142
Ratio of paid transactions	178	143
Ratio of transactions pending payment	327	53

	Amount (in thousand Euros)	**Amount (in thousand Euros)**
Total payments made	189,348	206,347
Total pending payments	839	1,622

"Average term of payment to suppliers" must be construed as the term elapsing from the invoice date until the material payment of the transaction according to the provisions of the aforementioned Resolution of the Institute of Accounting and Account Auditing.

The ratio of paid transactions is calculated as the coefficient resulting in the numerator multiplied by the sum of the products corresponding to the amounts paid, by the number of payment days (calendar days elapsed from the beginning of the calculation of the term until the material payment of the transaction) and, in the denominator, the total amount of the payments made.

Said "Average term of payment to suppliers" is calculated as the quotient resulting in the numerator by the sum of the ratio of paid transactions by the total amount of payments made plus the ratio of transactions pending payment by the total amount of pending payments and, in the denominator, by the total amount of payments made and pending payments.

Likewise, the ratio of pending transactions is calculated as the coefficient resulting in the numerator multiplied by the sum of the products corresponding to the amounts pending payment, by the number of days pending payment (calendar days elapsed from the beginning of the calculation of the term until the closing of the financial statements) and, in the denominator, the total amount of pending payments.

By virtue of the provisions of article three of the resolution of the Institute of Accounting and Account Auditing dated 29 January 2016, the amount of those transactions accrued before the coming into force of Act 31/2014, of 3 December, has not been considered.

The maximum legal payment term applicable to the Company according to Act 11/2013 of 26 July is 30 days, unless there is an agreement between the parties with a maximum term of 60 days.

22.7 Long-term accruals

(in thousand Euros)

This heading corresponds to income accrued due to the assignment of the use of parking spaces associated to concession agreement of car parks executed by the Group. Said income is allocated to the profit and loss account for the remaining term of the concession.

22.8 Other financial liabilities

This heading mainly includes loans obtained from the CDTI and other government bodies for the financing of R&D projects, as well as amounts collected from factored clients without recourse pending reimbursements to bank entities.

Likewise, as of 31 December 2016, this heading includes the account payable arising from the acquisition of own shares as described in Note 18 amounting to 3,376 thousand Euros.

23. OTHER PROVISIONS

The breakdown of those short-term provisions included in the consolidated balance sheet is as follows:

Current					**Thousand Euros**
	Provision for Works Liquidation	**Provision for other Responsibilities**	**Provision for tax risks**	**Other Provisions**	**Total**
Balance as of 01/01/2015	**1,618**	**-**	**-**	**466**	**2,084**
Business Combinations	-	-	-	-	-
Allowances	5	-	-	-	5
Applications	(785)	-	-	-	(785)
Surplus	-	-	-	(12)	(12)
Final balance as of 31/12/2015	**838**	**-**	**-**	**454**	**1,292**
Business Combinations	-	-	-	-	-
Allowances	-	-	-	-	-

Applications	(117)	-	-	-	(117)
Surplus	-	-	-	5	5
Other adjustments	-	-	-	-	-
Final balance as of 31/12/2016	**721**	**-**	**-**	**459**	**1,180**

Non-Current					**Thousand Euros**
	Provision for Works Liquidation	**Provision for other Responsibilities**	**Provision for tax risks**	**Other Provisions**	**Total**
Balance as of 01/01/2015	**-**	**-**	**-**	**-**	**-**
Business Combinations	-	-	-	-	-
Allowances	-	-	-	-	-
Applications	-	-	-	-	-
Surplus	-	-	-	-	-
Final balance as of 31/12/2015	**-**	**-**	**-**	**-**	**-**
Business Combinations	-	-	-	-	-
Allowances	-	-	7,176	-	7,176
Applications	-	-	-	-	-
Surplus	-	-	-	-	-
Other adjustments	-	-	-	-	-
Final balance as of 31/12/2016	**-**	**-**	**7,176**	**-**	**7,176**

Non-current allowances of financial year 2016 corresponding the registration of a provision.

24. DEFERRED TAXES

The breakdown of deferred taxes is the following:

	Thousand Euros	
	2016	**2015**
Tax effect of translation differences	2,031	1,919
Derivatives	602	675
Non-deductible depreciation	400	463
Rights for Deductions and Rebates Pending Application	899	2,944
Credit for Losses to be Compensated during the Financial Year.	2,547	2,568
Total Deferred tax assets:	**6,479**	**8,569**

	2016	**2015**

(in thousand Euros)

Profit/loss intra-group	-	-
Tax effect of translation differences	521	1,231
Freedom of Depreciation 1994	75	-
Freedom of Depreciation 1996	-	812
Freedom of Depreciation 2009	3,594	3,693
Freedom of Depreciation 2010	93	93
Freedom of Depreciation 2011	1,739	1,747
Freedom of Depreciation 2012	-	217
Freedom of Depreciation 2013	8	130
Leasing	87	92
Subsidies	128	147
Total Deferred tax liabilities	**6,245**	**8,162**

The variation of the deferred tax assets and liabilities during financial years 2016 and 2015 is as follows:

				Thousand Euros
Deferred tax assets:	**Tax credits**	**Derivatives**	**Other items**	**Total**
Balance as of 01 January 2016	**5,512**	**675**	**2,382**	**8,569**
Charge (payment) to profit and loss account	(2,066)	**-**	(52)	(2,118)
Perimeter variations			(11)	(11)
Charge (payment) to net equity	-	**(73)**	112	39
Balance as of 31 December 2016	**3,446**	**602**	**215**	**6,479**

				Thousand Euros
Deferred tax assets:	**Tax credits**	**Derivatives**	**Other items**	**Total**
Balance as of 1 January 2015	**3,111**	**675**	**1,410**	**5,196**
Charge (payment) to profit and loss account	(435)	**-**	(72)	(507)
Charge (payment) to net equity	2,836	**-**	1,044	3,880
Balance as of 31 December 2015	**5,512**	**675**	**2,382**	**8,569**

				Thousand Euros
Deferred tax liabilities:	**Freedom of depreciation**	**Conversion differences**	**Other**	**Total**
Balance as of 01 January 2016	**6,692**	**1,231**	**239**	**8,162**
Charge (payment) to profit and loss account	(107)		(5)	(112)
Perimeter variations	(1,076)			(1,076)
Charge (payment) to net equity		(710)	(19)	(729)
Balance as of 31 December 2016	**5,509**	**521**	**215**	**6,245**

				Thousand Euros
Deferred tax liabilities:	**Freedom of depreciation**	**Conversion differences**	**Other**	**Total**
Balance as of 1 January 2015	**7,014**	**690**	**213**	**7,917**

(in thousand Euros)

Charge (payment) to profit and loss account	(322)	-	31	(291)
Perimeter variations	-	-	-	-
Charge (payment) to net equity	-	541	(5)	536
Balance as of 31 December 2015	**6,692**	**1,231**	**239**	**8,162**

Deferred tax assets due to deductions pending applications and negative tax bases pending compensation are registered to the extent that it is likely that future tax profits allowing its application are obtained. In this sense, Group companies have negative tax bases in addition to the ones activated in Spain and Colombia amounting approximately to 30 million Euros (considering the basis) (2015: 6 million Euros) mainly corresponding to the activity in Mexico, which have not been activated.

25. INCOME AND EXPENSES

Transactions made in Foreign Currency

These are the amounts of those transactions executed in foreign currency:

	Thousand Euros			
Currency	**Sales**		**Purchases**	
	2,016	**2,015**	**2,016**	**2,015**
Peso - Colombia	14,406	25,468	(10,777)	(15,547)
Peso - Mexico	517	2,371	(23,916)	(2,009)
Nuevo Sol - Peru	13,397	12,657	(9,730)	(6,301)
Peso - Chile	986	5,000	(58,461)	(13)
Zloty - Poland	-	-	(14)	(54)
Lei - Romania	1,383	3,197	(1,930)	(2,963)
Balboa- Panama	12,167	5,509	(9,025)	(1,461)
American dollar	107,496	101,445	(1,213)	(83,903)
Yen - Japan	6,769		(688)	
Other currencies	-	-	(14)	(9)
	157,120	**155,647**	**(115,768)**	**(112,260)**

Net Turnover

The breakdown of the net turnover corresponding to the ordinary activities of the Group by geographic area is as follows:

	Thousand Euros			
Market	**2016**	**%**	**2015**	**%**
National	190,039	55%	203,772	54%
International	157,120	45%	172,480	46%
	347,159		**376,252**	**100%**

Likewise, the net amount of the turnover may be analysed by activity categories as follows:

	Thousand Euros			
Activity	**2016**	**%**	**2015**	**%**
Construction & services	195,559	56%	178,417	47%
Energy	138,770	40%	131,090	35%

(in thousand Euros)

Concessions	9,630	3%	11,405	3%
Real Estate	3,200	1%	55,340	15%
	347,159	**100%**	**376,252**	**100%**

Consumption of goods, raw materials and other consumables

	Thousand Euros	
	2016	**2015**
Supplies	**212,038**	**193,514**
a) Consumption of goods	**(3)**	**103**
- Variation in Inventories of Goods	(3)	103
b) Consumption of raw materials and other consumable materials	**67,212**	**84,529**
Purchase of storable materials and elements	509	536
Purchase of Other Supplies	66,919	83,830
Rebates, Purchase of other supplies	(86)	(52)
Changes in inventories: raw materials/Lands and plots of land	(177)	(123)
Changes in inventories: Other Supplies	47	338
c) Works carried out by other companies	**144,829**	**108,350**
Work Certificates and Expenses of On-going Urban Developments		-
Works-Services Pending Reception or Execution	43,027	16,837
External supplies and works	44	19
Work Performed by Other Companies	101,758	91,494
d) Impairment of goods, raw materials and other supplies	**-**	**532**

Personnel Expenses

	Thousand Euros	
	2016	**2015**
Wages, salaries and similar payments	55,529	54,252
Social security contributions	15,244	14,767
Long-term compensation through defined contribution systems	73	78
	70,846	**69,097**

The heading "wages and salaries" include compensations to personnel amounting to 720 thousand Euros in 2016 (1,419 thousand Euros in 2015).

Personnel expenses include all assets and liabilities for voluntary or mandatory contributions to the social security fund, recognition of extra payments, holiday allowances or other assets and expenses in connection thereto.

The average number of employees during the financial year corresponding to the companies included by means of global integration in the consolidation, distributed by categories, is the following one:

Category	**2016**	**2015**
Directors	8	9
Senior Management	5	5
Administrative, Technical and Project Managers	386	393
Middle management	214	176
Administrative personnel	163	143
Operators	1,550	1,654
	2,326	**2,380**

(in thousand Euros)

The distribution by categories and sex of the Group personnel is the following one at the end of financial years ended on 31 December 2016 and 2015:

			2016
	Men	**Women**	**Total**
Directors	7	1	8
Senior Management	5	0	5
Administrative, Technical and Project Managers	341	97	438
Middle management	238	18	256
Administrative personnel	79	100	179
Operators	1,074	477	1,551
Total	**1,744**	**693**	**2,437**

			2015
	Men	**Women**	**Total**
Directors	8	1	9
Senior Management	5	-	5
Administrative, Technical and Project Managers	303	96	399
Middle management	185	3	188
Administrative personnel	76	79	155
Operators	1,174	351	1,525
Total	**1,751**	**530**	**2,281**

The average number of employees during the financial year corresponding to the companies included in the consolidation, with a disability equal or over 33% by category comes up to 37 employees as of 31 December 2016 and 34 employees as of 31 December 2015.

Impairment and profit/loss due to disposal of fixed assets

26. In financial year 2015 and 2016, the heading includes the benefit arising from the sale of real estate investments (Note 8).**PROFIT TAX AND TAX STATUS**

Ortiz Construcciones y Proyectos, S.A. pays taxes under the tax consolidation regime and it is the parent company of the Group since financial year 2015.

The reconciliation between the net amount of earnings and expenses of the financial year and the taxable income of the corporate tax is as follows:

						Thousand Euros
			Profit and Loss Account			**Income and expenses directly attributed to net equity.**
Income and expenses balance for 2016			**10,622**			**(8,687)**
	Increases	**Reductions**	**Total**	**Increases**	**Reductions**	**Total**

Corporate Tax	**4,581**	**(36,967)**	**(32,386)**			
Permanent differences	**1,119**	**(316)**	**803**			
Temporary differences	0	(133)	(133)	**17,337**	**(8,650)**	**8,687**
- Originating in the financial year	1,119	(183)	936	17,337	-	17,337
- Originating in previous financial years		**(2,580)**	**(2,580)**	-	(8,650)	(8,650)
Rent exemption, permanent establishments			**38,725**			**-**
Consolidation adjustments		**(822)**	**(822)**			-
Tax base /tax result			**14,362**			**-**
Negative tax bases previous fin. years			(29)			-
Net base			**14,333**			**-**

						Thousand Euros
			Profit and Loss Account			**Income and expenses directly attributed to net equity.**
Income and expenses balance for 2015			**17,507**			**(12,843)**
	Increases	**Reductions**	**Total**	**Increases**	**Reductions**	**Total**
Corporate Tax						
Permanent differences	**8,068**	**(9,437)**	**(1,369)**	-	-	-
Temporary differences	**1,218**	**(325)**	**893**	**21,246**	**(8,403)**	**12,843**
- Originating in the financial year	-	(142)	(142)	21,246	-	21,246
- Originating in previous financial years	1,218	(183)	1,035	-	(8,403)	(8,403)
Rent exemption, permanent establishments		**(9,035)**	**(9,035)**			
Consolidation adjustments	-	-	(2,825)	-	-	-
Tax base /tax result			**5,171**			**-**
Negative tax bases previous fin. years			(1,293)			-
Net base			**3,878**			

Expenses arising from the corporate tax is made up of:

		Thousand Euros
	2016	**2015**
Current tax	2,030	2,309
Deferred tax	(158)	(1,176)
Tax credits, negative tax bases	21	323
Other adjustments	1,711	-
Deductions pending application	2,045	116
	5,649	**1,572**

The main nominal tax rates applied for the calculation of the profit tax payable by companies of the Group for financial years 2016 and 2015 are as per below:

(in thousand Euros)

Country	2016	2015
Spain	25%	28%
Poland	19%	19%
Colombia	25%	25%
Mexico	30%	30%
Brazil	34%	34%
Peru	28%	28%
Chile	24%	24%
Honduras	25%	25%
Italian Branch	27.50%	27.50%
French Branch	33.33%	33.33%
Guatemala	25%	25%
El Salvador	30%	30%
Japan	30.86%	33.06%

As a consequence of the reduction of the tax base down to 28% and to the final 25% implemented in Spain for tax period commenced in 2015 and 2016 respectively approved by means of the new act on the Corporate Tax, of 27 November, the Group updated those deferred tax assets and liabilities generated in relation to transactions and operations carried out within a national scope, going from 30% to 28% or 25% depending on the estimated schedule for application/reversion.

The deductions to the share applied during financial year 2016 come up to 2,518 thousand Euros (2015: 467 thousand Euros) and the withholdings and payments on account to 278 thousand Euros (2015: 275 thousand Euros). The amount to be paid to the Tax Administration comes up to 787 thousand Euros (2015: 344 thousand Euros).

Throughout financial year 2016, an auditing proceeding started within the parent company of the Group, Ortiz Construcciones y Proyectos, S.A.U., in order to increase the proper application by the company of the reduction of the rents from certain intangible assets (known as "patent box") in financial year 2013. In the regularisation proposal included in the report, against which the relevant allegations have been filed, the Administration considers that the application of the reduction is not applicable and therefore, 939 additional thousand Euros must be paid as the Corporate Tax of 2013. The Directors of the Parent company and its tax counsellors expect that, after the allegations filed or in the subsequent administrative or court appeals, the right to the application of the reduction is finally recognised for the parent company.

