Ortiz Construcciones y Proyectos, S.A.

And subisidiaries

Audit report,

Consolidated Financial Statements and

Consolidated Directors' Report

at 31 December 2018

GRUPORTIZ

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2018

This version of our report is a free translation from the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation

Independent auditor´s report on the consolidated annual accounts

To the shareholders of Ortiz Construcciones y Proyectos, S.A.:

Opinion

We have audited the consolidated annual accounts of Ortiz Construcciones y Proyectos, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2018, and the income statement, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2018, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with the applicable financial reporting framework (as identified in Note 3.1 of the notes to the consolidated annual accounts), and in particular, with the accounting principles and criteria included therein.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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

Most relevant aspects of the audit

The most relevant aspects of the audit are those that, in our professional judgment, were considered to be the most significant risks of material misstatement in our audit of the consolidated annual accounts of the current period. These risks were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

Most relevant aspects of the audit	How our audit addressed the most relevant aspects of the audit
Revenue recognition in construction contracts	
The revenue recognition policy followed by the Group is based on the percentage of completion method in accordance with Spanish legislation	We have considered our understanding of the controls over the process for estimating the margin on construction contracts within the scope of our

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applicable to construction contracts.

When applying the percentage of completion method the Group uses significant estimates, making relevant judgements in relation to the total costs required to implement the contract and to the amount of any claims or variations in the scope of the project that might be included, if appropriate, as an increase in the contract revenues.

Information on construction contracts is disclosed in Notes 3.2.3, 4.20 and 25 of the accompanying consolidated notes to the accounts.

In view of the relevance of the estimates used in the recognition of this income and its quantitative importance, the recognition of income from construction contracts has been regarded as a key audit matter.

audit. Our procedures include, among others, the performance of tests on the design, implementation and operational efficiency of certain relevant controls that mitigate the risks associated with the revenue recognition process in this type of contract.

To carry out the substantive tests we have selected, firstly, a sample applying quantitative and qualitative criteria, such as the identification of relevant contracts on the basis of either the total selling price of the contract, the volume of income or profits recognised during the year, or the risk associated with the costs yet to be incurred in order to complete the contract.

Additionally, for all the remaining projects we have made a selection based on statistical criteria.

For the projects selected, we have obtained the contracts in order to read them and gain an understanding of the most relevant clauses and the implications thereof, as well as the budgets and implementation tracking reports for the projects involved, performing the following procedures focused on the main issues:

- We analyse trends in margins with respect to variations in both the selling price and in total budgeted costs.
- We assess the consistency of the estimates made by the Group in the previous year against the actual data for the contracts in the current year.
- Recalculation of the degree of completion of the selected projects and comparison of the results against the Group's calculation.

In relation to changes in the contract and claims in negotiation with customers, we obtain evidence of technical approvals and the status of economic negotiations.

Other information: Consolidated management report

The other information only relates to the consolidated management report for 2018, the preparation of which is the responsibility of the parent company's directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility for the information contained in the consolidated management report is defined in auditing legislation, which establish two distinct levels:

a) A specific level applicable to the consolidated non-financial information statement, consisting of checking only that said information has been provided in the consolidated management report or, as appropriate, that it includes a reference to the separate non-financial information report in the legally stipulated form and, if this is not the case, to the disclosure of information on this matter.

b) A general level applicable to the other information included in the consolidated management report, which consists of assessing and reporting on the consistency of the said information with the consolidated annual accounts, based on our knowledge of the entity obtained during the audit of the accounts, without including information other than the audit evidence obtained, as well as evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in line with applicable legislation. If we conclude that there are material misstatements on the basis of our work, we are required to report them.

On the basis of the work performed, as described above, we have verified that the non-financial information mentioned in paragraph a) above is disclosed separately in the "Consolidated non-financial information statement" to which reference is made in the consolidated management report, and that the remaining information contained in the consolidated management report is consistent with that of the consolidated annual accounts for 2018 and its content and presentation comply with applicable legalisation.

Responsibility of the Parent company´s directors for the consolidated annual accounts

The Parent company´s directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company´s directors are responsible for assessing the Group´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated annual accounts

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

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

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

From the significant risks communicated with the Parent company´s directors, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are, therefore, considered to be the most significant risks.

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

PricewaterhouseCoopers Auditores, S.L. (S0242)

/s/ Gonzalo Sanjurjo Pose (18610)

March 21, 2019

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A.
and subsidiaries

Consolidated Financial Statements at 31 December 2018

and Consolidated Directors’ Report for 2018

(thousand euro)

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

GRUPORTIZ

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2018

(thousand euro)

ASSETS	Note	2018	2017
NON-CURRENT ASSETS		287,616	244,317
Intangible assets	**7**	**46,546**	**51,620**
Property, plant and equipment	**8**	**13,269**	**11,190**
Investment Property	**9**	**41,433**	**41,844**
Investments in Group companies and associates		**136,529**	**102,260**
Equity-consolidated shareholdings	10	76,028	43,884
Loans to companies consolidated using the equity method	11, 32	60,501	58,376
Non-current financial investments	**11, 13**	**16,062**	**7,057**
Equity instruments	12	699	699
Loans to third parties		14,234	4,884
Derivatives		48	-
Other financial assets		1,081	1,474
Non-current trade receivables	**11, 13**	**26,515**	**24,571**
Deferred tax assets	**24**	**7,262**	**5,775**
CURRENT ASSETS		497,500	504,955
Non-current assets held for sale	**15**	**-**	**69,458**
Inventories	**16**	**14,166**	**11,266**
Trade and other receivables		**344,261**	**297,488**
Trade receivables for sales and services rendered	11, 13	322,941	271,143
Trade receivables, equity-consolidated companies	11, 13	6,058	5,917
Other receivables	11, 13	574	4,478
Personnel	11, 13	2,575	1,165
Current tax assets	26	1,473	1,006
Other receivables from public administrations	13, 26	10,600	13,737
Called share capital not paid		40	42
Current investments in group companies and associates		**9,937**	**9,727**
Loans to companies consolidated using the equity method	11, 32	9,937	9,699
Other financial assets		-	28
Current financial investments	**11, 13**	**39,474**	**42,165**
Equity instruments	12	2,438	3,437
Loans to third parties		13,904	15,061
Debt securities		1	219
Derivatives		1,022	-
Other financial assets		22,109	23,448
Prepayments and accrued income	**13**	**21,686**	**31,502**
Cash and cash equivalents	**11, 17**	**67,976**	**43,349**
TOTAL ASSETS		785,116	749,272

Notes 1 and 36 and Appendices I, II and III form part of these consolidated financial statements

GRUPORTIZ

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2018

(thousand euro)