Due to the potentially different interpretation of tax rules, the results of future inspections performed by the Tax Authorities on financial years subject to verification may lead to fiscal liabilities, the amount of which cannot be possibly ascertained now in an objective way. However, company directors estimate that potential liabilities that could arise from those circumstances will not have a relevant effect on the consolidated annual accounts of the Group.

Deductions for double taxation, for investments and donations in favour of entities benefiting from sponsorship are still pending application; the corresponding amounts are the following:

Thousand Euros

(in thousand Euros)

	2016	2015	Last Year
Deduction for double taxation of dividends	192	1,823	Without restriction
Deduction for international double taxation	305	305	Without restriction
Deductions for investments	402	810	2,032
Deductions for donations	0	6	2,026
	899	**2,944**	

27. FINANCIAL PROFIT/(LOSS)

	Thousand Euros	
	2016	**2015**
Financial income	**3,771**	**4,748**
From shares in equity instruments	**140**	**373**
Dividends	140	373
From marketable securities and other financial instruments	**3,631**	**4,375**
From Group and Associated Companies	**-**	**-**
From third parties	**3,631**	**4,375**
Income for credits, other companies	3,115	3,624
Other financial income	-	-
Income from debt securities, other companies	516	751

(in thousand Euros)

Financial expenses	**17,088**	**17,036**
For debts with Group and Associated Companies	**136**	**61**
For debts with third parties	**16,952**	**16,975**
Interests corresponding to Obligations and Bonds	2,695	3,368
Long-term Debt Interests with Credit Companies	3,717	3,242
Short-term Debt Interests with Credit Companies	3,675	3,854
Long-term Debt Interests with Other Companies	162	157
Short-term Debt Interests with Other Companies	-	515
Interests for discount of effects with other credit entities	608	114
Interests for Factoring Operations without Recourse	2,971	2,133
Interests for Factoring Operations with Recourse	80	87
Other financial expenses	3,044	3,505
Variation in fair value of financial instruments	**360**	**(791)**
Trading book and others	360	(791)
Exchange differences	**2,295**	**(2,240)**
Impairment and losses on disposal of non-current assets	**604**	**(200)**
Impairment and losses	**(1)**	**(58)**
Losses due to impairment of long-term credits to third parties	(1)	(58)
Profit/loss on disposals and others	**605**	**(142)**
Benefits from Long-term Participations in Other Companies	615	30
Benefits from Long-term Participations in Associated Companies	(10)	104
Losses from Long-term Participations in Associated Companies	-	3
Losses due to short-term participation and debt securities in other companies	-	(279)
Other financial income and expenses		

28. GUARANTEES WITH THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

Securities and guarantees

As of 31 December 2016 the Group has offered to third parties guarantees before their clients, Public Administrations or financial institutions for a total value of 270 million Euros (2015: 260 million Euros), of which 66 million Euros have been loaned to guarantee before several clients that the works executed are successfully completed (2015: 174 million Euros). The Group estimates that those liabilities that may arise from the guarantees awarded would not be significant.

The Group guarantees loans with credit institutions of the multi-group and associated companies for an amount of 53,103 thousand Euros (2015: 62,760 thousand Euros).

Other financial liabilities

At the close of financial years 2016 and 2015 the Group has provisions to hedge the possible risks resulting from the legal claims pending resolution arising from the filing of several claims arising from the activities they carry out. The Group Management deems that no significant additional liabilities to those already provisioned for on the financial statements as of 31 December 2016 and 2015.

As a result or several inspection activities carried out on the multigroup company Urbanizadora Gade, S.A., two Corporation Tax reports were prepared for financial years 2003 to 2004 and 2005 to 2007 for a total amount of 6,894 thousand Euros and 6,255 thousand Euros, respectively, that correspond to our participation percentage, signed indicating disagreement, which were under appeal as of 31 December 2015 before the Supreme Court and before the National Court (Audiencia Nacional).

(in thousand Euros)

During financial year 2016, the Supreme Court dismissed the appeal filed regarding the 2003 and 2004 reports so the multigroup company Urbanizadora Gade, S.A. has finally registered that tax liability (Note 10). As a consequence of the fact that it was found that Urbanizadora Gade,S.A. did not meet the requirements to be an equity company in financial years 2003 and 2004, we must recognised a collection right amounting to a total of 5,422 thousand Euros in the company Ortiz Área Inmobiliaria, S.A.U. arising from the application of the deduction for double taxation of dividends at 100% instead of at 50% as foreseen for equity companies (2004-2006). The National Court has granted such right regarding the tax statement corresponding to financial year 2006 for an amount of 2,806 thousand Euros by means of judgement issued on 12 December 2016. The remaining amount corresponding to financial years 2004 and 2005 is currently under appeal in different instances.

As of 31 December 2016, the report resulting from the audit of financial periods 2005 to 2007 is still under appeal at the National Court. It is the opinion of the Directors of the Parent Company and its tax counsellors that the aforementioned appeal will be favourable to the Group. However, the Group has chosen for the sake of prudence, to record a provision corresponding to such item (Note 23).

The payment of such amounts is guaranteed by means of bank guarantee for an amount of 6,894 thousand Euros and by mortgage guarantee on several plots classified in the real estate investment items for a total book value of 8,641 thousand Euros (2015: 8.641 thousand Euros) to guarantee payment of the second notice for an amount of 6,255 thousand Euros.

29. UNDERTAKINGS

Total minimum future payments corresponding to non-cancellable operating leases are the following:

	Thousand Euros	
	2016	**2,015**
< 1 year	177	3,570
1 - 5 years	1,072	14,472
> 5 years	28	52,707
	1,277	**72,764**

In financial year 2015 the Group signed lease contracts for a period of 20 years regarding two office buildings located in Madrid, one of which is used as the Group premises and the other has been sub-leased to a third party. In financial year 2016, lease agreement have been terminated with no penalty for the Group.

30. TEMPORARY JOINT VENTURES (TJVS)

The Group takes part in several Temporary Joint Ventures (TJVs), the activity and share held of which are detailed in Addendum III.

Group companies usually develop most of its activities jointly with other companies through Joint Ventures, which are entities without an own legal personality that are created to start a business partnership along with other companies for a specific period of time so as to perform or execute some works, services or supplies. Shareholders undertaking any contract managed through a Joint Venture will be jointly and severally liable for the activities carried out.

(in thousand Euros)

As of 31 December 2016, subsidiary companies take part in 122 Temporary Joint Ventures (123 as of 31 December 2015). In financial year 2016, 12 new joint ventures were started and 13 were liquidated.

Below are the main details of the contracts undertaken in joint ventures, which are also included below in the headings of the consolidated balance sheet and profit and loss account attached hereto. All information below is provided in line with the holding in the relevant agreements as of 31 December 2015 and 2016, excluding any adjustments with regard to the Group companies:

	Thousand Euros	
	2016	**2015**
Non-current assets	5,417	9,641
Current assets	33,920	40,715
Total Assets	**39,337**	**50,356**
Net Equity	13,517	16,904
Non-current liabilities	622	3,232
Current liabilities	25,198	30,220
Total Liabilities and Net Equity	**39,337**	**50,356**
Net Turnover	**34,596**	**41,647**
Accounting result	**399**	**1,690**

31. BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Compensation to members of the Board of Directors

During financial year 2016,the amount accrued by the members of the Board of Directors increased to 1,564 thousand Euros (1,532 thousand Euros in 2015) and is composed by the following items and amounts:

	Thousand Euros	
	2016	**2015**
Wages, travel allowances and other compensations	1,564	1,532
Compensation for termination	-	-
Payments based on equity instruments	-	-
	1,564	**1,532**

The members of the Board of Directors of the Company have not received any compensation whatsoever arising from participation in benefits or bonuses, Besides, they have not have they received any stock options during this financial year, nor have they exercised any options or have actions pending exercising.

Compensations and loans to senior managers

	Thousand Euros	
	2016	**2015**
Wages, travel allowances and other compensations	1,737	1,693
Obligations acquired regarding pensions	-	-
Loans	4,234	4,234

During financial years 2016 and 2015 the Group did not grant any loans to senior managers or members of the Board. The existing balance of 4,234 corresponds to loans granted to senior managers in past years, or which 4,234 correspond to 2 senior managers who are also part of the Board of Directors.

It has not been necessary to establish any provision in regard of the loans granted to senior managers.

Situation of conflict of interest for directors

Pursuant to the obligation to avoid any situations of conflict with the Company's interests, during this financial year the Directors that have occupied specific roles within the Board of Directs have complied with obligations stated on article 228 of the recast text of the Corporate Tax Act. Besides, both Directors and their proxies have refrained from incurring on the possible situations of conflict stated on 229 of this same Act, except on those cases when the corresponding authorisation has been obtained.

32. BALANCES AND OPERATIONS WITH RELATED PARTIES

Balances with related parties belonging to the Group and have not been removed in the process of consolidation because they fall outside of the Group's perimeter in financial years 2016 and 2015 have been the following (in thousand Euros):

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED REPORT FOR FINANCIAL YEAR ENDED AS OF 31 December 2016
(in thousand Euros)

							2,016
							Balance
	Short-term debtors	**Short-term suppliers**	**Short-term credits**	**Long-term credits**	**Other short-term credits**	**Short-term loans**	**Long-term loans**
Accesos de Ibiza,S.A.	1	-	-	2,278	-	-	-
Africana Energia, S.L.	5	-	-	18,540	-	-	-
Alten Alange, S.L.	-	-	-	6,073	-	-	-
Alten Alconera Dos, S.L.	134	-	-	1,880	-	-	(739)
Alten Alconera, S.L.	-	-	-	3,691	-	-	(1,064)
Bulevar del Arte y La Cultura,S.A.	-	-	-	1,171	-	-	-
Consorcio Inca-Ortiz	128	-	-	-	-	-	-
Explotaciones Eólicas Velez Rubio, S.L.	-	-	-	3,747	-	-	-
Expociencia, S.L.	-	-	-	-	-	-	-
Fortem Integral, S.L.	7	(4)	-	1,202	-	-	(111)
Inmuebles Gade, S.L.	-	-	2,059	-	-	(3)	-
Medsolar SPV	266	-	-	-	-	-	-
Ola Ortiz Constructión,S.P.A.	3,843	-	-	10	-	-	-
Ormats Mantenimiento Integral, S.L.	871	-	-	-	-	-	-
Ortiz Sport Factory, S.L.	2	-	540	3,278	-	-	-
Superficie Cartera Inversiones, S.A.	55	-	-	1,432	-	-	-
Concesión del Sisga, S.A.S.	-	-	-	7,034	-	-	-
Urbanizadora Gade, S.A.	-	-	-	-	-	(140)	(7,323)
Autopistas del Nordeste, S.A.S.	-	-	-	12,636	-	-	-
TOTAL	**5,312**	**(4)**	**2,600**	**62,972**	**-**	**(143)**	**(9,237)**

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED REPORT FOR FINANCIAL YEAR ENDED AS OF 31 December 2016
(in thousand Euros)

							2015
Related organization	**Short-term debtors**	**Short-term suppliers**	**Short-term credits**	**Long-term credits**	**Other short-term credits**	**Short-term loans**	**Long-term loans**
Accesos de Ibiza,S.A.	24	-	-	3,039	-	-	-
Africana Energia, S.L.	7	-	-	18,065	-	-	-
Aldigavia Oficinas, S.L.	812	(550)	-	9,162	16	-	-
Aldigavia, S.L.	40	(11)	-	2,042	(12)	-	-
Alten Alange, S.L.	-	-	-	5,911	-	-	-
Alten Alconera Dos, S.L.	244	-	-	1,880	-	-	(733)
Alten Alconera, S.L.	-	-	-	3,576	-	-	(1,060)
Bulevar del Arte y La Cultura,S.A.	-	-	-	1,122	-	-	-
Consorcio Inca-Ortiz	121	-	-	-	-	(1)	-
Explotaciones Eólicas Velez Rubio, S.L.	5	-	-	3,466	-	-	-
Expociencia, S.L.	-	-	-	-	-	-	-
Fortem Integral, S.L.	4	(1,235)	-	1,163	3	-	(43)
Inmuebles Gade, S.L.	-	-	1,334	-	-	-	-
Medsolar SPV	486	-	461	-	-	(3)	-
Ola Ortiz Constructión,S.P.A.	4,714	-	-	9	-	-	-
Ormats Mantenimiento Integral, S.L.	2	-	-	-	-	-	-
Ortiz Sport Factory, S.L.	6	-	435	2,820	-	-	-
Superficie Cartera Inversiones, S.A.	102	-	-	3,022	-	-	-
Urbanizadora Gade, S.A.	-	-	-	-	-	(108)	(7,716)
Autopistas del Nordeste, S.A.S.	-	-	-	3,536	-	-	-
Concesión del Sisga, S.A.S.	-	-	-	1,248	-	-	-
TOTAL	**6,567**	**(1,796)**	**2,230**	**60,061**	**7**	**(112)**	**(9,552)**

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(in thousand Euros)

The operations with related parties which belong to the Group and have not been removed in the process of consolidation because they fall outside of the Group's perimeter in financial years 2016 and 2015 have been the following (in thousand Euros):

2016

Related organization	Sales	Purchases	Expense for Interests	Income for Interests	Other results	Dividends
Accesos de Ibiza,S.A.	-	-	-	124	-	-
Africana Energia,S.L.	265	28	-	476	-	-
Alten Alange, S.L.	-	-	-	162	-	-
Alten Alconera Dos, S.L.	-	-	7	-	-	-
Alten Alconera, S.L.	-	-	5	115	-	-
Bulevar del Arte y La Cultura,S.A.	-	-	-	49	-	-
Explotaciones Eólicas Velez Rubio, S.L.	-	-	-	-	-	-
Expociencia, S.L.	46	-	-	281	-	-
Fortem Integral, S.L.	2	150	26	48	-	-
Ola Ortiz Construction, S.P.A.	-	-	-	-	-	-
Ortiz Sport Factory, S.L.	-	-	-	164	-	-
Superficie Cartera de Invesiones,S.A.	1	-	-	(24)	-	13
Urbanizadora Gade, S.A.	-	-	-	-	-	-
Viario A-31, S.A.	89	0	-	-	-	-
Autopistas del Nordeste, S.A.S.	-	-	-	1,132	-	-
Ormats Mantenimiento Integral, S.L.	31	-	-	-	-	186
TOTAL	**433**	**179**	**38**	**2,526**	**-**	**199**

2015

Related organization	Sales	Purchases	Expense for Interests	Income for Interests	Other results	Dividends
Accesos de Ibiza,S.A.	24	-	-	401	-	-
Africana Energia,S.L.	24	-	-	1,049	-	-
Aldigavia Oficinas,S.L.	218	1,071	-	314	-	-
Aldigavia,S.L.	45	-	-	85		-
Alten Alange, S.L.	-	-	-	356	-	-
Alten Alconera Dos, S.L.	221	1	10	141	-	-
Alten Alconera, S.L.	-	-	7	61	-	-
Bulevar del Arte y La Cultura,S.A.	-	-	-	49	-	-
Explotaciones Eólicas Velez Rubio, S.L.	50	-	-	458	-	-
Expociencia, S.L.	-	-	-	1	-	-
Fortem Integral, S.L.	-	3	-	322	-	-
Ola Ortiz Construction, S.P.A.	4,411	-	-	-	-	-
Ortiz Sport Factory, S.L.	3	8	-	137	-	-
Superficie Cartera de Invesiones,S.A.	193	-	-	135	-	3
Urbanizadora Gade, S.A.	-	-	44	-	-	-
Viario A-31, S.A.	-	-	-	36	-	-
Autopistas del Nordeste, S.A.S.	-	-	-	81	-	-
Ormats Mantenimiento Integral, S.L.	317	-	-		-	26
TOTAL	**5,506**	**1,083**	**61**	**3,626**	**-**	**29**

Loans to related companies earn an interest rate of between 3% and 8%.

(in thousand Euros)

Transactions with directors or senior managers

No relevant operations implying a transaction of resources or obligations between the Parent Company or other Group organizations and the Company directors or senior managers have occurred.

33. SEGMENTED INFORMATION

The Group's financial information has been broken down by operational segments for financial years ended on 31 December 2016 and 2015 as shown below:

2016	Construction and Services	Energy	Real Estate - Equity	Concessions
Assets	583,368	57,234	40,765	19,127
Liabilities	359,283	69,154	41,229	19,254
Net Turnover	**195,559**	**138,770**	**9,630**	**3,200**
Profit/Loss before Taxes	**18,919**	**8,269**	**26,224**	**1,097**

2015	Construction and Services	Energy	Real Estate - Equity	Concessions
Assets	537,121	35,426	56,154	20,439
Liabilities	337,652	37,215	33,300	19,664
Net Turnover	**178,138**	**131,287**	**55,338**	**11,492**
Profit/Loss before Taxes	**8,494**	**7,201**	**(4,043)**	**2,179**

34. INFORMATION ON THE ENVIRONMENT

The Group has adopted the corresponding measures regarding protection and improvement of the environment and minimization, when appropriate, of environmental impact, in compliance with relevant current regulations. In consequence, it has not been deemed necessary to record any provision for environmental risks and expenses and there are no contingencies related to protection and improvement of the environment.

The main environmental issue arising from the activities of the companies that entails a risk for the environment is the generation of hazardous waste.

The different companies of the Group have implemented an Environmental Management System compliant to standard UNE-EN ISO 14001:2.004 certified by AENOR. Ortiz Construcciones y Proyectos, S.A.U., with certification number GA-2.000/0039 and issued on 10 March 2000. Compañía Internacional de Construcción y Diseño, S.A.U., with certification number GA-2.007/0166 and issued on 16 April 2007. Ingeniería y Diseños Técnicos, S.A.U., with certification number GA-2.006/0486 and issued on 30 November 2006. Ortiz Área Inmobiliaria, S.L.U., with certification number GA-2.005/0292 and issued on 1 July 2005. Asteisa Tratamiento de Aguas, S.A.U. , with certification number E-199534 and issued on 26 January 2000. Construcciones I.C.M.A.-PROAKIS, S.A.U., with certification number GA-2.002/0373 and issued on 18 December 2001. Contratas y Servicios Ferroviarios, S.A.U., with certification number GA-2.003/0021 and issued on 28 January 2003. Elecor, S.A.U. , with certification number GA-2.009/0756 and issued on 26 November 2009.

Juan Galindo, S.L.U., with certification number GA-2.010/0101 issued on 02/03/2010. Ortiz Energía, S.A.U. in December 2012 Indag, S.A.U., in process of study and implementation.

35. EVENTS AFTER THE CLOSING DATE

There are no subsequent events that reveal circumstances that existed on the financial year closing date and that, due to applying the rule on registration and valuation, would have entailed the inclusion of an adjustment to the figures contained in the documents of the consolidated annual accounts or that would not have entailed an adjustment to the attached annual accounts but that the information contained in the consolidated report would have had to be modified according to this event or that these events were of such importance that they could affect the evaluation capacity of readers of these annual accounts.

In March 2017, 6.07% of the shares of the Company Grupo Ortiz Properties SOCIMI, S.A. were sold for an amount of 4,507 thousand Euros.

36. FEES OF THE AUDITORS

Fees charged during the financial year by PricewaterhouseCoopers Auditores, S.L. in consideration for auditing services in relation to the financial statements came up to 236 thousand Euros (2015: 178 thousand Euros).

Besides, fees charged during the financial year by other companies of the PwC networks for other services rendered to the Company amounted to 79 thousand Euros (2015: 11 thousand Euros).

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SUBSIDIARIES

31 December 2016			**Share**			
Name	**Registered Address**	**Activity**	**%**	**Thousand Euros**	**Company of the holding Group**	**Audit**
Compañía Internacional de Construcción y Diseño ,S.A.U.	Madrid	Construction	100	1,560	Ortiz CYP	PWC
Indag, S.A.U.	Madrid	Construction	100	1,679	Ortiz CYP	Not audited
Ingeniería y Diseños Técnicos, S.A.U.	Madrid	Construction	100	120	Ortiz CYP	PWC
Agrícola El Casar, S.L.U.	Madrid	Real Estate	100	38,486	Ortiz CYP	PWC
Prorax, S.A.U.	Madrid	Real Estate	100	726	Ortiz Área I.	Not audited
Ortiz Área Inmobiliaria, S.L.U.	Madrid	Real Estate	100	6,665	Ortiz CYP	Not audited
EMCA Sociedad Concesionaria, S.L.U.	Madrid	Concessions	100	100	Ortiz CYP	Not audited
Asteisa Tratamiento de Aguas, S.A.U.	Madrid	Construction	100	1,889	Ortiz CYP	Not audited
Construcciones Icma-Proakis, S.A.U.	Asturias	Construction	100	12,400	Ortiz CYP	Not audited
Contratas y Servicios Ferroviarios, S.A.U.	Orense	Construction	100	25,545	Ortiz CYP	PWC
Arquitectura Industrializada Andaluza, S.L.	Sevilla	Construction	55	342	Indagsa	Not audited
Elecor, S.A.U.	Guadalajara	Electricity	100	8,421	Ortiz CYP	PWC
Concesionaria Collado Villalba, S.A.U.	Madrid	Concessionaire	100	6,050	Ortiz CYP	Not audited
El Arce de Villalba, S.L.U.	Madrid	Real Estate	100	3	Agricasa	PWC
Ortiz International Investment, S.L.U.	Madrid	Construction	100	50	Ortiz CYP	Not audited
Impulsa Grup Ortiz, S.L.	Barcelona	Construction	92.5	0	Ortiz CYP	Not audited
Juan Galindo, S.L.U.	Almería	Electricity	100	2,616	Ortiz CYP	PWC
Tendidos y Redes del Sur, S.L.U.	Almería	Electricity	100	385	Ortiz CYP	Not audited
Ortiz Energía, S.A.U.	Madrid	Energy	100	1,000	Ortiz CYP	PWC
Grupo Ortiz Polska, S.A.	Poland	Construction	100	25	Ortiz Int. Inv.	Pol-Tax S.P.
Ortiz Colombia, S.A.S.	Colombia	Construction	75	176	Ortiz CYP / Ortiz Int. Inv	Not audited
Águeda Educatis, S.L.	Madrid	Real Estate	100	18	Ortiz Area I.	Not audited
Grupo Ortiz Construcciones México, S.A.	Mexico	Construction	99.99	709	Ortiz Int. Inv.	Not audited
Personal Management, C.V.S.A.	Mexico	Construction	100	3	Condisa	Not audited
Ortiz Brasil Contruçoes, Limitada	Brazil	Construction	100	2,050	Ortiz Int. Inv.	Not audited
Ortiz Construcciones Colombia, S.A.S.	Colombia	Construction	100	224	Ortiz CYP / Ortiz Int. Inv	Not audited
OSM Construcciones, S.A. Promotora de C.V.	Mexico	Construction	49.99	25	Grupo Ortiz C. México	Not audited
Tecasol, S.A.	Uruguay	Construction	70	2	Ortiz CYP	Not audited
Ortega y Gasset Park, S.L.	Madrid	Concessionaire	100	10,012	GOP, S.A.	PWC
Águeda Educatis Tres Cantos, S.L.U.	Madrid	Real Estate	100	3	Águeda Educatis	Not audited
Aldigavia, S.A.U.	Madrid	Real Estate	100	18,642	GOP, S.A.	PWC
Aldigavia Oficinas, S.L.U	Madrid	Real Estate	100	26,576	GOP, S.A.	PWC
Grupo Ortiz Properties SOCIMI, S.A.U.	Madrid	Real Estate	100	73,705	Ortiz CYP	PWC
Galindo Subestaciones Mexico,S.A.P.I de C.V.	Madrid	Construction	99.99	1	Ortiz CYP	Not audited
Ortiz Energía Japan, K.K.	Japan	Energy	100	325	Ortiz Energía	Not audited
				240,532		

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SUBSIDIARIES

31 December 2015			Share			
Name	**Registered Address**	**Activity**	**%**	**Thousand Euros**	**Company of the holding Group**	**Audit**
Compañía Internacional de Construcción y Diseño ,S.A.U.	Madrid	Construction	100	1,560	Ortiz CYP	PWC
Indag, S.A.U.	Madrid	Construction	100	1,679	Ortiz CYP	Not audited
Ingeniería y Diseños Técnicos, S.A.U.	Madrid	Construction	100	120	Ortiz CYP	PWC
Agrícola El Casar, S.L.U.	Madrid	Real Estate	100	44,802	Ortiz CYP	PWC
Prorax, S.A.U.	Madrid	Real Estate	100	726	Ortiz Área I.	Not audited
Ortiz Área Inmobiliaria, S.L.U.	Madrid	Real Estate	100	8,017	Ortiz CYP	Not audited
EMCA Sociedad Concesionaria, S.L.U.	Madrid	Concessions	100	100	Ortiz CYP	Not audited
Asteisa Tratamiento de Aguas, S.A.U.	Madrid	Construction	100	1,889	Ortiz CYP	PWC
Construcciones Icma-Proakis, S.A.U.	Asturias	Construction	100	15,871	Ortiz CYP	Not audited
Contratas y Servicios Ferroviarios, S.A.U.	Orense	Construction	100	25,545	Ortiz CYP	PWC
Arquitectura Industrializada Andaluza, S.L.	Sevilla	Construction	55	342	Indagsa	Not audited
Elecor, S.A.U.	Guadalajara	Electricity	100	8,421	Ortiz CYP	PWC
Concesionaria Collado Villalba, S.A.U.	Madrid	Concessionaire	100	6,050	Ortiz CYP	Not audited
El Arce de Villalba, S.L.U.	Madrid	Real Estate	100	3	Agricasa	PWC
Ortiz International Investment, S.L.U.	Madrid	Construction	100	50	Ortiz CYP	Not audited
Impulsa Grup Ortiz, S.L.	Barcelona	Construction	92.5	0	Ortiz CYP	PWC
Juan Galindo, S.L.U.	Almería	Electricity	100	3,485	Ortiz CYP	PWC
Tendidos y Redes del Sur, S.L.U.	Almería	Electricity	100	486	Ortiz CYP	Not audited
Ortiz Energía, S.A.U.	Madrid	Energy	100	1,000	Ortiz CYP	PWC
Grupo Ortiz Polska, S.A.	Poland	Construction	100	25	Ortiz Int. Inv.	Pol-Tax S.P.
Ortiz Elektra, A.D.	Bulgaria	Construction	80	21	Ortiz Int. Inv.	Not audited
Ortiz Colombia, S.A.S.	Colombia	Construction	75	176	Ortiz CYP / Ortiz Int. Inv	Not audited
Águeda Educatis, S.L.	Madrid	Real Estate	100	18	Ortiz Area I.	Not audited
Grupo Ortiz Construcciones México, S.A.	Mexico	Construction	99.99	709	Ortiz Int. Inv.	Not audited
Personal Management, C.V.S.A.	Mexico	Construction	100	3	Condisa	Not audited
Ortiz Brasil Contruçoes, Limitada	Brazil	Construction	100	2,050	Ortiz Int. Inv.	Not audited
Ortiz Construcciones Colombia, S.A.S.	Colombia	Construction	100	235	Ortiz CYP / Ortiz Int. Inv	Not audited
OSM Construcciones, S.A. Promotora de C.V.	Mexico	Construction	49.99	1	Grupo Ortiz C. México	Not audited
Tecasol, S.A.	Uruguay	Construction	70	2	Ortiz CYP	Not audited
Ortega y Gasset Park, S.L.	Madrid	Concessionaire	100	1,268	Ortiz CYP	PWC
Águeda Educatis Tres Cantos, S.L.U.	Madrid	Real Estate	100	3	Águeda Educatis	Not audited

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MULTI-GROUP COMPANIES

31 December 2016			Share			
Name	**Registered Address**	**Activity**	**%**	**Thousand Euros**	**Company of the holding Group**	**Audit**
Inmuebles Gade, S.L.	Madrid	Real Estate	79.21	14,802	Ortiz Área I.	Not audited
Urbanizadora Gade, S.A. In liquidation	Madrid	Real Estate	50	4,318	Ortiz Área I.	Not audited
Accesos de Ibiza, S.A.	Balearic Islands	Concessionaire	50	6,400	Ortiz CYP	Gabinete de Auditoria Ribas
Alten Alconera, S.L.	Madrid	Energy	61.31	2,667	Agricasa & Alten ER	PWC
Alten Alange, S.L.	Madrid	Energy	61.31	1,464	Agricasa & Alten ER	PWC
Alten Alconera Dos, S.L.	Madrid	Energy	61.3	963	Agricasa & Alten ER	PWC
Medsolar SPV10, S.R.L.	Italian Branch	Energy	50	5	Agricasa	Not audited
Ortiz Sport Factory	Madrid	Concessionaire	64.31	5	Agricasa/Fortem	Not audited
Total Multi-Group				**30,625**		

ASSOCIATED COMPANIES

31 December 2016			Share			
Name	**Registered Address**	**Activity**	**%**	**Thousand Euros**	**Company of the holding Group**	**Audit**
Expociencia, S.L.	Madrid	Education	40	0	Condisa	Not audited
Bulevar del Arte y la Cultura, S.A.	Valencia	Concessionaire	33.34	467	Ortiz CyP	Not audited
Alten Energías Renovables, S.L.	Madrid	Energy	22.62	5,189	Alten Investments	PWC
Fortem Integral, S.L.	Madrid	Training	51.32	51	Agricasa	Not audited
Viario A - 31, S.A.	Madrid	Concessionaire	21	2,106	Ortiz CyP	Deloitte
Africana Energía, S.L.	Córdoba	Energy	39.36	315	Ortiz CyP	PWC
Alten Renewable Energy Investments, B.V.	Madrid	Energy	22.74	5,449	Ortiz CyP	PWC
Superficie Cartera de Inversiones, S.A.	Madrid	Real Estate	1	157	Ortiz CyP	PWC
Ormats mantenimiento Integral, S.L.	Córdoba	Energy	33.33	1	Ortiz CyP	Not audited
Explotaciones Eólicas Vélez Rubio, S.L.	Valencia	Energy	40	4,831	Agricasa	PwC
Alten Renewable Energy Developments, B.V.	Madrid	Energy	32.8775	4,438	Ortiz CyP	PWC
Construcciones Inca-Ortiz, S.A.	Chile	Construction	50	3	Ortiz Sucursal Chile	Not audited
SCPA Marabá	Brazil	Construction	25	400	Ortiz Brasil	Not audited
Ola Ortiz Construction	Algeria	Construction	49	543	Ortiz CyP	Not audited
Alten 2.010 Energías Renovables, S.A.	Madrid	Energy	32.83	1906	Alten Developments	PWC
Alten Pozohondo, S.L.	Madrid	Energy	22.62	586	Alten Energ. Renov.	PWC
Alten Los Hinojosos, S.L.	Madrid	Energy	22.62	212	Alten Energ. Renov.	PWC
Alten El Casar, S.L.	Madrid	Energy	22.62	1	Alten Energ. Renov.	Not audited
Dumar Ingenieros, S.L.	Madrid	Energy	22.62	460	Alten Energ. Renov.	Not audited
Alten Gestión de Proyectos, S.L.	Madrid	Energy	32.8775	0	Alten 2010	Not audited

(in thousand Euros)