EQUITY AND LIABILITIES	Note	2018	2017
EQUITY		**217,816**	**227,384**
Capital and reserves		**241,187**	**247,453**
Share capital	**18**	57,492	57,492
Share premium	**18**	9,327	9,327
Parent company reserves		122,188	121,655
Reserves in consolidated companies		68,632	75,137
Reserves in companies consolidated using the equity method		(31,215)	(33,329)
Profit/(loss) for the year attributable to the parent company		14,763	17,171
Measurement adjustments	**19**	**(25,952)**	**(29,994)**
Hedging transactions		(18,831)	(27,921)
Difference on exchange - Consolidated companies		(7,295)	(1,926)
Difference on exchange - equity consolidated companies		174	(147)
Subsidies, donations and bequests received	**21**	**1,348**	**1,823**
Non-controlling interests	**20**	**1,233**	**8,102**
NON-CURRENT LIABILITIES		**152,138**	**140,381**
Non-current provisions	**23**	**8,788**	**8,607**
Non-current borrowings		**109,497**	**98,791**
Debentures and other marketable securities	11, 22	26,651	32,153
Bank borrowings	11, 22	72,051	56,108
Finance lease payables	11, 22	2,247	2,128
Derivatives	14, 22	1,962	1,575
Other financial liabilities	22	6,586	6,827
Non-current payables to group companies and associates	**22, 32**	**13,196**	**12,869**
Deferred tax liabilities	**22, 24**	**6,915**	**8,168**
Accruals and deferred income	**11, 22**	**13,742**	**11,946**
CURRENT LIABILITIES		**415,162**	**381,507**
Liabilities associated with non-current assets held for sale	**15**	**-**	**13,433**
Current provisions		**720**	**1,099**
Current borrowings		**77,868**	**94,612**
Debentures and other marketable securities	**11, 22**	24,829	1,122
Bank borrowings	**11, 22**	18,736	57,234
Finance lease payables	**11, 22**	768	591
Derivatives	**14, 22**	3,036	-
Other financial liabilities		30,499	35,665
Current payables to Group companies and associates	**11, 22, 32**	**61**	**32**
Trade and other payables		**336,452**	**272,198**
Trade payables		284,066	235,186
Trade payables to Group companies and associates	11, 22	6	3
Other payables	11, 22, 32	463	305
Personnel		3,635	3,892
Current tax liabilities	**11, 22**	627	2,786
Other payables to public entities		11,633	10,684
Prepayments from customers		36,022	19,342
Accruals and deferred income	**11, 22**	**61**	**133**
TOTAL EQUITY AND LIABILITIES		**785,116**	**749,272**

Notes 1 and 36 and Appendices I, II and III form part of these consolidated financial statements

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

(thousand euro)

CONSOLIDATED INCOME STATEMENT	Note	2018	2017
CONTINUING OPERATIONS			
Revenues		**605,305**	**429,202**
Sales	**25**	601,235	425,702
Services rendered		2,667	1,670
Financial income, concession arrangements		1,403	1,830
Own work capitalised		**1,667**	**-**
Supplies	**25**	**(464,971)**	**(286,658)**
Consumption of goods purchased for resale		(89)	3
Raw materials consumed and other consumables		(316,929)	(107,560)
Subcontracted work		(147,953)	(179,101)
Other operating income		**549**	**1,048**
Sundry and other income		532	1,031
Capital grants released to income during the year		17	17
Personnel expenses	**25**	**(77,997)**	**(82,377)**
Wages, salaries and similar remuneration		(61,884)	(65,077)
Employee benefit expenses		(16,113)	(17,300)
Other operating expenses		**(40,387)**	**(30,588)**
External services		(33,787)	(27,928)
Taxes		(3,637)	(1,463)
Losses, impairment and changes in trade provisions		(2,963)	(1,197)
Asset amortisation/depreciation	**7, 8, 9**	**(5,371)**	**(4,860)**
Attribution of subsidies for non-financial assets		**13**	**11**
Impairment and profit/(loss) on disposals of assets	**7, 8, 9**	**1,408**	**189**
Results due to the loss of control over consolidated companies	**6**	**13,004**	**-**
Other results		**152**	**(799)**
OPERATING PROFIT/(LOSS)		**33,372**	**25,168**
Financial income		**3,548**	**4,081**
Financial expenses		**(19,010)**	**(18,754)**
Change in the fair value of financial instruments		**(1,010)**	**(213)**
Differences on exchange		**(7,945)**	**1,489**
Impairment and gain/(loss) on disposal of financial instruments		**(246)**	**(11)**
FINANCIAL INCOME	**27**	**(24,663)**	**(13,408)**
Share in profits/(losses) at companies consolidated using the equity method	**10**	**3,582**	**1,229**
Impairment and results on the loss of significant influence over PPE	**10**	**4,970**	**895**
Negative difference on consolidation of PPE	**10**	**-**	**1,716**
PROFIT/(LOSS) BEFORE TAXES		**17,261**	**15,600**
Corporate income tax	**26**	**(2,896)**	**(5,251)**
Profit/(loss) for year from continuing operations		**14,365**	**10,349**
DISCONTINUED OPERATIONS			
PROFIT/(LOSS) FOR YEAR FROM DISCONTINUED OPERATIONS	**15**	**1,352**	**6,841**
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR		**15,717**	**17,190**
Profit attributed to parent company		14,763	17,171
Profit/(loss) attributable to non-controlling interests		954	19

Notes 1 and 36 and Appendices I, II and III form part of these consolidated financial statements

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

(thousand euro)

A) STATEMENT OF CONSOLIDATED INCOME AND EXPENSE

STATEMENT OF CONSOLIDATED INCOME AND EXPENSE		2018	2017
Consolidated profit/(loss) for the year		**15,717**	**17,190**
Income and expense attributed directly in equity			
Cash flow hedges		(8,549)	(5,481)
Subsidiaries	**14**	*(3,417)*	*48*
Equity consolidated companies		*(5,132)*	*(5,529)*
Subsidies, donations and bequests received	**21**	3	6
Differences on exchange		(6,748)	2,615
Tax effect		3,793	(636)
Total income and expenses taken directly to consolidated equity		**(11,501)**	**(3,496)**
Transfers to the consolidated income statement			
Cash flow hedges		6,081	6,402
Subsidiaries	**14**	*1,064*	*888*
Equity consolidated companies		*5,017*	*5,514*
Subsidies, donations and bequests received	**21**	(194)	(145)
Tax effect		(1,491)	(1,586)
Total transfers to the consolidated income statement		**4,396**	**4,671**
TOTAL CONSOLIDATED RECOGNISED INCOME AND EXPENSE		**8,612**	**18,365**
Total income and expenses attributable to the parent company		7,671	18,349
Total income and expenses attributable to non-controlling interests		941	16

Notes 1 and 36 and Appendices I, II and III form part of these consolidated financial statements

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

(thousand euro)

B) STATEMENT OF TOTAL CHANGES IN CONSOLIDATED EQUITY

	Authorised capital (Note 18)	Share premium (Note 18)	Prior-year reserves and profit/(loss) (Note 18)	Treasury shares (Note 18)	Parent company profit/(loss) for the year (Note 18)	Measurement adjustments (Note 19)	Subsidies (Note 21)	Non-controlling interests (Note 20)	TOTAL
A) Ending balance 2016	**57,492**	**9,327**	**174,503**	**(7,104)**	**5,374**	**(31,285)**	**1,933**	**1,333**	**211,573**
B) Beginning balance 2017	**57,492**	**9,327**	**174,503**	**(7,104)**	**5,374**	**(31,285)**	**1,933**	**1,333**	**211,573**
I. Total recognised income and expense	**-**	**-**	**-**	**-**	**17,171**	**1,280**	**(102)**	**16**	**18,365**
II. Transactions with shareholders or owners	**-**	**-**	**(7,104)**	**7,104**	**(4,602)**	**-**	**-**	**-**	**(4,602)**
Dividend distribution	-	-	(7,104)	7,104	(4,602)	-	-	-	(4,602)
Other operations with shareholders or owners	-	-	-	-	-	-	-	-	-
Transactions with treasury shares	-	-	-	-	-	-	-	-	-
III. Other changes in equity (1)	**-**	**-**	**(3,936)**	**-**	**(772)**	**11**	**(8)**	**6,753**	**2,048**
C) Ending balance 2017	**57,492**	**9,327**	**163,463**	**-**	**17,171**	**(29,994)**	**1,823**	**8,102**	**227,384**
D) Beginning balance 2018	**57,492**	**9,327**	**163,463**	**-**	**17,171**	**(29,994)**	**1,823**	**8,102**	**227,384**
I. Total recognised income and expense	**-**	**-**	**-**	**-**	**14,763**	**(6,949)**	**(143)**	**941**	**8,612**
II. Transactions with shareholders or owners	**-**	**-**	**-**	**-**	**(5,063)**	**-**	**-**	**-**	**(5,063)**
Dividend distribution	-	-	-	-	(5,063)	-	-	-	(5,063)
Other operations with shareholders or owners	-	-	-	-	-	-	-	-	-
III. Other changes in equity	**-**	**-**	**(3,858)**	**-**	**(12,108)**	**10,991**	**(332)**	**(7,810)**	**(13,117)**
E) Ending balance 2018	**57,492**	**9,327**	**159,605**	**-**	**14,763**	**(25,952)**	**1,348**	**1,233**	**217,816**

(*) Includes reserves in consolidated companies and reserves in equity-consolidated companies

(1) Movements in this heading in 2018 mainly reflect the impact on equity of the loss of control of Grupo Ortiz Properties SOCIMI, S.A., in addition to the distribution of 2017 profit and loss (Note 6).

Notes 1 and 36 and Appendices I, II and III form part of these consolidated financial statements

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

(thousand euro)

		Year ended 31 December	
CASH FLOW STATEMENT	Notes	2018	2017
A) Cash flows from operating activities			
1. Profit/ (loss) for the year before taxes		**17,261**	**15,600**
2. Adjustments		**8,353**	**14,982**
Asset amortisation/depreciation	7, 8, 9	5,371	4,860
Change in provisions		2,963	1,197
Application of grants		(13)	(11)
Own work capitalised		(1,667)	-
Profit/(loss) on write-off and disposal of assets	7, 8, 9	(1,408)	(189)
- Profit/loss on write-offs and disposals of financial instruments	27	246	12
Results due to the loss of control over consolidated companies		(13,004)	-
Financial income	27	(3,548)	(4,081)
Financial expenses	27	19,010	18,754
Differences on exchange	27	7,945	(1,489)
Change in the fair value of financial instruments	27	1,010	213
Other income and expenses		-	(443)
Share in profit of companies consolidated using equity method		(3,582)	(1,229)
Impairment and profit/(loss) of shareholdings consolidated using the equity method		(4,970)	(895)
Negative consolidation difference		-	(1,716)
3. Changes in working capital		**(1,645)**	**12,875**
Inventories		(2,900)	1,096
Trade and other receivables		(52,605)	(37,116)
Trade and other payables		54,506	48,839
Other current liabilities		(72)	42
Other non-current assets and liabilities		(574)	14
4. Other cash flows from operating activities		**(15,983)**	**(15,650)**
Interest paid		(14,093)	(15,767)
Dividends received		1,095	173
Interest received		1,468	961
Corporate income tax income/(expense)		(4,453)	(1,017)
5. Cash flows from operating activities		**7,986**	**27,807**
B) Cash flows from investing activities			
6. Payments for investments		**(42,521)**	**(53,995)**
Non-current assets held for sale		-	(18,948)
Group companies and associates	32	(27,937)	(15,161)
Intangible assets	7	(286)	(59)
Property, plant and equipment	8	(2,296)	(3,306)
Investment properties	9	(90)	-
Debt securities		-	(143)
Loans to third parties		(11,912)	(5,395)
Other financial assets		-	(10,984)
7. Proceeds from divestments		**71,663**	**9,173**
Non-current assets held for sale	6	29,102	-
Group companies and associates		36,699	9,173
Property, plant and equipment	8	569	-
Investment properties	9	226	-
Debt securities		218	-
Loans to third parties		1,158	-
Other financial assets		3,691	-
8. Cash flows from investing activities		**29,142**	**(44,822)**
C) Cash flows from financing activities			
9. Collections and payments for equity instruments		**-**	**5,843**
Acquisition of treasury shares		-	(3,728)
Sale of shareholdings to SSEE		-	9,571
10. Payments made and received for financial liability instruments		**(7,668)**	**(24,948)**
a) Issue		**97,139**	**14,471**
Debentures and other marketable securities	22	27,100	-
Bank borrowings		68,109	5,996
Payables to Group companies and associates		1,930	8,475
b) Return and repayment of		**(104,807)**	**(30,944)**
Debentures and other marketable securities	22	(8,600)	(1,214)
Bank borrowings	22	(90,233)	(15,870)
Payables to Group companies and associates		(1,155)	(3,783)
Other payables		(4,819)	(10,077)
11. Dividend payments		**(4,833)**	**(4,603)**
Dividends		(4,833)	(4,603)
12. Cash flows from financing activities		**(12,501)**	**(23,708)**
D) Cash flows from discontinued operations		**-**	**(371)**
E) Net increase/ decrease in cash or cash equivalents		**24,627**	**(41,094)**
Cash and cash equivalents at the beginning of the year	17	43,349	84,443
Cash and cash equivalents at the end of the year	17	67,976	43,349

Notes 1 and 36 and Appendices I, II and III form part of these consolidated financial statements

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousand euro)

1. 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 to the current one, Ortiz Construcciones y Proyectos, S.A. Shareholders at a general meeting held on 24 June 2010 moved its registered address from Calle Santa María Magdalena 14 to Avenida Ensanche de Vallecas, 44.

Its corporate purpose is described in its Article of Association Company's and consists of:

- The procurement, management and execution of all kinds of works and construction, 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, possession and enjoyment of all types of securities on its own account and incorporation of and shareholdings in other companies with a similar corporate purpose.

Grupo Ortiz is diversified in five lines of business: construction, energy, services, concessions and real estate, among which the following operating segments:

- **Construction and Services**: Construction of civil works infrastructure, buildings, railway, water, environment, renovations, engineering and Indagsa industrialised construction system. Maintenance of infrastructure, roads, railways, comprehensive maintenance of buildings, urban and environmental services.
- **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.
- **Concessions**: Concession operator with broad experience in investment financing, design, execution, operation and maintenance.
- **Real estate-Holding company:** Asset holding area Promotion and exploitation of home for rental and tertiary level products (offices and business premises).

The Group companies whose activities involve environmental matters have taken the measures that are necessary in order to comply with current legislation. Since those requirements are not considered to be material in comparison to the Company's equity, its financial situation and its results, they are not specifically disclosed in these notes to the consolidated financial statements.

The financial statements for the parent company Ortiz Construcciones y Proyectos, S.A. used for the consolidation are those that were closed and audited at 31 December 2018. The consolidated financial statements for 2017 were drawn up by the Board of Directors on 15 March 2018 and were approved by the Shareholders' General Meeting on 24 May 2018. These financial statements were filed with the Mercantile Registry of Madrid.

The consolidated financial statements have been prepared by the directors of the parent company within the same period established for the preparation of the individual financial statements for that company.