Alten Hinojosa del Valle, S.L.	Madrid	Energy	32.8775	331	Alten 2010	Not audited
Autopistas del Nordeste	Colombia	Concessionaire	25.5	40	Ortiz CyP	Not audited
Concesión del Sisga, S.A.S.	Colombia	Concessionaire	40	6	Ortiz CyP	Not audited
OrtizCocomex, S.A.P.I. de C.V.	Mexico	Construction	50	1	Ortiz CyP/JG	Not audited
Total Associated Companies				**27,493**		

MULTI-GROUP COMPANIES

31 December 2015

Name	Registered Address	Activity	Share %	Share Thousand Euros	Company of the holding Group	Audit
Inmuebles Gade, S.L.	Madrid	Real Estate	79.21	14,802	Ortiz Área I.	Not audited
Urbanizadora Gade, S.A. In liquidation	Madrid	Real Estate	50	4,318	Ortiz Área I.	Not audited
Accesos de Ibiza, S.A.	Balearic Islands	Concessionaire	50	6,400	Ortiz CYP	Gabinete de Auditoria Ribas
Alten Alconera, S.L.	Madrid	Energy	61.31	2,667	Agricasa & Alten ER	PWC
Alten Alange, S.L.	Madrid	Energy	61.31	1,464	Agricasa & Alten ER	PWC
Alten Alconera Dos, S.L.	Madrid	Energy	61.3	962	Agricasa & Alten ER	PWC
Medsolar SPV10, S.R.L.	Italian Branch	Energy	50	5	Agricasa	Not audited
Ortiz Sport Factory	Madrid	Concessionaire	55	3	Agricasa/Fortem	Not audited
Aldigavia, S.L.	Madrid	Real Estate	49	794	Agricasa	Not audited
Aldigavia Oficinas, S.L.	Madrid	Real Estate	49	3,088	Agricasa	Not audited
Total Multi-Group				**34,503**		

ASSOCIATED COMPANIES

31 December 2015

Name	Registered Address	Activity	Share %	Share Thousand Euros	Company of the holding Group	Audit
Expociencia, S.L.	Madrid	Education	40	0	Condisa	Not audited
Bulevar del Arte y la Cultura, S.A.	Valencia	Concessionaire	33.34	467	Ortiz CyP	Not audited
Alten Energías Renovables, S.L.	Madrid	Energy	22.62	5,139	Alten Investments	PWC
Fortem Integral, S.L.	Madrid	Training	29.42	29	Agricasa	Not audited
Viario A - 31, S.A.	Madrid	Concessionaire	21	2,106	Ortiz CyP	Deloitte
Africana Energía, S.L.	Córdoba	Energy	39.36	315	Ortiz CyP	PWC
Alten Renewable Energy Investments, B.V.	Madrid	Energy	22.74	5,449	Ortiz CyP	PWC
Superficie Cartera de Inversiones, S.A.	Madrid	Real Estate	1	182	Ortiz CyP	PWC
Ormats mantenimiento Integral, S.L.	Córdoba	Energy	33.33	1	Ortiz CyP	Not audited
Explotaciones Eólicas Vélez Rubio, S.L.	Valencia	Energy	40	4,631	Agricasa	Deloitte
Alten Renewable Energy Developments, B.V.	Madrid	Energy	32.83	3,283	Ortiz CyP	PWC
Construcciones Inca-Ortiz, S.A.	Chile	Construction	50	1	Ortiz Sucursal Chile	Not audited
SCPA Marabá	Brazil	Construction	25	94	Ortiz Brasil	Not audited
Ola Ortiz Construction	Algeria	Construction	49	136	Ortiz CyP	Not audited
Alten 2.010 Energías Renovables, S.A.	Madrid	Energy	32.83	186	Alten Developments	PWC
Alten Pozohondo, S.L.	Madrid	Energy	22.62	57	Alten Energ. Renov.	PWC
Alten Los Hinojosos, S.L.	Madrid	Energy	22.62	21	Alten Energ. Renov.	PWC

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Alten El Casar, S.L.	Madrid	Energy	22.62	1	Alten Energ. Renov.	Not audited
Dumar Ingenieros, S.L.	Madrid	Energy	22.62	45	Alten Energ. Renov.	Not audited
Alten Gestión de Proyectos, S.L.	Madrid	Energy	32.83	0	Alten 2010	Not audited
Alten Hinojosa del Valle, S.L.	Madrid	Energy	32.83	3	Alten 2010	Not audited
Autopistas del Nordeste	Colombia	Concessionaire	25.5	4	Ortiz CyP	Not audited
Concesión del Sisga, S.A.S.	Colombia	Concessionaire	40	6	Ortiz CyP	Not audited
Imathia Construcciones, S.R.L.	Bolivia	Construction	33.33	0	Ortiz CYP	Not audited
Total Associated Companies				**22,156**		

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TEMPORARY JOINT VENTURES

ASTEISA, TRATAMIENTO DE AGUAS, S.A.U.	% Share	Activity	2,016 Turnover	2,016 Result
UTE BRETOÑA.	50%	Construction	-	(0)
UTE DEPURADORA LAGO	50%	Construction	-	(0)
UTE EDAR ARANJUEZ.	50%	Construction	353	(164)
UTE EDAR MIRAFLORES.	50%	Construction	(5)	(32)
UTE EDAR RIBADEO.	50%	Concessions	140	54
UTE EDAR VEGA.	75%	Construction	7	(37)
UTE ETAP VALMAYOR.	80%	Construction	20	20
UTE EXTRACO-ASTEISA.ARCADE.	50%	Construction	171	18
UTE MOLAR SUR.	50%	Construction	165	67
UTE RED LOS OLIVOS.	50%	Construction	0	(0)
UTE SARDERA OSSO.	80%	Construction	-	(0)
UTE VIVEROS.	50%	Construction	8	(1)
Total ASTEISA, TRATAMIENTO DE AGUAS, S.A.U.			**860**	**(75)**

CIA.INTNAL.CONSTRUCCION Y DISEÑO,S.A.U.	% Share	Activity	2,016 Turnover	2,016 Result
UTE BIBLIOTECA BURGOS.	50%	Construction	-	-
UTE CASA DEL CIGRONER.	90%	Construction	5	-
UTE CASA ROMANA.	50%	Construction	(7)	(6)
UTE CATEDRAL DE JAEN.	80%	Construction	-	(5)
UTE CERAMICA TRIANA.	100%	Construction	-	-
UTE CULTURA Y DEPORTES 2016	50%	Construction	-	-
UTE DG.SEGURIDAD.	50%	Construction	-	-
UTE EDIFICIOS P-VALLECAS.	50%	Construction	1,543	(95)
UTE GESTION CARABANCHEL 2010.	50%	Construction	-	(1)
UTE GESTION CHAMARTIN 2010.	50%	Construction	-	(0)
UTE GESTION CIUDAD LINEAL 2011-2012.	50%	Construction	-	(0)
UTE GESTION FUENCARRAL 2010.	50%	Construction	-	(0)
UTE GESTION LATINA 2010.	50%	Construction	-	1
UTE GESTION PUENTE VALLECAS 2010.	50%	Construction	-	0
UTE GESTION SAN BLAS 2010.	50%	Construction	-	(0)
Total CIA.INTNAL.CONSTRUCCION Y DISEÑO,S.A.U.			**1,540**	**(107)**

CONSTRUCCIONES ICMA-PROAKIS,S.A.U.	% Share	Activity	2,016 Turnover	2,016 Result
UTE VIMBODI.	50%	Construction	-	-
Total CONSTRUCCIONES ICMA-PROAKIS,S.A.U.			**-**	**-**

CONTRATAS Y SERVICIOS FERROVIARIOS,S.A.U.	% Share	Activity	2,016 Turnover	2,016 Result
UTE ALICANTE.	20%	Construction	737	136
UTE CONTROL DE VEGETACIÓN.	75%	Construction	1,955	54
UTE ETXEBARRI.	30%	Construction	(6)	(6)
UTE GABALDON.	33%	Construction	-	(2)
UTE HENDAYA.	65.00%	Construction	1,104	(31)
UTE MANTENIMIENTO OLMEDO PEDRALBA.	8%	Construction	277	(11)
UTE MANTENIMIENTO ORENSE 2017	50%	Construction	-	-
UTE MANTENIMIENTO OURENSE II.	50%	Construction	2,633	137
UTE METRICO 2016.	33%	Construction	393	31
UTE METRICO 2017	33%	Construction	-	-
UTE METRO MONTECARMELO.	30.00%	Construction	(160)	(160)

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UTE OLMEDO PEDRALBA.	8.00%	Construction	68	(5)
Total CONTRATAS Y SERVICIOS FERROVIARIOS,S.A.U.			**7,003**	**144**

			2,016	2,016
ELECOR,S.A.U.	% Share	Activity	Turnover	Result
UTE CAMPO DE GIBRALTAR.	50%	Energy	-	(0)
UTE ELECTRICIDAD B.T. HOSPITAL ZAMORA.	50%	Energy	267	(23)
UTE ENERGIA MALAGA.	50%	Energy	116	36
UTE HIDRO-CAJAL.	50%	Energy	56	(1)
UTE ILUMINACION EFICIENTE LED METRO MADRID LOTES 1	45%	Energy	21	(15)
UTE MECANICAS FAISANERA.	50%	Energy	46	(2)
UTE MECANICAS HOSPITAL ZAMORA.	60%	Energy	497	41
UTE MECANICAS SPA ABADIA.	50%	Energy	139	14
UTE MONTAJE CAJAL.	50%	Energy	5	(38)
UTE TUNELES AV ZAMORA	20%	Energy	-	-
UTE TUNELES NORTE	30%	Energy	-	-
Total ELECOR,S.A.U.			**1,148**	**12**

			2,016	2,016
EMCA SOCIEDAD CONCESIONARIA,S.L.U.	% Share	Activity	Turnover	Result
UTE PAR ANDORRA.	70%	Concessions	37	(170)
Total EMCA SOCIEDAD CONCESIONARIA,S.L.U.			**37**	**(170)**

			2,016	2,016
IMPULSA GRUP ORTIZ, S.L.	% Share	Activity	Turnover	Result
UTE AULARI BELLVITGE.	45%	Construction	-	-
UTE SANT ROC.	80%	Construction	-	(0)
UTE VALLES OCCIDENTAL.	80%	Construction	1	1
Total IMPULSA GRUP ORTIZ,S.L.			**1**	**1**

			2,016	2,016
INDAG, S.A.U.	% Share	Activity	Turnover	Result
UTE LOTE 3	50%	Construction	22	(106)
Total INDAG, S.A.U.			**22**	**(106)**

			2,016	2,016
INGENIERIA Y DISEÑOS TECNICOS,S.A.U.	% Share	Activity	Turnover	Result
UTE CONEXION PARQUES.	90%	Construction	638	-
UTE CONTROL DE VEGETACIÓN.	25%	Construction	652	18
UTE CR MACETEROS.	80%	Construction	1,931	(0)
UTE EDIFICIOS XATIVA.	80%	Construction	25	6
UTE INDITEC-SICE-PLAYAS CADIZ.	60%	Construction	733	5
UTE INDITEC-SICE-SAN FULGENCIO.	50%	Construction	247	36
UTE LA VAGUADA.	50%	Construction	-	-
UTE MOBILIARIO LA VAGUADA.	50%	Construction	(20)	(20)
UTE ORQUIDIARIO.	80%	Construction	69	(18)
UTE PARQUES FORESTALES Y VIVEROS.	45%	Construction	3,826	(166)
UTE PLANTA RESIDUOS BADAJOZ.	60%	Construction	-	11
UTE RIO LIMIA.	80%	Construction	-	(0)
UTE SAPLAYA.	80%	Construction	10	(0)
UTE VILLA ESTEPONA.	80%	Construction	3,937	38
Total INGENIERIA Y DISEÑOS TECNICOS,S.A.U.			**12,047**	**(90)**

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JUAN GALINDO,S.L.U.	% Share	Activity	2,016 Turnover	2,016 Result
UTE CAMPO DE GIBRALTAR.	50%	Construction	-	(0)
UTE CATEDRAL DE JAEN.	20%	Construction	-	(1)
UTE POSADAS.	50%	Construction	-	(0)
Total JUAN GALINDO,S.L.U.			**-**	**(1)**

ORTIZ CONSTRUCCIONES Y PROYECTOS,S.A.	% Share	Activity	2,016 Turnover	2,016 Result
UTE A-31.	27%	Construction	686	338
UTE ACCESOS IBIZA.	50%	Construction	-	(0)
UTE AEROPUERTO GI	50%	Construction	-	(0)
UTE AFINO ETAP SANTILLANA.	50%	Construction	-	(50)
UTE AFRICASOLAR.	25%	Energy	31	41
UTE ALCOVER.	50%	Construction	-	0
UTE AMBIENTAL AMBROZ-CAMPO ARAÑUELO.	60%	Construction	-	-
UTE AULARI BELLVITGE.	20%	Construction	-	-
UTE AUTOVIA ARGAMASILLA.	40%	Construction	-	-
UTE BIBLIOTECA BURGOS.	50%	Construction	-	-
UTE BOLAÑOS DE CALATRAVA.	60%	Construction	-	(8)
UTE CALLE PRADOVIEJO.	50%	Construction	-	(0)
UTE CARIÑENA.	80%	Construction	15	15
UTE CASA DEL CUENTO.	50%	Construction	92	(55)
UTE CENTRO ACUATICO 2012.	20%	Construction	-	(4)
UTE CLINICO MADRID.	30%	Construction	210	211
UTE COLEGIO NOBELIS.	50%	Construction	-	-
UTE COMARCA DE GATA.	80%	Construction	0	-
UTE CONEXION PARQUES.	10%	Construction	71	-
UTE CONSERVACIÓN CUENCA.	50%	Construction	754	64
UTE CR MACETEROS.	20%	Construction	483	(0)
UTE CULTURA Y DEPORTES 2016	50%	Construction	-	-
UTE DEPURADORA LAGO	50%	Construction	-	(0)
UTE DG.SEGURIDAD.	50%	Construction	-	-
UTE EDIFICIOS EDUCACION.	100%	Construction	-	-
UTE EDIFICIOS P-VALLECAS.	50%	Construction	1,543	(95)
UTE EDIFICIOS XATIVA.	20%	Construction	6	2
UTE ELEJALDE.	40%	Construction	136	0
UTE ENERGIA MALAGA.	50%	Construction	116	36
UTE EQUIPAMIENTO SOLAR DE CABALLERIA.	46%	Construction	-	3
UTE ESTACION DELICIAS.	40%	Construction	-	-
UTE ETAP VALMAYOR.	20%	Construction	5	5
UTE EZKIO.	30%	Construction	-	693
UTE GESTION CARABANCHEL 2010.	50%	Construction	-	(1)
UTE GESTION CHAMARTIN 2010.	50%	Construction	-	(0)
UTE GESTION CIUDAD LINEAL 2011-2012.	50%	Construction	-	(0)
UTE GESTION FUENCARRAL 2010.	50%	Construction	-	(0)
UTE GESTION LATINA 2010.	50%	Construction	-	1
UTE GESTION PUENTE VALLECAS 2010.	50%	Construction	-	0
UTE GESTION SAN BLAS 2010.	50%	Construction	-	(0)
UTE HIDRO-CAJAL.	50%	Construction	56	(1)
UTE HOSPITAL ALBACETE.	38%	Construction	25	-
UTE HOSPITAL ZAMORA	100%	Construction	-	-

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UTE ILLESCAS.	50%	Construction	-	(1)
UTE LA PIZARRA.	80%	Construction	12	12
UTE LOTE 3	50%	Construction	22	(106)
UTE MANTENIMIENTO EMVS ORTIZ-FERNANDEZ MOLINA.	50%	Construction	2,181	-
UTE MATADERO.	43%	Construction	-	74
UTE METRO MONTECARMELO.	70%	Construction	(372)	(373)
UTE ORTIZ-SICE-ITUVAL GESTION ENERGETICA.	60%	Construction	3,407	71
UTE PABELLON MELIANA.	60%	Construction	-	-
UTE PALACIO FAISANERA.	50%	Construction	520	17
UTE PAR ANDORRA.	30%	Concessions	16	(73)
UTE PARKING VILLALBA.	50%	Construction	-	(0)
UTE PARQUES FORESTALES Y VIVEROS.	10%	Construction	850	(37)
UTE PISCINA COLMENAR.	70%	Construction	-	-
UTE PLANTA EL MOLAR.	80%	Construction	-	(1)
UTE PLANTA RESIDUOS BADAJOZ.	20%	Construction	-	4
UTE POLIDEPORTIVO COLMENAR.	55%	Construction	-	(1)
UTE PRESA ARBAS.	50%	Construction	274	(20)
UTE RAM TECMO-ORTIZ.	50%	Construction	99	1
UTE RAMOS CARRION.	80%	Construction	-	(3)
UTE RIO LIMIA.	20%	Construction	-	(0)
UTE ROBLEDO.	50%	Construction	-	1
UTE RUGBY.	50%	Construction	0	0
UTE RUTA DE LA PLATA 2015.	50%	Construction	660	45
UTE RUTA DE LA PLATA.	50%	Construction	-	1
UTE SALAS.	50%	Construction	-	-
UTE SAN CRISTOBAL-GETAFE.	50%	Construction	-	-
UTE SANT ROC.	20%	Construction	-	(0)
UTE SAPLAYA.	20%	Construction	2	(0)
UTE SARDERA OSSO.	20%	Construction	-	(0)
UTE SECTOR LA ESTACION.	55%	Construction	-	-
UTE SEVILLA ESTE.	80%	Construction	-	(51)
UTE SIMANCAS.	50%	Construction	-	(0)
UTE SOLAND CENTER.	80%	Construction	-	1
UTE SOTANO TC.	50%	Construction	-	(3)
UTE TEATRO RAMBLETA.	40%	Construction	-	(0)
UTE TUNELES NORTE	20%	Construction	-	-
UTE VADO.	100%	Construction	-	-
UTE VALLES OCCIDENTAL.	20%	Construction	0	0
UTE VIVEROS.	50%	Construction	8	(1)
UTE ZONAS VERDES ENSANCHE VALLECAS.	33%	Construction	-	(0)
Total ORTIZ CONSTRUCCIONES Y PROYECTOS,S.A.			**11,907**	**751**

ORTIZ ENERGIA,S.A.U.	**% Share**	**Activity**	**2,016 Turnover**	**2,016 Result**
UTE AFRICASOLAR.	25%	Energy	31	41
Total ORTIZ ENERGIA,S.A.U.			**31**	**41**
General Total			**34,596**	**399**

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

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1. BUSINESS DEVELOPMENT AND SITUATION OF THE GROUP

GRUPO ORTIZ stands out for diversification regarding business lines and internationalisation as well as for its economic-financial solvency, its skill and experience in executing large technical, financial, design, maintenance and operation projects.

The Group's business areas are:

- **Concessions**. Concession operator with wide experience in investment financing, execution design, operation and maintenance.
- **Energy**. Construction of photovoltaic, wind, thermal-solar and hydraulic power generation plants, high and middle voltage lines, electric substations, as well as maintenance of electro-mechanic installations and energy services.
- **Construction**. Construction of civil works infrastructure, buildings, railway, water, environment, renovations, engineering and Indagsa industrialised construction system.
- **Services**. Maintenance of infrastructure, roads, railways, comprehensive maintenance of buildings, urban and environmental services.
- **Real Estate**. Development and operation of real estate properties for rental and tertiary level products (offices and business premises).

It must be mentioned that during financial year 2016 the situation of the company has evolved positively.

CONSOLIDATED Ortiz Construcciones	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Turnover	478	510	523	392	412	376	347
Ebitda	54	53	27	47	53	41	36
EBITDA/Turnover margin	11.29%	10.39%	5.16%	11.98%	12.86%	10.95%	10.34%
RESULT	**38**	**26**	**5**	**14**	**(7)**	**16**	**5**

Data in millions of Euros

It must be stressed that the turnover of the Consolidated Group for the year 2016 amounted to 347 million Euros, accounting for a 7.73 % decrease in relation to the previous year, and recorded an EBITDA of 35.9 million Euros which accounts for a 12.90 % decrease in relation to the previous year.

The EBITDA/turnover ratio is 10.34%, 5.57% less than the previous year.

The result for financial year 2016 is 4.97 million Euros. The result for financial year 2015 was 15.93 and the result of financial year 2014 was -6.76 million Euros mainly due to the adjustments carried out as a consequence of changes in regulations regarding renewable energies and real estate assets.

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The Group's robust situation is evidenced by the evolution of the main items of GRUPO ORTIZ over the last five years, whose amounts have been remained practically constant as a result of the internalization and the diversification of business areas undergone by the Group.

The consequence of using the equity method for consolidation of related companies, concessionary companies' is that EBITDA and turnover are not included on the financial statements of the Consolidated Group.

The turnover of the Group, as mentioned before, reached 347.159 million Euros, an amount that increases up to 386.15 million Euros if we add the concessions division, which is not consolidated in the Group.

The Earnings Before Interest, Taxes, Depreciation, and Amortization (Editda) of the Group reached 35.90 million Euros, an amount that increases up to 65 million Euros if we add the concessions division, which is not consolidated in the Group.

Portfolio

The current portfolio of contracts pending execution corresponding to GRUPO ORTIZ amounts to 4,135 million.

The portfolio of contracts mainly involved the Concessions and Energy Projects Divisions as well as the International Construction Division.

- The portfolio corresponding to the Concessions area amounts to 3,012 million Euros, which represents a 4% increase in relation to the previous year. Grupo Ortiz has multiplied by five its concessions portfolio during the last eight years, increasing its volume from 614 million Euros to more than 3.000 million Euros in 2016.
- The portfolio corresponding to the Energy Division comes up to 443.68 million Euros; an increase of 30% mainly due to photovoltaic EPC projects in Aguascalientes, Mexico, and the photovoltaic projects in Japan.
- The portfolio corresponding to the International Construction Division amounts to 353.70 million Euros, which means a decrease of 33% in comparison to last year, mainly due to the arbitration proceedings in Algeria which is further explained in this report.
- The total portfolio corresponding to the National Construction and Services areas amount to 270.75 million Euros, a 16% lower than in the previous year.
- The portfolio corresponding to the Real Estate area amounts to 55.02 million Euros, which represent a decrease from the figure of 61.90 of last year.

During 2016, 322 Mw are contracted under EPC agreements.

The portfolio of the Group has concessions in Colombia, the first 145 km long Northern Connection, the Second Transversal Sisga Highway (Bogotá), a 137 km long highway.

It must be noted that it was in 2014 that the first concession outside Spain was contracted.

In summary, GRUPO ORTIZ has a highly diversified portfolio both geographically and by business area, which a high growth potential.

52% of the portfolio corresponds to international businesses.

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Financing

Debt
The Debt of GRUPO ORTIZ with Consolidated RECOURSE amounts to 150.6 millions; 3.45% decrease of the debt as compared to the previous year. Such decrease is mainly due to the debt reduction policy which led to the purchase of bonds from GRUPO ORTIZ amounting to 14 million Euros.
Debt WITHOUT RECOURSE corresponds to the following operations:

- Public houses under lease with a purchase option (VPPAOC as per the Spanish acronym) in Villalba, Madrid, amounting to 11 millions.
- Financial operation Ortega y Gasset Car Park, in Madrid, for an amount of de 6.6 millions.

The total amount of credit policies as of 31 December 2016, was uncalled, that is to say, 100% available.

Lending Positions
It is necessary to evaluate lending positions in order to analyse net debt. Lending positions as of 31 December 2015 came up to 66.9 million Euros; in 2016, the financial year was closed with an amount of 101.3 million Euros, an increase of 83.09%. Such increase was due to the improvement of the collections at a national level and a better composition of the energy division regarding the volume of the total activity share in the Group.

Net Financial Debt
As a consequence of the foregoing, the current financial year was closed with a net debt amount of 49.34, as compared to 90.88 the previous year. This decrease of 45.70% shows the improvement of the Debt and Cash Flow of the Group.
Therefore, the company Ratios demanded by Bonds and Bank Union are duly met.

1.1 Domestic Arena

CONCESSIONS.

DOMESTIC

Concessions are a line of business that is extremely relevant in the Group.

At present the GRUPO ORTIZ operates a diversified portfolio of concessions, with an excellent track record and recurrent and predictable revenues.

These concessions can be broken down into two large groups:

- Infrastructure (5 roads, 9 car parks, 1 railway, 1 environmental, 1 cultural, 1 sport and other).
- Energy (50 Mw thermal-solar, 50 MW wind, 32 MW photovoltaic, 3 power efficiency projects and 290 Mw photovoltaic projects under construction)

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The know-how acquired by the GRUPO ORTIZ and its success in developing the large projects it undertakes let it continue to expand its concession business with new investments.

The majority of concessions are developed by corporate vehicles that are established for this sole purpose, which are not consolidated as Group subsidiaries, but instead are consolidated by the equity method. These corporate vehicles represent a very large proportion of the activity in concessions; 80% of the area turnover.

The only consolidated concessionaire companies are Concesionaria Collado Villalba, S.A.U, which runs two car parks in this town, and Ortega y Gasset Park, S.L., which manages a car park in Madrid.

The remaining consolidated concessions are integrated on different Group companies, such as:

- Construcciones y Proyectos, S.A: other car parks (6)
- Elecor, S.A.U: efficiency projects and a 1 Mw photovoltaic power plant
- Agricasa: Repsol-branded service stations
- Asteisa: Ribadeo WWTP.

Below, the turnover and EBITDA for each consolidated Concession is specified:

- Car Parks: Turnover € 3.59 M Ebitda € 2.09 M.
- Environment: Turnover € 0.27 M Ebitda € 0.17 M.
- Service Station: Turnover € 4.23 M Ebitda € 0.40 M.
- UTE Málaga Energía: Turnover € 0.26 M Ebitda € 0.19 M.
- Energy Efficiency: Turnover € 0.45 M Ebitda € 0.21 M.

It must be highlighted that those Concessions which are not included in the consolidation have generated Cash flows and interest from loans for the Group amounting to € 2.07 M.

Relevant facts in 2016 regarding national concessions:

- Railways: Execution of the contract with UTE A31 for the execution of the Area 2 Work amounting to € 54 M.
- Zamora: Approval by the City Council for the purchase of 100% of the Car Park / Refinancing of the Debt.
- Collado Villalba: € 7.5 M were collected in 2016 for overdue royalties.
- Energy: The new retribution order 2017-2019 has been approved / Income increase: thermal-solar (+1.5%) / wind (+10%) / Photovoltaic (+1.5%). All plants are at their final refinancing phase.
- Málaga: Submission of the Rebalancing Proposal.
- Ribadeo: Execution Novation with Caixa. Guarantees lifted.
- Petrol Station: The plot adjoining the Burger King restaurant was leased - Commencement of the exploitation foreseen for May 2017.

The Concession Division went from 3 to 106 employees in 10 years. 72 employees working for the SPV companies managing those concessions which are not included in the consolidation process must also be added. Therefore, the total number of employees within the Concessions Division in 178 workers.

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ENERGY.

The Energy Division has a turnover of 138.77 million Euros plus an increase of 5%. Out of said turnover, more that 20 million Euros correspond to national turnover.

During 2016, the national energy industry was still affected by two restricting factors. On the one hand and, as a consequence of the economy, the growth in energy demand is still stagnant. On the other hand, the energy reform carried out during the Government is limiting investments both regarding new generating stations (conventional and renewable sources) and energy infrastructures for the transport and distribution of gas and electricity, thus reducing the budget allocated for maintenance actions of electric infrastructures.

On the other hand, the difficulties for the establishment of a Government delayed the passing of policies aimed at boosting the industry, which is likely to start being implemented in 2017. Among others, we are expecting legislative changes regarding compliance with energy and environmental objective reflecting European directives. In this regard, we must mention the amendment of RD 900/2015 on the self-consumption of electric energy, the call for bids for new electric power generation (likely in June 2017) and the development of Sustainable Urban Development Programmes with major funding by EDRDF. At the time of the preparation of this report, the Parliament discussing amendment of the Act allowing electric self-consumption and the Government is regulating a bid for generation with renewable energy sources for 3,000 MW, mainly wind and photovoltaic sources. These actions are likely to allow for a higher development of national activities within the Energy Division from 2017. We are certain that, both self-consumption and the execution of the new renewable power, allows us to be more optimistic in this market for the future.

According to this scenario, national activities of the Energy Division focused on the consolidation of market and taking advantage of the few new opportunities in order to maintain the business level. In this sense, it must be noted that in the current national market, the areas that are suffering the aforementioned effects the most are the ones related to the execution of generation facilities, as well as areas corresponding to the development of new high-voltage infrastructures.

However, and despite of the aforementioned difficulties, we achieved a major increase of the activity as regards the execution of electro-mechanical facilities and projects associated to energy efficiency, both in the public and private markets. It must be highlighted, due to its visibility, the renewal of the lighting installation of 120 metro stations and 5 deposits of the Underground of Madrid and the contracting of two important projects for the replacement of low-voltage switchboards of terminal T1, T2 and T3 of the Adolfo Suárez Madrid-Barajas Airport for Aena.

Another of the activities kept at a national level, is the one corresponding to services, among which, we must highlight the electric infrastructures maintenance service for major electric generation and distribution companies such as, for example, Gas Natural Fenosa, ENDESA, and the Trillo and Almaraz Nuclear Power Plant. Likewise, we increased the provision of maintenance services to electric power generation facilities from renewable sources, including an important project regarding photovoltaic plants in Italy. Likewise, we continued the provision of Operation and Maintenance Services of the La Africana Thermal-Solar Power Plant (50 MW) in Córdoba. Finally, and within the service division, we continued the provision of energy services for projects regarding public lighting and big buildings in the tertiary sector throughout the entire Spanish territory.

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DOMESTIC CONSTRUCTION AND SERVICES

The turnover regarding domestic construction and services in 2016 was 156.39 million Euros, a significant increase as compared to 130.38 million Euros in 2015.

In the domestic arena, profitability rates attain values higher than the market average.

On the construction area, the Company is present on both public and private markets, and specializes on the execution of civil works, building, rehabilitation, railways, environmental works, full water cycle and Indagada industrialized construction system. In the civil works sphere, the Company build all types of infrastructures: roads, railway, hydraulic works and environmental works.

Building. Throughout 2016, the domestic building turnover increased from over 20.3 million Euros in 2015 to almost 46.3 million Euros in 2016, an increase of 128% as compared to 2015. Such a significant increase in turnover was to the increase of tender processes and awards for residential buildings, mainly in Madrid, during year 2015 as a result of the improvement of the expectations and the increase in the financing by banking entities.

During 2016, the levels of tender processes for works, mainly related to residential building for cooperatives and/or small developers, remained at similar levels than those of 2015. Therefore, the political uncertainty period did not cause a new standstill in the residential sector.

This fact, together with the execution of the works related to several delegated management contracts for housing developments performed for different bank asset management companies, mainly ANIDA, ALTAMIRA and SERVIHABITAT, has allowed the portfolio of contracted houses (including delegated management contracts) to total 1,174 dwellings at a national level as of 31 December 2016, virtually the same than Grupo Ortiz's portfolio as of 31 December 2015, which amounted to 1,088.

Maintenance and restoration. Compañía Internacional de Construcción y Diseño, S.A.U. is a construction company specialising in the rehabilitation and restoration of monuments and building with high historical, artistic and/or unique value throughout the entire national territory such as cathedrals and religious buildings, castles, bridges, civil buildings and movable property. Notwithstanding the foregoing, it also has the proper qualification and technical expertise to execute all manner of building works.