For the purposes of preparing the consolidated financial statements, a group is understood to exist when the parent company has one or more subsidiaries, understood as those entities which the parent company controls directly or indirectly. The principles applied to the preparation of the Group's consolidated financial statements and the consolidation scope are described in Note 1.2.

Appendix I to these notes contains the identification details of the fully-consolidated subsidiaries.

Appendix II hereto set outs the identification details of the associates and jointly-controlled companies consolidated using the equity method.

Both the parent company and certain subsidiaries participate in joint ventures and consortia, and the respective companies record the figures relating to these JV and consortia on a proportional basis in accordance with the asset, liability, income and expense balances. Appendix III includes details of the JVs and consortia in which Group companies participate.

The main changes in the scope of consolidation that took place in in 2018 were as follows:

- Sale of 13% of the shares in the associate Viario A-31, S.A. (Note 10)
- Sale of the shares in the associates Alten Alange and Alten Alconera Dos, S.L. (Note 10).
- Sale of the shares in the company Explotaciones Eólicas Vélez Rubio, S.L. (Note 10).
- Incorporation of the subsidiary Constructora Hospitalaria TEPIC, S.A.P.I. de C.V.
- Sale of 24.99% of the shares in the associate Concesión Transversal del Sisga, S.A.S. (Note 10).
- Sale of 38.37% of the shares in the subsidiary Grupo Ortiz Properties, SOCIMI, S.A. (Note 6)
- Increase totalling 5.13% in the jointly-controlled company Alten El Casar, S.L. (Note 10)
- Incorporation of the company Vending La Gavia, S.L.
- Incorporation of the associates Alten Renewable Energy Developments Africa, B.V. and Alten Solar Power (Hardap) (pty) Ltd (Note 10).

The main changes in the scope of consolidation that took place in in 2017 were as follows:

- Incorporation of the subsidiary GO Barajas 2017, S.A.
- Incorporation of Sociedad Promotora Hospitalaria TEPIC, S.A.P.I. de C.V.
- Entry of the associates Alten Renewable Energy Developments America, B.V., Sociedad Cúbico Alten Aguascalientes 1, S.A.P.I. de C.V. and Cúbico Alten Aguascalientes 2, S.A.P.I. de C.V. (Note 10).
- Shareholding increase of 18% in the associate Viario A-31, S.A. (Note 10).
- Increase of 38.69% in the shareholding as a result of the purchase of shareholdings in the jointly-controlled company Alten El Casar, S.L.
- Sale of the shareholding in the subsidiary OSM Construcciones, S.A. Promotora de C.V.
- Sale of the shareholdings in the associates Alten Hinojosa del Valle, S.L., Alten Pozohondo, S.L., Alten Los Hinojosos, S.L. and Alten Alconera, S.L. (Note 10).
- Sale of 0.5% of the shares in the associate Autopistas del Nordeste, S.A.S. (Note 10).
- Shareholding increase of 10% in the associate Concesión del Sisga, S.A.S. (Note 10). (Note 10)
- Sale of 12.81% of the shares in the subsidiary Grupo Ortiz Properties, SOCIMI, S.A.
- Liquidation of the associate Expociencia, S.L.

1.2. Subsidiaries

The full consolidation method has been applied to subsidiaries. Subsidiaries are those entities in which the parent company controls a majority of voting rights or, if not the case, directly or indirectly holds sufficient power to control financial and operating policies in order to profit from its activities. Potential voting rights that may be exercised at the year-end are taken into account when determining control,

Appendix I contains a list of subsidiaries.

These companies are consolidated when the situations established in Article 2 NOFCAC are met, as follows:

1. When the parent company is in one of the following situations with respect to the other company (subsidiary):
    a. The parent company holds a majority of the voting rights.
    b. The parent company is empowered to appoint or remove the majority of the administrative body's members.
    c. The parent company may cast, by virtue of the agreements concluded with other shareholders, the majority of the voting rights.
    d. The parent company has appointed with its votes the majority of the administrative body's members, who hold their positions at the time the consolidated accounts are drawn up and for the two immediately preceding years. This circumstance is presumed when the majority of the members of the subsidiary's administrative body are members of the administrative body or senior managers of the parent company or any other company controlled by the latter.
2. When a parent company possesses one half or less of the voting rights, even when it has a small or no stake in another company, or when management authority has not been explicitly expressed (special purpose vehicles) but it participates in the company's risks and profits, or has the capacity to participate in the company's operating and financial decisions.

All the subsidiaries close their financial year on 31 December.

2. ASSOCIATES AND JOINTLY-CONTROLLED COMPANIES

2.1 Associates

Associates are those companies in which one of the companies included in consolidation has significant influence. Significant influence is understood to exist when the Group has a shareholding in the company and intervenes in its financial and operating decisions without exercising control.

There are no significant restrictions on the capacity of associates to transfer funds to the parent company in the form of dividends, debt repayments or advance payments, besides restrictions that may arise from financing contracts entered into by associates or from their own financial situation, and there are no contingent liabilities related to associates that might eventually be assumed by the Group. There are no significant companies not applying the equity method when more than a 20% interest is held.

In compliance with Article 155 of the Spanish Companies Act 2010, the Company has notified all of these companies that it holds more than a 10% interest either directly or indirectly.

All the associates close their financial year on 31 December.

2.2 Jointly-controlled companies

Jointly-controlled companies are those that are managed by the Group together with other outside companies.

Transactions carried out with associates included in Appendix II

All the jointly-controlled companies close their financial year on 31 December.

3. BASIS OF PRESENTATION

3.1 True and fair view

The consolidated financial statements have been prepared on the basis of the accounting records of Ortiz Construcciones y Proyectos, S.A. and subsidiaries and include all adjustments and reclassifications required for consistency with the Group's accounting policies.

These consolidated financial statements are presented in accordance with applicable commercial legislation as established by the Commercial Code, as amended by Law 16/2007 (4 July) which reforms and adapts accounting legislation for international harmonisation based on European Union legislation, Royal Decree 1514/2007 (20 November), which approves the General Accounting Plan and Royal Decree 1159/2010 (17 September) which approves the rules for preparing consolidated financial statements and Royal Decree 602/2016, in all areas not amended by subsequent legislation, in order to present a true and fair view of the Group's financial situation and results, as well as a reliable presentation of cash flows reflected in the consolidated cash flow statement.

3.2 Key aspects of the measurement and estimation of uncertainty

The preparation of financial statements requires the Group to use certain estimates and judgments relating to the future that are evaluated on a continuous basis and are supported by past experience and other factors, including expectations of future successes that are deemed to be reasonable given the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3.2.1. Fair value of derivatives or other financial instruments

The fair value of financial instruments that are not listed on an active market (for example, derivatives not listed on an official market) is calculated using measurement techniques. The Group uses judgments to select a variety of methods and to develop assumptions that are primarily based on the market conditions existing at each balance sheet date. The Company has used a discounted cash flow analysis for several exchange rate contracts that are not traded on active markets.

3.2.2. Estimated impairment of goodwill

The Group verifies annually whether there is an impairment loss in respect of goodwill, in accordance with the accounting policy in Note 4.7. The amounts recoverable from cash generating units (CGUs) have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 6).