During this financial year, we can see that there has been a stabilisation in the company, which was able to maintain its main businesses within a very narrow market (rehabilitation and conversation of heritage); a continuously shrinking market which suffers the low investment rate of Public Administrations due to the political deadlock that took place in the year 2016.

Therefore, it must be highlighted that, despite of the situation of the market in which this company operates, it has been able to, during the financial year ended on 31 December 2016, significantly reduce its turnover as compared to the previous year while also maintaining the costs and profitability within the margins of the industry.

This financial year may be defined as a consolidation of the company within the market, showing very adequate development patterns, a moderate growth and complying with the profitability and quality of the service provided.

Investment in heritage conservation has significantly decreased in the last financial years. As a consequence of the foregoing, Compañía Internacional de Construcción y Diseño, S.A.U. specialised in actions aimed at the remodelling of buildings in which a major component of special installations is involved, such as the ones carried out for the Spanish National Research Council or for the US Embassy.

In the 2016, we continued the full restoration work of the Santa María la Antigua Cathedral in Panama for the Government of the Republic of Panama, a monumental complex declared as Historic and World Heritage as well as National Historic Monument.

Refurbishment. Despite of the current economy, the stagnation of public tendering and the uncertainty of the investment of the private sector (major companies, investment funds, etc.), the turnover in 2016 of the refurbishment division had an increase of 12.94% as compared on the turnover in 2015.

The contracted portfolio in the refurbishment division for the following financial years means a 6.74% increase on the contracted portfolio in 2015.

These are the main contracts under execution and currently in effect within the public sector during financial year 2016: Integral maintenance of the district boards of Usera, Vallecas Puente, Fuencarral, Latina and San Blas, as well as the agreements with nine district boards in Madrid. The contract for unique Subsidiary Action with Demolition in C/ Lagasca no. 46 and the Framework Agreements with the Department of Culture and Sports and the Department of Safety of the City Council of Madrid. The maintenance agreements of Leganés, Las Rozas, Fuenlabrada, Alcalá de Henares, Alcobendas or the Comprehensive Maintenance of Estepona. Likewise, the maintenance of 3,200 houses corresponding to the Madrid's EMVS. Refurbishment of the Music and Dance School of the Community of Madrid. Refurbishment of Building for Universidad Carlos III. Maintenance of the Congress of Deputies. Repair of pathologies in the Bank of Spain

With the private sector the most relevant contracts were the refurbishment of the Commercial Building of Plaza del Carmen no. 2. Refurbishment of Gran Vía 32. Refurbishment of Ramón y Cajal School. Enlargement of Nuestra Señora del Rosario Parish. Refurbishment of three residential blocks in C/ Benimamet, Madrid. Conditioning of the Southern Bus Station. Refurbishment and conditioning Son Moll Hotel and Mar Azul Hotel in the Balearic Islands.

Civil works. The last financial year 2016 has been marked again by a scarce civil works tender offer on the part of the public Administration and practically a total lack thereof from private initiatives.

During this period, the Contract for Maintenance and Operation of a section of the Ruta de la Plata A-66 Highway in Extremadura and continued, as well as the contract for the Maintenance and Operation for several sections of roads N-420, N-301, and N-310, all of them in the province of Cuenca, has been executed. Both contracts have been subscribed with the General Directorate for Roads of the Ministry of Development.

With Adif, company belonging to the Ministry of Public Works, we have contracted the emergency embankment containment in Paet de Aramaio corresponding to the high speed railway line Vitoria-Bilbao-San Sebastian.

On the other hand, the City Council of Madrid contracted to paving actions for sidewalks in certain neighbourhoods and the urban development of the execution unit no. 2 of the Adelfas planning area.

Regarding hydraulic works, the maintenance of the Arbás dam in León, subscribed with the public company Aguas de las Cuencas de España (ACUAES), which reports to the Ministry for the Environment, continues.

Regarding private contracts, it has executed for ANIDA the Urban Development of the Special Plan of the Intervention Area of Zaragoza's PGOU.

Railways. The railway company of the Group, COSFESA, has maintained a steady activity during financial year 2016 through services contracts and renewal works for the conventional rail network.

We must highlight the extension of the contract for the Preventive Infrastructure Treatment of the Conventional Network (PTIV, as per the Spanish Acronym) in the North-East Areas, as well as the obtaining for the first time of the contract for the Preventive Infrastructure Treatment and Corrective Railway and Intervention of the Metric Width Network (RAM) lines for Adif in the area of Asturias and Galicia, the extension of the Contract for Plant Vegetation at Margins and Installations of the Conventional Network until December 2016. The contract for Maintenance of the High Speed Networks on the Gabaldón-Alicante section has also been renewed. Besides, other works have continued to be executed, such as track renewal, trench treatment, lining, reconstruction, and repairs in bridges and tunnels, etc. Continuance of the maintenance of the Olmedo-Zamora High Speed section, from the Madrid-Galicia line, commissioned in December 2015.

Water Treatment. In 2016 ASTEISA Tratamiento de Aguas has continued its operation by tendering and executing the works awarded in Spain.

The main contract executed in the year 2016 were the works of the construction project for the improvement action of the Valmayor WWTP amounting to € 2.5 million for Canal Isabel II.

The execution works commenced for the enlargement of the WWTP of Aranjuez (Madrid) and the maintenance and operations of the Riego de la Vega WWTP and the Ribadeo WWTP continued respectively.

However, the activities of Asteisa during 2016 focused on the international division, in particular in the Republic of Panamá, where major works have been bid for. Further information on such works will be provided in the international area.

To sum up, giving the few tender processes and the high competence existing in Spain, Asteisa's works in 2016 focused on the international area. Thanks to the work carried out, we expect to be awarded different projects in 2017 in Panama.

Indagsa Industrial Construction System. Indagsa, during financial year 2016, has worked on the domestic market of pre-fabricated panels and it has also continued its major role for the development of several R&D projects. Indagsa Ingeniería has provided technical support to the different departments within the Group, both for the preparation of project and for the provision of engineering assistance during the execution of the works.

Indagsa's production during 2016 increased by 20% as compared to the previous year.

The main R&D Projects in which Indagsa collaborated in 2016 are:

- SISMO PANELS: Fitting essays together with UPM and FHECOR.
- CONCRETE + FIBRE Fibre-reinforced concrete
- SELF-COMPACTING CONCRETE Working already in actual production and doses and application in the calculation of panels in 2016 fck=30 Mpa and from 2017 fck=40 Mpa.
- PILLAR REINFORCEMENT: Preparation a Technical Report to be submitted to CDTI
- IBEROEKA: Approved by the CDTI. Analysis of behaviour of fittings, reinforcements and acoustic insulation
- PHASE CHANGE MATERIALS

SERVICES.

On the services area, turnover reached 61 million Euros, 0.05% higher than the previous year. Maintenance and conservation service contracts provide a recurring portfolio in the medium them and provide recurring cash flows.

The short-term contracted works portfolio for maintenance services of green areas, road cleanings and waste collection for the following years amounts to 51.97 million Euros.

Despite of the current economy and the standstill in public tendering, particularly in the construction industry, the company maintained its business level based on the medium-term contracting of maintenance services of green areas, road cleanings and waste collection.

The main contracts under execution are the Maintenance of Green Areas and Urban Furniture of Ciudad Real, the Beach Cleaning Service and Park, Garden, Urban Trees, Fountains and Urban Furniture Maintenance Services of Estepona (Málaga), the Park and Municipal Integral Management Service for Public Plant Nurseries of Madrid, batch 3. Park Forest and Plant Nurseries, and Street Cleaning and Urban Waste Collection Services in Xátiva (Valencia).

The contraction of medium-term maintenance and conservation services has improved. These contracts provide stability to the company, such as the cleaning service for municipal buildings in Engera (Valencia) and Xátiva (Valencia), the maintenance and conservation service of the Felipe VI part and the forest area of the Monte del Pilar in Majadahonda (Madrid) or the maintenance and operation contract for the orchid field in Estepona (Málaga), as well as the extension of the maintenance services of green areas and road cleaning of El Casar (Guadalajara) or the cleaning service of beaches in Cádiz.

Besides, relevant contracts have been granted to the Company, such as the emergency contract for restoration of river beds after floods on the Miño-Sil basin (Batch 1: Orense) with the Miño-Sil RiverBasin Authority, the upgrade of the Carrión de los Condes (Palencia) greenhouse for the Duero River Basin Authority, the execution of the Central Parks for the Compensation Board of Valdebebas or the landscape integration works and stabilisation of embankments in Las Rozas (Madrid).

Likewise, the contracts executed in the previous year are still in effect, such as the maintenance of green areas of San Fulgencio (Alicante), Humanes (Madrid), Ciudad Real, Alboraya (Valencia), the road cleaning and urban waste collection in Xátiva (Valencia) or the integral management services for municipal parks and greenhouses of the Council of Madrid, lot 3: Forest Parks and greenhouses, as well as the connection works of regenerated water network to the parks of the Autonomous Community of Madrid with Canal de Isabel II.

For the following financial year, we will keep our consolidation strategy in the environmental services markets (conservation and maintenance of green areas, trees, urban furniture, road cleaning, management, operation and maintenance of waste treatment plants, waste collection services, beach cleaning, etc.), aiming at all times at an on-going improvement. The situation of the company is likely to remain stable in 2017 thanks to the continuation of contracts in effect and the execution of new ones.

Even though the economic criteria are still the most relevant ones in tender processes for services, it is likely that the increase of the market share of INDITEC within the service sector (particularly in the field of conservation of green areas), due to external factors, such as the decrease in the number of bidding companies, and also internal factors such as the quality and quantity improvement in terms of experience and capabilities, will allow to increase the range of potential clients.

REAL ESTATE AREA.

Turnover for the Real Estate area amounted to 3.20 million Euros.

This is a much lower amount than the 55.35 million Euros of the previous year due to the sale of three lots for residential purposes and to the handover of houses from the Tres Cantos **Promotion**.

During 2016 activity regarding real estate retains its markedly equity nature, with more than 36,000 square meters of tertiary plots under lease and 491 public houses under lease with a purchase option (VPPAOC by its Spanish acronym), with occupancy levels around 90%.

The Group has plots and pieces of land, not associated to any financial debt, amounting to 2 million square metres of which 67,733 m2 correspond to plots for urban development and 38,260 m2 are located at the UZP 1.03 of Valdecarros, and the rest correspond to pieces of land located in Arroyo Butarque, Barajas, Coslada, Vicálvaro, Burgos, and Seville.

It must be stated that during financial year 2016, the Group has carried out a restructuring of its real-state business for the management of rents by combining those assets and liabilities related to said business under the subsidiary incorporated in 2016 Grupo Ortiz Properties SOCIMI, S.A. Such restructuring has been carried out by means of the following transactions:

Incorporation of Grupo Ortiz Properties, S.A. by means of spin-off from the parent company Ortiz Construcciones y Proyectos, S.A. and the partial spin-off of the subsidiaries Agrícola El Casar, S.L.U., Ortiz Área Inmobiliaria, S.A.U. and Construcciones Icma Proakis, S.A.U.

- Acquisition by Grupo Ortiz Properties, S.A. to Agrícola El Casar, S.L.U. of its share in the companies Aldigavia, S.A.U. y Aldigavia Oficinas, S.L.U.
- Acquisition by Grupo Ortiz Properties, S.A. to Ortiz Construcciones y Proyectos, S.A. of its share in the subsidiary Ortega y Gasset, S.A.U.

Since those transactions were carried out between the Parent Company and 100% owned subsidiaries, they had no impact whatsoever in the financial statements of the Group.

The purpose of such restructuring is the disinvestment in this activity branch. Likewise, in August 2016, before said restructuring operations took place, the Group acquired the control of the companies Aldigavia, S.A.U. and Aldigavia Oficinas, S.L.U., obtaining a share of 100% in said companies for the only purposes of selling them within the framework of the aforementioned operation.

(in thousand Euros)

1.2 International Arena

International turnover accounts for 45% of the total turnover of the Group, and totals 157.12 million Euros.

International building represents 29% of sales on the construction area and boasts a portfolio representing 57% of the total portfolio for this area.

International energy sales amount for **85% of total,** with a portfolio representing 80% of the total portfolio for such area.

On the area of international building turnover reaches 39.17 million Euros and on the area of energy it reaches 117.95 million Euros.

International activity for year 2016 reaches 157.12 million Euros and its breakdown by country is as follows:

Countries	2016 Turnover
Colombia	14.33
Peru	13.51
Panama	10.27
El Salvador	3.00
Chile	75.77
Mexico	25.85
Romania	3.24
Japan	9.00
Other (Italy, France, Guatemala and Honduras)	2.15
TOTAL	**157.12**

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED REPORT FOR FINANCIAL YEAR ENDED AS OF 31 December 2016
(in thousand Euros)

Data in millions of Euros

CONSTRUCTION.

The international construction activities of the Group shows a turnover of 39.17 million Euros, and its share is expected to grow significantly over the next years, since the Group intends to rely extensively on internationalization and it **already boasts a portfolio on international construction amounting to 353.70 million Euros**.

During this financial year, GRUPO ORTIZ remained present in the Latin American countries of Colombia, Panama, Peru and Mexico; in Europa we develop our water management activities in Romania.

PANAMA. During year 2016, we continued the execution of those works contracted in 2015 with the Ministry of Public Health, corresponding to the “Third Phase of the San Miguelito and Bay Sewer Networks of Panamá. Lots 1 and 3”, which will be completed in year 2018. These works are instrumental for the improvement of the water quality in the Bay of Panamá and they had a major social impact on a poor area of the City of Panamá both due to the improvement of the sanitary conditions and the direct and indirect job creation they generate.

Besides, the activities of Asteisa during 2016 focused on the international division, in particular in the Republic of Panamá, where the following works have been bid for:

- Study, design and construction of the water treatment plant of Gamboa (295 million dollars)
- Study, design and construction of the water treatment plant of José G. Rodríguez, West Panama (218 million dollars)
- Study, design, construction, operation and maintenance of the waste water collection and treatment network of the City of Santiago, province of Veraguas. UTE Ortiz - Asteisa (112 million dollars)
- Execution of the sewage and waste water treatment networks of the City of David and surrounding area. UT Ortiz - Asteisa. (300 million Dollars).

On the other hand, we have identified major projects within this areas, the tendering process of which will take place in the following year.

- Execution of a 5mg plant and rehabilitation of the plant existing in the aqueduct of the City of Santiago de Veraguas (9.3 million dollars).
- Study, design and execution of works for the sustainable upgrade of the drinking water network of the city of Panama: enlargement and rehabilitation of the Northern aqueduct of Panama (approx. 90 million dollars, to be submitted on 28 March 2017).

To sum up, giving the few tender processes and the high competence existing in Spain, Asteisa's works in 2016 focused on the international area. Thanks to the work carried out, we expect to be awarded different projects in 2017 in Panama.

COLOMBIA: Over this financial year 2016 the following works have been concluded:

- Construction of the River Port no. 31 for the National Navy in Barrancabermeja, Department of Santander, for the Navy Logistic Agency. National Ministry of Defence.
- Construction of Sport Installations in Calle 42 con Carrera 5ª in the Municipality of Ibagué, Department of Tolima, for the Local Sport and Leisure Institute of Ibagué **(IMDRI).**

The following works are still under execution:

- Central Transversal Pacific Road, Section Virginia – Mumbú, for the National Road Institute (INVIAS).
- Rehabilitation works for the Facatativá – El Rosal road, Department of Cundinamarca, in the framework of the Roads to Equity Programme of the National Road Institute (INVIAS).
- Construction and enlargement of the Distribution System of the Aqueduct located in the municipality of Abangué, in the Department of Bolívar, for the Financial Institution for Development (FINDETER).