3.2.3. Revenue Recognition

The Group follows, within the general degree of completion revenue recognition category established by the industry adaptation of the Spanish General Chart of Accounts for construction companies, the method called "schedule of values" which consists of the measurement of work units executed at the prices established in the contract.

The Group's past experience confirms that its estimates are adequate and reasonable.

3.2.4. Useful lives of property, plant and equipment and intangible assets.

Group management estimates the useful lives and relevant depreciation and amortisation charges for its property, plant and equipment and intangible assets, respectively. The useful lives of assets are estimated in accordance with the period over which the asset concerned will generate financial benefits. At each closing the Group reviews the useful lives of assets and, if the estimates differ from those made previously, the effect of the change is recorded on a prospective basis as from the year in which the change is made.

3.2.5. Income tax

The Group is subject to income taxes in numerous jurisdictions. A significant level of judgment is required to determine the worldwide provision for income tax. There are many transactions and calculations with respect to which the ultimate calculation of the tax is uncertain in the ordinary course of business. The Group recognises liabilities for potential tax claims based on an estimation of whether or not additional taxes will be necessary. When the final tax result differs from the amounts which were initially recognised, such differences will have an effect on income tax and the provisions for deferred taxes in the year in which they are deemed to arise.

The calculation of income tax requires interpretation of the tax legislation applicable to the Company. There are also several factors mainly, but not exclusively, linked to changes in tax laws and changes in the interpretation of tax laws already in force, which require the application of estimates by Company management.

When the final tax result differs from the amounts which were initially recognised, such differences will have an effect on income tax and the provisions for deferred taxes in the year in which the determination is made. There are no significant items that are subject to estimates and which could have a relevant impact on the Company's financial position.

Group management evaluates the recovery of deferred tax assets based on estimates of future taxable income by analysing whether or not this income will be sufficient during the periods in which the deferred tax assets are deductible. Deferred tax assets are recorded when their future recovery is probable. The recognition and recovery of deferred tax assets is evaluated at the time they are generated and subsequently at each balance sheet date, in accordance with the development of the profits projected in the Group’s business plan. Management considers that deferred tax assets recorded by the Group are likely to be recovered. However, the estimates may change in the future as a result of changes in tax legislation or due to the impact of future transactions on tax balances.

Although these estimates were prepared by management based on the best information available at the end of each year, and through the application of their best estimates and knowledge of the market, it is possible that future events may require the group to change these estimates in the coming years.

3.2.6. Fair value of investment properties and inventory

The best evidence of the fair value of investment properties and inventory in an active market are the prices for similar assets. In the absence of such information given the current market situation, the Group determines fair value through a range of fair values. When implementing this judgment, the Group uses a series of sources, including:

- Current prices in an active market for properties of a different nature, condition or location, adjusted to reflect the differences with the assets owned by the Group.
- Recent property prices in other less active markets, adjusted to reflect changes in financial situations since the transaction date.
- Cash flow discounts based on estimates deriving from current and projected lease agreement conditions and, if possible, on estimates to market prices for similar properties in the same location, using the discount rate that reflects the time factor uncertainty.

There are no significant uncertainties or risks that could give rise to major changes in the current future value of assets and liabilities.

3.2.7. Provisions

Provisions are recognised when it is probable that a present obligation, resulting from past events, will require the application of resources and when the amount of the obligation may be reliably estimated. Significant estimates are necessary to comply with the requirements of accounting rules. Group management makes estimates, evaluating all relevant information and events, of the probability of a contingency and the amount of the liability to be settled in the future.

No significant change was made this year to accounting estimates that give rise to any modification of the amounts or nature of the figures presented for the year.

3.3 Grouping of items

For the purposes of facilitating the understanding of the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in equity and the cash flow statement, these financial statements are presented in a group format and all necessary analysis is set out in the notes to the financial statements.

3.4 Going concern

The consolidated financial statements have been prepared on a going concern basis, which foresees that the Group will realise its assets and fulfil its commitments during the normal course of its business.

3.5 Changes in accounting policies

In accordance with the conceptual framework of accounting established by the Spanish General Chart of Accounts, the Group maintains a generally accepted accounting policy uniform over time provided that the underlying circumstances that originally led to the application of that policy do not change and taking into account that any change in the policy applies the basic true and fair view principle.

4. RECOGNITION AND MEASUREMENT STANDARDS

4.1 Subsidiaries

4.1.1 Acquisition of control

The acquisition by the parent company (or other group company) of control in a subsidiary constitutes a business combination that is recognised using the acquisition method. This method requires the acquiring company to record, at the acquisition date, identifiable assets acquired, and liabilities assumed in a business combination and any goodwill or negative difference. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition cost is calculated as the sum of the fair values at the acquisition date of the delivered assets, liabilities incurred or assumed and the equity instruments issued by the buyer and the fair value of any contingent compensation that depends on future events or compliance with certain conditions, which must be recognised as an asset, liability or equity in accordance with their nature.

The expenses relating to the issue of equity instruments or financial liabilities delivered do not form part of the business combination cost recognised in accordance with the rules applicable to the financial instruments (Note and 4.14). The fees paid to legal or other professional advisors involved with the business combination are recorded as an expense as they are incurred. The combination costs also exclude the expenses generated internally and any that are incurred by the target company.

The amount at the acquisition date of the cost of the business combination that exceeds the proportional part of the value of the identifiable assets acquired less the liabilities assumed representing the shareholding in the target company's capital is recognised as goodwill. In the exceptional case that this amount is higher than the cost of the business combination, the excess will be recorded as revenue in the consolidated income statement.

4.1.2. Consolidation method

The assets, liabilities, revenues, expenses, cash flows and other items in the Group companies' financial statements are included in the Group's consolidated accounts using the full consolidation method. This method requires the following:

a. Uniformity in terms of timing. The consolidated financial statements are prepared at the dame date and for the same period as the financial statements for the consolidated company. Companies that have a different closing date are included using interim accounts prepared at the same date and for the same period as the consolidated accounts.

b. Uniformity in terms of measurement Assets and liabilities, revenues and expenses, and other items in the Group companies' financial statements have been measured through the application of uniform methods. Those assets or liabilities, or those revenue or expense items that have been measured using criteria that are not uniform with respect to those applied to the consolidation have been re-measured and all necessary adjustments have been made solely for the purposes of consolidation.

c. Aggregation. The different headings in the individual financial statements previously made uniform are aggregated in accordance with their nature.

d. Divestment – equity. The book values representing subsidiaries' equity instrument held directly or indirectly held by the parent company are offset by the proportional part of the equity headings recorded by the subsidiary concerned that is attributable to the shares, generally based on the values resulting from the application of the aforementioned acquisition method. In consolidations in years after the year in which control is obtained, the excess or shortfall in equity generated by the subsidiary since the acquisition date that is attributable to the parent company is presented in the consolidated balance sheet under reserves or adjustments due to changes in value, based on their nature. The portion attributable to non-controlling shareholders is recorded under "Non-controlling interests".

e. Minority shareholdings. The measurement of external shareholders is based on their effective stake in the subsidiary's equity, once the above adjustments have been made. Goodwill on consolidation is not attributed to non-controlling interests. The excess between the losses attributable to non-controlling interests of a subsidiary and the equity that proportionally relates to them is attributed to them, even if this gives rise to a receivable under that heading.

f. Elimination of intra-group items Loans payable and receivable, revenues and expenses and cash flows between Group companies are completely eliminated. All of the results deriving from internal transactions are also eliminated and deferred until the amounts are realised with respect to third parties outside the Group.