The works corresponding to the execution of two concessions awarded within the Programme for the Generation of Concessions led by the National Agency of Infrastructures (ANI, as per the Spanish acronym) have commenced:

- Construction works under the EPC regime of the Northern Connection (Conexión Norte) between Remedios, Zaragoza and Caucásia, Department of Antioquía, for the concession holder Autopistas del Nordeste S.A.S.
- Construction works under the EPC regime of the Sisga Transversal Road, between Sisga and El Secreto, in the Departments of Boyacá y Casanare, for the concession holder Autopistas del Nordeste S.A.S.

One of the relevant events of 2016 is that Ortiz Construcciones y Proyectos, S.A., Sucursal Colombia, submitted the feasibility study to the National Agency of Infrastructures (ANI), corresponding to the private initiative HIGHWAY CONCESSIONS OF THE CARIBBEAN. This concession connects the cities of Barranquilla and Cartagena (interior route) (260 km dual carriageway). Foreseen investment: € 600 M. It is likely to be awarded at the beginning of 2017.

We must also mention the collection of the claim regarding the works of the Road Network in the South of Bogotá after the judgement in our favour issued by the Council of State. € 9 M.

PERU. During year 2016, we executed the works of the Alcides Carrión Hospital for the Regional Government of Cerro de Pasco, reaching, at the end of the year, a development degree of 38%. It is a very important work from the social perspective with a major impact on this mining city located at more than 4,300 m above sea level, which, for the first time in its story, installed tower cranes for the execution of works and for which more than 300 workers are currently employed.

Throughout that year, a conciliation agreement was executed with the Regional Government of Apurímac which, during 2017, will allow to resume the works for the New Andahuaylas Hospital. At the end of the year, the entity contracted the Works Management. As of today, the contract documents are being reviewed, which allowed for the processing of some work certificate, already pending.

On the other hand, within the field of road concessions, Ortiz Construcciones y Proyectos, S.A. Sucursal Perú developed the following activity during 2016:

- Incorporation with a 40% share to the private initiative "Road Concession of the Sierra", which has the Priority and Consistency declaration by PROINVERSIÓN. This project is aimed at the maintenance, operation and commissioning of the corridor DV. Conococha – Conococha and Conococha – Huaraz – Caraz, with a length of 289 km, and a foreseen investment of 345,000 thousand Euros. PROINVERSIÓN hired the Transaction Advisor and during 2017 we will work towards the obtaining of the Interest Declaration.

- Preliminary qualification of the Longitudinal Concession of the Sierra, Section 4: Huancayo-Izcuchaca-Mayocc-Ayacucho/Ayacucho-Andahuaylas- Sahuinto Bridge/Dv. Pisco - Huaytará - Ayacucho. The Project consists of the execution of upgrade and rehabilitation works (117 km), initial periodic maintenance (498 km) and subsequent maintenance and operation, with the purpose of maintaining the road at the established service levels. ORTIZ Construcciones y Proyectos, S.A. Sucursal Perú comprises the Consorcio Vial Centro (Central Road Consortium) together ALVAC, company specialising in road maintenance and the Peruvian company JOHESA, expert in road construction, with a share of 50-25-25% respectively.

- Submission of three Private Initiatives before three different Regional Governments, which were finally rejected by PROVINVERSIÓN: IP Lambayeque Road, IP La Libertad Road, IP Apurímac Road.

Due to different circumstances the public tender process was significantly decreased during that period. However, during 2016, the following processes for the execution of works in which the Peru Branch is taking part, were called. Two of them are currently pending awarding after the submission of the bids.

- Lot 3: Drinking water and sewage network of the Lima Norte II project for SEDAPAL amounting to 28,157 thousand Euros. Funds by KFW (German Cooperation).
- Lot 1: Drinking water and sewage network of the Lima Norte II project for SEDAPAL amounting to 57,894 thousand Euros. Funds by JICA (Japanese Cooperation).

MEXICO: During financial year 2016, the main project executed under the modality PFW (Publicly Funded Work) by JUAN GALINDO, a contract executed by CFE called “317 SLT 1902 NORTH-WEST SUBSTATIONS AND COMPENSATION (3r PHASE)”. These works located in the municipality of Culiacián in the state of Sinaloa had a degree of development over 75% and they will be delivered in April 2017. This project is included in the infrastructure investment programme so as to meet the electric energy demand of new generation plants under construction. The works, with a budget of USD 38.6 million, consist of the design, construction and commissioning of: 2 400, 115 and 34.5 KV SUBSTATIONS with a total capacity of 500 MVA and 8 high voltage feeders and 5 400 and 115 KV transmission lines and a total length of 76.4 kmC.

Within the Construction Division, approval by the Institute for Social Security and Insurance of State Workers (ISSSTE by its Spanish acronym) of the Unsolicited Proposal presented by Grupo Ortiz for the replacement of the Tepic General Hospital with 150 beds. The award of said project under the

Public-Private Association (PPA) will be published in February 2017. The project includes the Design, Construction, Equipment and Operation of the infrastructure and complementary services during the following 25 years.

In 2017, and due to a sharp decrease of public investment due to temporary factors, we foresee the promotion and tendering of concession works under the PPP scheme.

Regarding the Energy Division, 2017 will bring growth opportunities for GRUPO ORTIZ through its subsidiaries ORTIZ ENERGÍA, JUAN GALINDO and ELECOR due to the commencement of renewable energy projects (Solar and Wind power) awarded in the first and second electric tender process of the country. Besides, several Co-generation and Energy Efficiency projects are being assessed.

ALGERIA: In Algeria, an Algerian-Spanish joint partnership was established to construct 5000 homes in five years, with construction technology transfer of knowledge and training. The GRUPO ORTIZ is the only international company that had had its industrialised construction system officially approved in Algeria. In 2015/2016 the execution and commissioning of a concrete plant was completed.

On the 24 January 2017, Ortiz filed for arbitration proceedings before the International Centre for Settlement of Investment Disputes (ICSID), an arbitration institution of the World Bank with headquarters in Washington. The reason for said arbitration is the fact that Ortiz, after many negotiations started in 2012 in which Ortiz complied with all agreements reached, no contract for the execution of houses has been executed, and therefore there has been a breach of the agreements signed by the Algerian authorities.

ROMANIA: During financial year 2016, the execution of the Sanitation Works and Pumping Stations for Waste Water in Breaza, Prahova, for the Public Company Hidroprahova continued. During October to December the work was suspended due to extreme climate conditions which prevented the works from being developed.

The new EU Cohesion Funds Programme 2016-2020 is delayed due to the non-compliance with the previous plan, 2007-2013, extended to 2015, which meant the redistribution of the funds for the new plan. Due to that fact, no new tender processes within the new Plan have been called. There have been tender processes in the last quarter by local entities with own funds which were finally disregarded due to its small size (below € 2 M).

The bidding model is still in effect for all public contracts in Romania. The new public procurement act does not only takes into account the less expensive offer but also a number of other items. It is pending approval by the Parliament.

PREFABRICATED Indagsa, during financial year 2016 continued, on the one hand, its activity within the traditional domestic market and, on the other hand, continued its international technical assistance activity, such in the case of Paraguay. It is also studying international projects in Guatemala and China.

In relation to its internationalisation process, it must be noted that:

- In Paraguay, Engineering and Technical Assistance works have been carried out on the Paseo de la Galería mall in Asunción.
- Collaboration with state-owned Chinese companies, SCG (Shanghai Construction Group) and CSCEC (China State Construction Engineering Corporation Limited) for the development of housing projects with prefabricated panels in Shanghai and Beijing.
- Prefabrication study of the structure with establishment of a plant close to the site for the construction of a 170.000 m2 hospital building for Vita Center in Guatemala.

ENERGY.

Within the Energy Division, the GROUP started 2016 with great growth expectations at an international level. We worked hard for the internationalisation of the division in Latin American Markets and we planned the commencement of our activities in the Asian market through Japan, a difficult country for Western operations but with an energy policy aimed at the development of renewable sources.
These good expectations were confirmed having successfully achieved the execution of several contracts. EPC Photovoltaic Project in Chile (57 MWp). Development as planned of the work "400kV Substations and High Voltage Lines" in Sinaloa, Mexico for the Federal Electricity Commission (CFE) and the contracting of more than nominal 320 MW for photovoltaic generation in different countries, including: 3 plants in Japan (25 MW), 1 plant in Mexico (290MW) and 1 plant in El Salvador (10MW). These works will be executed from 2017 and represent the consolidation of the Energy Division as a world reference as an EPC Contractor in photovoltaic generation plants and as an expert in the area of High Voltage Distribution and Transportation. The company strengthen its position in very competitive markets such as the Japanese and the Mexican markets.

At an international level, the energy sector is still an economy driver, particularly in developing companies or developed countries such as Japan with a radical change in its energy policies related to the programmed shutdown of the nuclear energy and the development of renewable energies. The growth of the electric energy demand in developing countries involves the need of opening new generation facilities and the construction of the associated transportation and distribution facilities. This circumstance, together with the degree of development of photovoltaic and wind energies, with very competitive costs, allow for the access to electric energy to millions of new citizens with a minimum environmental impact. Most developing countries have tendering programmes for new electric power facilities which we are sure will allow the GROUP to keep improving its "Sustainable Growth" programme.

We must highlight the change in the composition and funding of these projects, in which the role of the developer has changed mainly due to the size of the projects. This fact implies that Grupo Ortiz does not need to act as investor and may act as EPC contractor in said projects.

The GROUP has managed to position itself as constructor for turnkey generation facilities, constructor for turnkey generation facilities for electric transportation infrastructures, maintaining the activity of the projects it builds and carrying out Operation and Maintenance activities.

Strategically, and taking advantage of the position in some markets, this division will try to diversify in technologies, intensifying commercial actions in the wind and co-generation areas, which will allow, in the event of accessing such markets, to obtain a medium and long term stability guarantee for the division.

As a summary of the projects, at the end of 2016, the Energy Division of the GROUP had executed the following works:

- Photovoltaic plants: 317 MW
- Wind plants: 50 MW
- Thermal-solar plants: 50 MW
- Co-Generation Plants: 4.2 MW
- High Voltage Lines (between 20 and 400 KV): 400 Km
- Substations (between 20 and 400 KV): 760 MVA

At an international level, the Energy Division obtained a turnover of 117.95 million Euros, representing more than 85% of the total.
At the end of 2016, the international division conducted activities in the following countries: Mexico, Guatemala, Honduras, Panama, El Salvador, Peru, Chile, Japan, France e Italy.

Relevant markets:

Mexico: Mexico has one of the best business development expectations within the Energy Division. On the one part, the country still has an economic growth that guarantees the growth of the energy demand and, consequently, of the need for new generation plants and electric infrastructure despite of the uncertainties arising from those policies that may be implemented in the USA that may affect its economic growth. The Government called for a second tender process for the long-term generation with renewable sources in September 2016 awarding 2,871 MW. Out of said tender process, the Energy Division was awarded two turnkey contract in Aguascalientes for 140 and 150 nominal MW. These projects are to be executed between 2017 and 2018. The Client is the association of a CUBIC investment fund and an expert in the development of this technology, ALTEN, and it includes the Operation and Maintenance for a period of 5 years,
On the other hand, the project 1902C corresponding to the Substations and Lines for CFE (two 400/115/34,5 KV SET with a 73 Km 115kV line), are currently being finished, with good execution results and to the satisfaction of the client.
These three major projects allow us to be optimistic in this market where new tender processes are foreseen and where the co-generation potential to be developed exceeds 8,000 MW. This potential, together with the references obtained in the country, allows us to be optimistic and plan on accessing the market of new generation technologies.

Peru: The Peruvian market is the most mature one for the Division. The company holds long-term operation and maintenance contracts that offer stability to the Division in said country. These are the most significant contracts:

- Integral Service for Works and Maintenance of Lines and Substations in High Voltage, for Edelnor; contract to be concluded in 2019.
- Maintenance of Lines and Substations for Peru Electrical Network (REP). The contract will be concluded by 2018.
- Maintenance of Lines and Substations for the electric company ELSE. The contract will be concluded by 2019.

Chile: During year 2016, the Energy Division has executed a turnkey facility of 50 nominal MW in Antofagasta, for X-Elio Energy. The contract includes the Operation and Maintenance for a period of 2 years.

Japan: The activities carried out in this country must be highlighted since, despite of the short period of time, the EPC contracts for photovoltaic plants have been obtained such as, for example, the project being executed in YAMAGATA for Trina Solar Japan Energy, with a power of 20 MW.

El Salvador: at the end of 2016 a turnkey contract (EPC) was executed for the construction of a 10 photovoltaic MW in El Salvador. The project is located in the Department of La Libertad. The client is Grupo Borja and the contract includes the operation and maintenance for a period of 3 years.

Panama: In said country, the Energy Division has taken part in the refurbishment of the Cathedral of the City of Panama carrying out electro-mechanical installations.

Finally, it must be noted that in France, Italy, Guatemala and Honduras Operation and Maintenance works are being carried out in photovoltaic plants built in previous years for different clients with a total installed power of more than 160 MW. This will allow to maintain direct contact with the market and to facilitate the contracting of new projects.

Today, the Division is studying electric energy generation projects with renewable sources, mainly photovoltaic and wind, exceeding a power of 500 MW, most of them in developing countries. Besides, the objective for 2017 is progressively entering the African market with a very high potential in generation plants and electric energy transportation and distribution infrastructures. Likewise, we are studying certain projects for Spanish developers that may open tender processes the Spanish Government intends to award in 2017 (3,000 MW) which will lead to a certain revitalisation of the national activity.

CONCESSIONS.

The ambitious Programme for the IV Generation of Concessions leaded by the Colombian National Infrastructure Agency (ANI), to which the most important construction companies in the world have concurred, and on which Grupo Ortiz plays a very active role.

In 2014 the Company was awarded the concession contract of the Conexión Norte road. In 2015 the Company was awarded the concession contract of the Sisga Transversal road.

CONEXIÓN NORTE: Length: 145 km (63 km of new construction and 82 km of rehabilitation). Between Antioquia (Remedios–Zaragoza – Caucasia) SPV: Autopistas de Nordeste, S.A.S. Execution Term: Feb 16 - Jan 21. Currently under execution. Concession date: 2015 – 2043.

The investment reaches ≈ € 572 M. Banking funding amounts to ≈ € 415 M, executed in July 2016 with a leverage of: 75% / 25%. Foreseen own funds SPV: € 157 M.

In December 2016, the investment agreement with COFIDES was executed for the undertaking of 4.5% of the SPV, thus reducing the share of Ortiz and its Equity provision commitment in € 8 M.

The own funds to be provided by ORTIZ amount to € 21.7 M, 42% of which are already paid up.

Foreseen income SPV: € 2,830 M. Availability payments (45%), direct tool (pre-existing) (10%), Income guaranteed by the State (45%)

SISGA TRANSVERSAL: Length: 137 km (100% rehabilitation). Between Cundinamarca, Boyacá and Casanare, (Sisga–Guateque–San Luis de Gaceno–Aguaclara) SPV: Concesión del Sisga, S.A.S. The term of the works is: Oct. 2016 - Oct. 2019 and the concession term is: 2015 – 2044.

The investment reaches ≈ € 282 M. The banking funding amounts to ≈ € 196 M accredited before the ANI in June 2016 in the final stage of contract drafting. Foreseen own funds SPV: € 85 M.

In December 2016, the investment agreement with COFIDES was executed for the undertaking of 15% of the SPV, thus reducing the share of Ortiz and its Equity provision commitment in € 14 M.

The own funds to be provided by ORTIZ amount to € 22.4 M, 35% of which are already paid up.

Foreseen income SPV: € 1,470 M. Availability payments (40%), direct tool (pre-existing) (35%), Income guaranteed by the State (25%)

CARIBBEAN HIGHWAY: We are still working on this private initiative which has already been provisionally awarded pending confirmation.