4.1.3. Loss of control

When control over a subsidiary is lost the following rules are applied:

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

b. If the subsidiary is reclassified as a jointly-controlled entity or associate the equity method is initially applied, taking into account the fair value of the shareholding retained at that date for the purposes of initial measurement.

c. The stake in the equity of the subsidiary that is retained after the loss of control, and which does not fall within the scope of consolidation, will be measured in accordance with the criteria applicable to the financial assets (Note 4.9), taking into consideration the fair value at the date the stake is excluded from consolidation as the initial value.

d. An adjustment is made to the consolidated income statement to record non-controlling shareholders' stake in the revenues and expenses generated by the subsidiary during the year up until the loss of control, and revenues and expenses recorded directly under equity are transferred to the profit and loss account.

In 2018 the Group lost control over the subsidiary Grupo Ortiz Properties SOCIMI, S.A. and subsidiaries Ortega y Gasset Park, S.A.U., Aldigavia Oficinas S.L.U. and Aldigavia, S.A.U. (Note 6).

4.2 Associates and jointly-controlled companies

4.2.1. Equity method

Associates are included in the consolidated financial statements by applying the equity method.

When the equity method is first applied, the Company's stake is measured at the amount of equity that the percentage investment represents, after any adjustment of net assets to fair value at the date the significant influence was acquired.

The difference between the carrying amount of the shareholding in the individual accounts and the amount mentioned in the preceding paragraph constitutes goodwill that is recorded under the heading “equity consolidated shareholdings”. In the exceptional case in which the difference between the amount at which the investment is recognised in the individual accounts and the proportional part of the fair value of the Company's net assets is negative, in which case that difference is recorded in the income statement after having evaluated again the assignment of fair value to the associate's assets and liabilities.

Unless a negative difference arises on the acquisition of significant influence, in general investments are initially recognised at cost.

The profit/(loss) generated by equity-consolidated companies is recognised as from the date on which the significant influence is acquired.

The carrying amount of the shareholding is modified (increased or decreased) in the appropriate proportion for the Group’s companies as a result of the changes in the investee company’s equity since initial recognition, after having eliminated the portion of unrealised profit/(loss) generated in transactions between that company and Group companies.

The higher value attributed to the shareholding as a result of the application of the acquisition method is reduced in subsequent years by charging consolidated results or the equity concerned and to the extent that the relevant equity items are depreciated, eliminated or sold. Consolidated results are also charged when there are impairment losses affecting the investee company's equity items, up to the limit of the capital gain assigned to those items at the date of first consolidation using the equity method.

Changes in the value of the shareholding as a result of the investee company’s profit/(loss) form part of consolidated profit/(loss), recognised in the heading “Share in profit/(loss) of equity consolidated companies”. However, if the associate incurs losses, the reduction of the account representing the investment will have the limit of the carrying amount of the shareholding calculated using the equity method. If the interest had been reduced to zero, additional losses and the relevant liability would have been recognised of legal, contractual, constructive or tacit obligations were incurred, or if the Group had made payments on behalf of the investee company.

Change in the value of the shareholding relating to other changes in equity are shown in the relevant equity headings based on their nature.

Value and timing uniformity is applied to investments in associates in the same way as for subsidiaries.

4.2.2. Change in the shareholding

The cost of each individual transaction is used to determine the cost of an investment in a jointly-controlled company.

The additional investment and new goodwill or negative difference on consolidation arising in a new acquisition of shares in an equity-consolidated company is calculated in the same manner as the first investment. However, if goodwill arises and a negative difference on consolidation arises with respect to the same investee company, the latter is reduced to the limit of the embedded goodwill.

When an investment is reduced giving rise to a decline in the interest held but significant influence is not lost, the new investment is measured at the amounts relating to the retained interest.

4.3 Intangible assets

4.3.1. Concession agreements

Concession arrangements, regulated assets

The public infrastructure concession company industry plan (in force since 1 January 2011), regulates the treatment of service concession agreements, which are defined as an agreement under which the granting entity requires a concessionaire company to construct, including improvements and the operation, or only the operation, of infrastructure intended to render public services of a financial nature during the period of time established under the agreement, in exchange for the right to receive compensation. All concession agreements must meet the following requirements:

- The grantor controls or regulates which public services must be provided by the concession operator using the infrastructure, to whom they must be provided, and at what price; and
- The granting entity controls any significant residual interest in the infrastructure at the end of the term of the agreement.

In such concession agreements the concession company acts as a service provider, specifically infrastructure construction or improvement services and, in addition, operating and maintenance services during the term of the agreement. The compensation received by the concession holder with respect to the construction or improvement of the infrastructure is recognised at the fair value of the service concerned, as an intangible asset in those cases in which the right to charge a price to users for the public service and when it is not unconditional and users must actually make use of the service. Compensation for the construction or improvement is recognised as an intangible asset under "Concession agreement, regulated asset" in "Intangible assets" as a result of the application of the intangible model, where the demand risk is assumed by the concession holder. The Company calculates the depreciation of a concession asset systematically over the term of the concession using the straight-line method.

Concession agreement, financial capitalisation

When the consideration for the construction or improvement services insists of an intangible asset, the financial expenses financing the infrastructure that arise as from the moment at which the infrastructure is available for use are capitalised, provided that there is reasonable evidence that they will be recovered through future revenue. Capitalised financial expenses are recognised in the heading “Concession agreement, financial capitalisation”, and they are taken to the income statement in proportion to the revenue projected in the Company’s Financial Plan, with the understanding that the future revenue forecast by the plan will allow those expenses to be recovered. Revenue as a percentage of the total occupation amount is determined for each year. That percentage is applied to total financial expenses projected over the concession term to determine the amount of annual financial expense to be attributed to each financial year. In the event that actual revenue for that year exceeds projections the percentage will be calculated based on actual revenue and the total amount of projected occupation revenue.

4.3.2. Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the amount at the acquisition date of the cost of the business combination that exceeds the proportional part of the fair value of the identifiable assets acquired less the liabilities assumed representing the shareholding in the target company's capital.

At the date of initial recognition, goodwill is measured in accordance with the policy described in Note 4.1.1. Goodwill is measured at cost less any accumulated impairment after initial recognition.

At the acquisition date, goodwill is assigned to each cash generating unit (CGU) or groups of cash generating units that are expected to benefit from the synergies within the business combination from which the goodwill arose.

Goodwill recognised in the financial statements for the years commencing on or after 1 January 2016 will be amortised over a straight-line basis and its useful life will be presumed to be 10-years unless there is evidence to the contrary, due to the amendment of Article 39.4 of the Commercial Code as a result of the approval of Law 22/2015 (20 July).

Cash generating units (or groups of cash generating units) to which Goodwill has been assigned will be subjected, at least on an annual basis, to impairment loss verification and, should any be revealed, the relevant impairment adjustment will be recorded in the income statement.

Impairment losses recognised in goodwill are not reversed in subsequent years.

4.3.3. Research and development expenses

Research expenses are recognised as an expense when incurred, whereas development expenses incurred for a project are recognised as an intangible asset if the development is viable from a technical and commercial point of view, sufficient technical and financial resources are available to complete the project, the costs incurred may be reliably determined and the generation of profits is probable.

Other development costs are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs that have a finite useful life are amortised on a straight-line basis over the estimated useful life of each project, up to a maximum of 5 years.

If the useful life of development costs exceeds 5 years, justify the reasons why.

If an asset’s carrying amount is greater than its estimated recoverable amount, its carrying amount is written down immediately to its recoverable amount (Note 4.7).

If the circumstances which permitted the capitalisation of the development expenses change, the unamortised portion is expensed in the year the circumstances change.

4.3.4. Licenses and trademarks

At 31 December 2018 and 2017 the Group’s intangible assets include manufacturing licences and trademarks that are measured at acquisition cost, without any amortisation having been applied. An intangible asset is considered to have an indefinite useful life when an analysis of all relevant factors reveals that there is no foreseeable limit to the period over which the asset is expected to generate the entry of net cash flows for the company.

(thousand euro)

4.3.5. Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the assets' estimated useful lives (4 years).

Costs associated with maintaining computer software programs are recognised as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

4.4 Property, Plant and Equipment

Property, plant and equipment is stated at acquisition price or production cost less accumulated depreciation and accumulated impairment losses recognised.

Own work capitalised is measured as calculated by adding the direct or indirect costs attributable to the assets to the price of the consumable materials used.

Costs incurred to extend, modernise or improve property, plant and equipment are only recorded as an increase in the value of the asset when the capacity, productivity or useful life of the asset is extended, and it is possible to ascertain or estimate the carrying amount of the assets that have been replaced in inventories.

The cost of major repairs is capitalised and depreciated over the estimated useful life of the asset, while recurring maintenance costs are charged to the consolidated income statement in the year in which they are incurred.

Depreciation of property, plant and equipment, with the exception of land, which is not depreciated, is calculated systematically using the straight-line method over the assets' estimated useful lives based on the actual decline in value brought about by operation, use and enjoyment.

The depreciation rates applied to property, plant and equipment in 2018 and 2017 are as follows:

Estimated useful life:	
Buildings	50
Plant	4-10
Machinery and tooling	7-8
Furnishings	10
Data processing equipment	5
Vehicles	6

The residual values and useful lives of assets are reviewed and adjusted, if necessary, at each balance sheet date.

If an asset's carrying amount is greater than its estimated recoverable amount, its carrying amount is written down immediately to its recoverable amount (Note 4.7).

Profits and losses deriving from the sale of property, plant and equipment is calculated by comparing revenues obtained from the sale against the asset's book value and recorded in the consolidated income statement.

4.5 Investment properties

Investment properties consist of owned office buildings that are maintained to obtain long-term income and are not occupied by the Group.

The items included under this heading are stated at acquisition cost less accumulated depreciation and any impairment losses.

Depreciation is applied to real estate investments on a straight-line basis in accordance with the estimated useful lives of the assets concerned, which is 50 years.

4.6 Interest costs

Financial expenses directly attributed to the acquisition or construction of property, plant and equipment that requires more than one year to be prepared for use is stated at cost until it is in a state of operation.

4.7 Losses due to the impairment of non-financial assets

Assets that have an indefinite useful life, such as Goodwill for example, are not subject to amortisation and are tested annually for impairment. Assets subject to amortisation/depreciation are subjected to in impairment tests provided that some event or a change in circumstances indicates that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, understood as the asset's fair value less the higher of costs to sell and value-in-use. For the purposes of assessing impairment losses, assets are grouped together at the lowest level for which there are separately identifiable cash flows (Cash Generating Units). Non-financial assets, other than goodwill, that present an impairment loss are reviewed at each balance sheet date to determine whether or not the loss has reversed.

4.8 Swaps

When property, plant and equipment, intangible assets or investment properties are acquired through swaps of a commercial nature, they are measured at the fair value of the asset delivered plus any monetary compensation paid in exchange, unless there is clearer evidence regarding the asset received and any applicable limits. For these purposes, the Group considers that a swap is of a commercial nature when the configuration of the cash flows relating to the asset received differs from the configuration of the cash flows relating to the asset delivered, or the present value of the cash flow after taxes relating to the activities affected by this swap are modified. Furthermore, any of the above differences must be significant with respect to the fair value of the exchanged assets.

If the swap is not of a commercial nature, or the fair value of the assets involved in the transaction cannot be determined, the asset received is measured at the carrying value of the delivered asset plus any monetary compensation provided, up to the limit of the fair value of the received asset, if less, and only if it is available.

4.9 Non-current assets (disposal groups) held for sale, non-current liabilities held for sale and discontinued operations

Non-current assets are classified as held for sale when it is considered that the fair value will be recovered through a sale instead of through continued use. This condition is considered to be met only when a sale is highly likely and is available for immediate sale in its current condition, foreseeably within one year as from the date of classification. These assets were presented stated at the lower of their book value and fair value, less the costs necessary for disposal and are not subject to depreciation.

The Group recognises under this heading those companies acquired exclusively for the purpose of subsequent sale, when the requirements described in the preceding paragraph are met. Under these circumstances, the disposal group acquired will be measured at fair value less estimated selling costs.

Discontinued operations consist of any Company component that has been sold or otherwise disposed of or has been classified as held for sale and represents a line of business or significant geographic area of operation, it forms part of an individual plan or is a subsidiary acquired exclusively for the purposes of resale. The profit or loss generated by discontinued operations is presented in a single specific line in the income statement.

4.10 Financial assets

4.10.1..Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets except for assets maturing in more than 12 months of the balance sheet date which are classified as non-current assets. Loans and receivables are included under “Loans to companies” and “Trade and other receivables” on the balance sheet. Financial assets are initially carried at fair value, including directly attributable transaction costs, and are subsequently measured at amortised cost. Accrued interest is recognised at the effective interest rate, which is the discount rate that brings the instrument’s carrying amount into line with all estimated cash flows to maturity. Nevertheless, trade receivables falling due in less than one year are carried at their nominal amount on both initial recognition and subsequent measurement, provided that the effect of not discounting the cash flows is immaterial.

At the year-end, at least, the necessary value adjustments are made to account for impairment when there is objective evidence that all receivables will not be collected.

The amount of the impairment loss is the difference between the book value of the asset and the present value of estimated future cash flows, discounted at the effective interest rate in place at the time of initial recognition. Measurement adjustments, as well as their reversal, are recognised in the consolidated income statement.

4.10.2. Investments held to maturity

Held-to-maturity financial assets are securities representing debt with fixed payments or payments that may be determined and have a fixed maturity date, are traded on an active market and with respect to which Group management has the effective intention and capacity to hold to maturity. If the Group disposes of a significant amount of the held-to-maturity assets, the entire category would be reclassified as available-for-sale. These financial assets include non-current assets, except for those that mature within 12 months as from the date of the balance sheet in which they are classified as current assets.

The measurement criteria applied to these investments are the same as for loans and receivables.

4.10.3. Financial assets held for trading and other financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are considered to be all those assets held for trading that are acquired with the intention of being sold in the current or which form part of an identified securities portfolio that is jointly managed to obtain current profits, as well as financial assets designated by the Group at initial recognition to be included under this category as it provides more relevant information. Derivatives are also classified as held for trading provided that they do not consist of a financial guarantee and have not been designated as hedging instruments.

These financial assets are measured, both initially and subsequently, at fair value and any changes affecting this value are taken to the income statement for the year. Directly attributable transaction costs are recognised in the income statement for the year.