Length: 474 km Cartagena – Barranquilla (dual carriageway and remodelling).

Award: Pending confirmation: The term for the interest declaration of competitors expired.

The foreseen term is: 2017 – 2052. Investment: € 832 M. Need for funding with resources other than the ones corresponding to the project: € 465 M (investment – net income during the construction phase).

Foreseen own funds SPV: € 167 M and the foreseen ORTIZ own funds: € 50 M.

Foreseen SPV income: € 6.350 M 100% direct toll (pre-existing). The traffic volume is already highly consolidated.

This are the relevant events that took place during 2016:

Colombia:

- Cofides: Accepts taking part in our Colombian concessions (Northern and Transversal Sisga Connection) with an amount of 22 million Euros. This is a major event for the Group since it allows to limit the equity amount it must provide to said concessions without reducing the works volume to be executed.

- "Ruta Caribe" Highway The private initiative has been approved and the term of the declaration of interest has expired. Therefore we have been awarded the project.
- Conexión Norte Highway. Execution of the financing agreement Commencement of the works.
- "Transversal Sisga" Highway: accreditation of financing before the ANI. Commencement of the works.
- "Sinu" Highway: Preliminary feasibility study submitted.

Mexico:

- Alten Cúbico: Awardee of the tender process called by the Federal Electricity Commission, 290 MW Aguascalientes.
- Tepic I.P. Hospital: Approved by the ISSSTE (Security and Social Services Institute for State Workers) and the Treasury Department. Call for tenders published.

Peru:

- Longitudinal Road of La Sierra: Preliminary qualification of the Longitudinal tender process of La Sierra, Section 4. Call for tenders published.
- Private Initiative (I.P.) Road of La Sierra: The Private Initiative for roads submitted by Ortiz (together with a partner) has been admitted.

Lastly, more concession projects corresponding to the following countries are under study:

- Mexico: Hospitals, Gas Pipelines, Roads.
- Peru: Roads and Hospitals
- Colombia: Energy and Building
- Uruguay: Roads and Schools
- Chile: Airports and Roads

Financial risk management policy.

The activities of the Group are exposed to several financial risks: market risk (including the exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The management programme of the global risk of the Group is based on the uncertainty of financial markets and tries to minimise the potential negative effects on its financial profitability.

The management of the Group's financial risks is handled by the Finance Management Department, which has established the necessary mechanisms to control exposure to variations in interest rates and exchange rates as well as credit and liquidity risks.

The management risk is controlled by the Treasury Department of the Group, which identifies, assesses and covers financial risks according to the policies approved by the Board of Directors. The Board provides written policies for the management of global risk, as well as for specific areas such as interest rate risk, liquidity risks, use of derivative and non-derivative instruments and investment of liquidity surplus.

Market Risk

Exchange Rate Risk

The Group operates at an international level in more than 10 countries and therefore, it is exposed to exchange rate risk due to foreign currency operations. As a consequence of the development of its business activities and operations, the Group is affected by financial risks due to exchange rates which are subject to centralised management.

The management has established a policy so as to manage their foreign currency exchange risk before the operating currency which established several "natural coverage" mechanisms, reinvesting liquidity surpluses in those countries in which it is implemented.

Likewise, in order to control the exchange risk arising from future commercial transactions, recognised assets and liabilities, the Company uses, according to the hedging policy established, forward contracts, negotiated through the Group's Corporate Treasury Department. The exchange risk arises whenever future commercial transactions and recognised assets and liabilities are denominated in a currency other than the operating currency of the Company. The Group's Corporate Treasury Department is in charge of managing the net currency position in each foreign currency using external foreign currency forward agreements.

Exposure to interest rate variations

The interest rate risk of the Group arises mainly from long-term debts with credit entities, which are mostly issued at variable rate, being the Euribor the main reference.

The policy of the Group consists of using interest rate swaps so as to convert into fixed debts the long-term debts with credit entities which can also be applied to debts related to concession projects developed through multi-group and associated companies.

The Group analyses its exposure to interest rate risk in a dynamic manner considering long-term financing, renewal of current positions and alternative financing. Said risk is not a significant risk taking into account the amounts finance at long-term.

Price Risk

The Group is not significantly exposed to price risk on capital securities since there are no significant investments, nor it is exposed to price risk on raw materials since on a general basis the variations in value are efficiently transposed to sales prices by all similar contractors operating within the same industry. The Group reduces and mitigates price risk with policies established by the Management, guaranteeing the production or obtaining at a fixed price of several raw materials with framework agreements.

Credit Risk

The credit risk of the Group is mainly related to trade credits. Once the contracts are under execution, the credit quality of the amounts pending collection is periodically assessed and all estimated recoverable amounts are reviewed in relation to those considered bad debts by means of the consolidation of the results of the financial year.

Operations with credit entities included as cash and cash equivalents and other financial assets for short-term deposits with credit entities are purchased with renowned financial entities.

Regarding the balances of item 'Clients and other accounts receivable', a high proportion of such balances refers to transactions with national and international public entities, so the Group considers that the credit risk is very limited. Regarding public sector clients, a significant portion of the balances refer to companies with a high credit rating with which there are no outstanding payments. A follow-up of the global position of item 'Clients and accounts receivable' is frequently made, as well as an individual analysis of the most significant exposures.

Liquidity Risk

During financial year 2015, the Group signed a syndicated loan agreement (Note 22) which has allowed to significantly reduce the short-term debt thus minimising the Group's exposure to the liquidity risk.

However, In order to manage the liquidity risk and to cover the different needs for funds, the Group prepares an annual cash budget and a monthly cash prevision, the latter including a daily breakdown and update. Likewise, the company applies a cautious management of the liquidity risk based on the maintenance of a sufficient cash level and the availability of financing by means of a sufficient amount of committed credit facilities and on a sufficient capacity for settling market positions.

Taking into consideration all of the foregoing, as of the date of issue of the financial statements of the company, the Group covers all need for funds so as to comply with every obligation towards suppliers, employees and administration in accordance with the cash flow foreseen for the financial year 2017.

Assessment of the Fair Value

The fair value of financial instruments being traded in active markets (such as assets available for sale) is based on market prices at the date of the balance sheet. The listing price used for financial assets is the current purchase price.

It is assumed that the book value of credits and debits for commercial transactions is similar to that of their fair value.

Deferral of Payments to Suppliers

There follows the information required by the Second Final Provision of Act 31/2014, of 3 December, which has been prepared by applying the Resolution of the Institute of Accounting and Account Auditing on the 29 January 2016.

By virtue of the stipulations of the only Additional Provisions of the aforementioned Resolution of the Institute of Accounting and Account Auditing, for this first year of application of the Resolution, no comparison information is included, and thus these financial statements are qualified as the first ones for the sole purposes of the application of the uniformity principle and the comparability requirement.

"Average term of payment to suppliers" must be construed as the term elapsing from the invoice date until the material payment of the transaction according to the provisions of the aforementioned Resolution of the Institute of Accounting and Account Auditing.

The ratio of paid transactions is calculated as the coefficient resulting in the numerator multiplied by the sum of the products corresponding to the amounts paid, by the number of payment days (calendar days elapsed from the beginning of the calculation of the term until the material payment of the transaction) and, in the denominator, the total amount of the payments made.

Said "Average term of payment to suppliers" is calculated as the quotient resulting in the numerator by the sum of the ratio of paid transactions by the total amount of payments made plus the ratio of transactions pending payment by the total amount of pending payments and, in the denominator, by the total amount of payments made and pending payments.

Likewise, the ratio of pending transactions is calculated as the coefficient resulting in the numerator multiplied by the sum of the products corresponding to the amounts pending payment, by the number of days pending payment (calendar days elapsed from the beginning of the calculation of the term until the closing of the financial statements) and, in the denominator, the total amount of pending payments.

By virtue of the provisions of article three of the resolution of the Institute of Accounting and Account Auditing dated 29 January 2016, the amount of those transactions accrued before the coming into force of Act 31/2014, of 3 December, has not been considered.

The maximum legal payment term applicable to the Company according to Act 11/2013 of 26 July is 30 days, unless there is an agreement between the parties with a maximum term of 60 days.

2. IMPORTANT EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR.

After 31 December 2015, no relevant events have taken place that may have affected the GROUP'S consolidated annual accounts.

EXPECTED EVOLUTION OF THE GROUP AND CORPORATE STRATEGY

The economic-financial solvency of the GRUPO ORTIZ, along with its know-how and experience in executing all areas (technical, financial, design, maintenance and operation) of large projects, endorses the continuity of our development in international concessions, a priority and strategy mainstay for the future growth of the different lines of business, due to the synergies that occur.

At an international level, the group will continue developing its growth potential in the countries where it is already present: Colombia, Panama, Peru and Mexico.

In the Energy area, development is mostly founded on EPC photovoltaic contracts on any country on the world, for different developers, among which the most important are Japan and Mexico.

As indicated on the previous financial year, the strategy for the next years is focused on the financial aspects: reducing indebtedness, increasing capitalisation and liquidity, and having enough resources available as to access concession projects in the infrastructure, environment and energy areas, and therefore gain access to markets where the knowledge collected over the years allows us to improve our profitability and our return on investment.

The Group intends to execute the maximum amount of works with the lowest possible investment.

The Strategic Plan for the next years may be summarized as follows:

Business.

- Significant development of the Energy area by means of EPC turnkey contracts.
- Consolidation of organic growth in the countries where the Group is already present.
- Improvement of profitability at an international level.
- Asset switch policy: disinvestment on mature assets as long as they generate capital gains.
- Take advantage of synergies within the Group to promote growth on every business line.
- Integral development and management of large projects at international level, taking advantage of our extensive expertise in financing, design, construction, operation and maintenance.

Financing.

- Investment in Concessions, mainly infrastructure concessions, at an international level, since in the Energy field the need for the participation in investment is decreasing.
- Accept the introduction of investment funds in our International Projects, as in the case of Cofides.
- Continuing the Grupo Ortiz policy for reducing indebtedness.

To this corporate strategy underlie a series of commitments and values, based on a responsible and sustainable management of the business at all levels: financial, social, and environmental, and focused on the growth of GRUPO ORTIZ.

3. EMPLOYMENT.

As of 31 December 2016, the number of employees within the Group is 2,529, 257 employees more than during the previous financial year.

It must be highlighted that a significant number of employees works for the service division and therefore, they are associated to specific contracts.

At a national level employment has remained at 1,764 employees. In the construction business area, employment plummeted during the years of the financial crisis, and staff of this area decreased from 1,320 employees in 2010 to 548 in 2015 and 575 in 2016. The services sector has steadily increased its staff in accordance with the production increase of this business area, which reached 847 employees in year 2016.

From 2016 and during its six years, the international area (expatriates) has increased due to the expatriation of personnel from construction and energy areas; as of December 2015, 54 employees were expatriated.

Within the International Division, the total number of local employees in the different countries has increased as compared to the previous years, amounting to 724 employees in December 2016. This figure is subject to high variations since it depends of the needs for local staff on international sites. Panama has 247 local workers and Colombia has 128 local workers.

The average age of the Company's employees is 44.

4. TECHNOLOGY, RESEARCH AND DEVELOPMENT

During financial year 2016, the companies ORTIZ CONSTRUCCIONES Y PROYECTOS, SAU, ASTEISA TRATAMIENTO DE AGUAS, SAU, INDAG, SAU, JUAN GALINDO, SLU, INGENIERIA Y DISEÑOS TÉCNICOS, SAU and ELECOR, SAU, incurred expenses and made investments in Research and Development and Technological Innovation.

The policy of the GRUPO ORTIZ is aimed at establishing a favourable climate in which to promote all research and development initiatives required so that the Group is fully situated in the technological innovation culture, so that it can hence increase its national and international competitiveness.

The GRUPO ORTIZ is committed to providing the resources needed to ensure that the services it provides have the highest quality levels. It establishes the essential requirement of focusing on sustainability in all business it does and all the countries in which it is established, taking economic, environmental and social issues into account. To ensure that these commitments set out in its policy are met, the GRUPO ORTIZ has implemented an Integrated Quality, Environmental and R&D Management System, certified pursuant to the standards ISO 9001:2008 and 14001:2004.

Likewise, the companies ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. and ELECOR, S.A.U., have an Energy Management System certificate in compliance with standard ISO 50001.

During financial year 2016, several Research, Development and Technological Innovation projects have been developed for a total amount of 1,628,762.31 Euro, 1,469,965.78 of which correspond to the expenses incurred in Research & Development projects and the remaining 158,796.53 correspond to expenses incurred in Technological Innovation projects .

These are the R&D projects developed within the Quality Division regarding the Refurbishment Department:

- Development of new solutions for the removal of heavy enclosures without suspending the execution of production activities in adjoining areas. (Ref. CIMBESTRUC) DISASSEMBLY OF THE PRIMARK DOME (Asepeyo award to the best risk control practices.
- Development of new construction solution for the reinforcement of concrete structures. (Ref. VIFORPILAR) PILLAR REINFORCEMENT.

The main R&D Projects in which Indagsa collaborated in 2016 are:

- SISMO PANELS: Fitting essays together with UPM and FHECOR.
- CONCRETE + FIBRE Fibre-reinforced concrete

- SELF-COMPACTING CONCRETE Working already in actual production and doses and application in the calculation of panels in 2016 fck=30 Mpa and from 2017 fck=40 Mpa.
- PILLAR REINFORCEMENT: Preparation a Technical Report to be submitted to CDTI.
- IBEROEKA: Approved by the CDTI. Analysis of behaviour of fittings, reinforcements and acoustic insulation.
- PHASE CHANGE MATERIALS

5. ACQUISITION OF OWN SHARES

On the 16 October 2016 and on the 3 November 2016, the Company Ortiz Construcciones y Proyectos S.A. executed the transaction for the derivative acquisition of own shares by the Company approved by means of General Meeting of Shareholders on the 17 December 2015 by virtue of the provisions set out in Article 146 and related Article of the Act on Corporations in compliance with the requirements and restrictions of the current Laws.

The acquisition was directly carried out by the Company ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A, by means of the purchase to several of its shareholders of 130.,189 shares at a unit price of 54.567 Euros. Said shares represent 6.80% of the share capital of the Entity, which is divided into 1,913,226 shares with a face value of 30.05 so as to a redeem them by means of the capital reduction to be carried out in the following months.

Today, the number of shares held by the shareholders of the Entity amounts to 1,783,037, representing 93.20% of the share capital.

The shareholders of the company remain the same but for four of the minority shareholders.

These shares are registered thus reducing the value of the equity of the Company as of 31 December 2016 for an amount of 7,104 Euros (2015: 0).

Own shares held by the Parent Company do not exceed 20% of its share capital.

Finally, Directors deem that a cautious policy and constraint of expenditure that has been characteristic to the Group over its 50 years of history, as well as the diversification of business lines and the internationalisation of the Company will allow GRUPO ORTIZ to maintain its steady growth rate.

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED REPORT FOR FINANCIAL YEAR ENDED AS OF 31 December 2016
(in thousand Euros)

On the 16 March 2017, the Board of Directors of Grupo Ortiz Construcciones y Proyectos, S.A. in compliance with the provisions set forth in Article 253 of the Act on Capital Companies and Article 37 of the Commercial Code, has prepared the Consolidated Financial Statements of Grupo Ortiz Construcciones y Proyectos S.A. and its subsidiary companies and the Annual Management Report corresponding to the financial year ended on 31 December 2016, which are comprised of the preceding attached documents.

Signed: Gerardo Vicente Recuero López

Signed: Emilio Carpintero

Signed: Javier Carpintero Grande

Signed: Juan Antonio Carpintero López

Signed: Carlos Cuervo-Arango Martínez

Signed: Juan Luis Domínguez Sidera

Signed: Raúl Arce Alonso

Signed: Sara Carpintero Grande