4.10.4. Available-for-sale financial assets

This category includes debt securities and equity instruments in other companies that have not been classified in any of the preceding categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the consolidated balance sheet date.

They are stated at fair value, recording the changes that take place directly under equity, up until the asset is disposed of or becomes impaired, the time at which accumulated profits and losses accumulated in equity are charged against the income statement, provided that it is possible to calculate the aforementioned fair value. If this is not the case, they are stated at cost less impairment losses.

In the case of available for sale financial assets, adjustments are made if there is objective evidence of impairment as a result of a reduction or delay in estimated future cash flows in the case of acquired debt instruments or due to the lack of recovery of the carrying value of the asset in the case of equity investments. The adjustment is the difference between their cost or amortised cost less, if appropriate, any adjustment previously recognised in the income statement, and their fair value at the time at which measurement takes place. In the case of equity instruments that are measured at cost as their fair value cannot be calculated, the measurement adjustment is determined as the difference between their carrying value and their recoverable value, which is understood to be the higher of their fair value less selling costs and the present value of cash flows deriving from the investment. Unless better evidence is available of the recoverable amount when estimating the impairment of these investments, the investee's equity is taken into account, adjusted for any latent capital gains existing at the measurement date. The measurement adjustment and, if appropriate, its reversal, is recorded in the consolidated income statement for the year in which this operation takes place.

If there is objective evidence of impairment the Group records accumulated losses previously recognised under equity as a reduction in fair value. Impairment losses on equity instruments recognised in the income statement are not reversed through the income statement.

The fair values of quoted investments are based on current purchase prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using measurement techniques which include the use of recent transactions between knowledgeable willing parties, reference to other instruments which are substantially identical, methods of discounting future cash flows and models for setting option prices by making maximum use of observable market data and relying as little as possible on the Group's subjective considerations.

Financial assets are eliminated from the balance sheet when all risks and benefits inherent to ownership are substantially transferred. Specifically, for accounts receivable this situation is generally understood to arise if the insolvency and default risks have been transferred.

Assets designated as hedged items are subject to hedge accounting measurement requirements (Note 4.11).

4.11 Financial derivatives and hedge accounting

Financial derivatives are measured, both initially and subsequently, at fair value. The method for recognising the resulting gain or loss depends on whether the derivative has been designated to be a hedge instrument or not, and, if appropriate, the type of hedge. The Group designates certain derivatives as either:

4.11.1 Fair value hedge

Changes in the fair value of derivatives that are designated and classified as hedges of fair value are recorded in the income statement together with any change in the fair value affecting the hedged asset or liability that is attributable to the hedged risk.

4.11.2 Cash flow hedging

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised temporarily in equity. It is taken to the income statement in the years in which the projected hedge transaction affects profit and loss, unless the hedge relates to a planned transaction that ends in the recognition of a non-financial asset or liability, in which case the amounts recorded under equity are included in the cost of the asset when acquired or the liability when it is assumed.

The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

4.11.3 Hedges of net investments in foreign operations:

In hedging operations covering net investments in combined businesses that do not have an independent legal personality and branch offices abroad, changes in the value of derivatives attributable to the hedged risk will be recognised temporarily under equity and taken to the income statement in the years in which the net investment in the business abroad is sold.

Hedge instruments are measured and recognised in accordance with their nature to the extent that they are not, or do not cease to be efficient hedges.

In the case of derivatives that do not qualify for hedge accounting, gains or losses in their fair value are immediately recognised in the consolidated income statement.

4.12 Inventories

Inventories are carried at the lower of cost and net realisable value. When the net realisable value of inventories is less than cost, the appropriate value adjustments are made and recognised as an expense in the income statement. If the circumstances that caused the value adjustment cease to exist, the adjustment is reversed, and income is recognised in the income statement.

Cost is determined through the average cost method. The cost of finished products and work in progress includes design costs, raw materials, direct labour, other direct costs and manufacturing overheads (based on normal operating capacity). The net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses and, in the case of raw materials and work in progress, the estimated production costs.

Inventories that require a period exceeding one year to be ready to be sold, financial expense is included in the cost in the same terms established for assets (Note 4.6).

The initial expenses, projects and facilities are measured at acquisition or production cost. They are taken to the cost of the works based on the degree of completion.

4.13 Equity

Share capital consists of ordinary shares.

The costs of issuing new shares or options are recognised directly in equity as a reduction in reserves.

In the event that the any group company acquires treasury shares in the Company, the compensation paid including any incremental cost that is directly attributable, is deducted from equity until the shares are eliminated, issued again or otherwise disposed of. When these shares are subsequently sold or reissued, any amount received is taken to equity net of directly attributable incremental costs.

4.14 Financial liabilities

4.14.1 Borrowings and payables

This category includes trade and non-trade payables. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months as from the balance sheet date.

Payables are initially recognised at fair value, adjusted for directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method. The effective interest rate is the discount rate that brings the instrument's carrying amount into line with the expected future flow of payments to the maturity date of the liability.

However, loans for commercial operations maturing within one year, and which do not have a contractual interest rate, are stated, both at the time of initial recognition as well as subsequently, at their nominal value provided that the effect of not restating the cash flows is not significant.

Should any existing liabilities be renegotiated, no substantial modification to financial liabilities is deemed to exist when the new lender is the same party that granted the initial loan and the present value of cash flows, including net commissions, does not differ by more than 10% of the present value of the cash flows pending payment with respect to the original liability calculated using the same method.

In the case of convertible bonds, the Group determines the fair value of the liability component by applying the interest rate for similar non-convertible bonds. This amount is recorded as a liability based on its amortised cost up until settlement at the time it is converted or matures. All other income obtained is assigned to the conversion option which is recognised under equity.

4.14.2 Financial liabilities held for trading and other financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are considered to be all those liabilities held for trading that are issued with the intention of being reacquired in the short-term or which form part of an identified securities portfolio that is jointly managed to obtain short-term profits, as well as financial liabilities designated by the Group at initial recognition to be included under this category as it provides more relevant information. Derivatives are also classified as held for trading provided that they do not consist of a financial guarantee and have not been designated as hedging instruments (Note 4.11)

These financial assets are measured, both initially and subsequently, at fair value and any changes affecting this value are taken to the consolidated income statement for the year. Transaction costs directly attributable to the issue are recognised in the consolidated income statement in the year in which they arise.

4.15 Grants received

Repayable grants are recognised under liabilities until the conditions are fulfilled for the grants to be treated as non-repayable. Non-repayable grants are recognised directly in equity and are taken to income on a systematic and rational basis in line with grant costs. Non-repayable subsidies received from shareholders are recorded directly in capital and reserves.

A grant is deemed to be non-repayable when it is awarded under a specific agreement, all stipulated grant conditions have been fulfilled and there are no reasonable doubts that it will be collected.

Monetary subsidies are stated at the fair value of the amount granted and non-monetary subsidies are stated at the fair value of the asset received. Both values refer to the moment of recognition.

Non-repayable subsidies relating to the acquisition of property, plant and equipment, intangible assets and investment properties are recorded as income in the year in proportion to the depreciation/amortisation of the assets concerned or, if appropriate, when the assets are sold, restated due to impairment losses or written off from the balance sheet. Non-repayable subsidies relating to specific expenses are recognised in the consolidated income statement in the same year in which the relevant expenses accrue together with those granted to offset operating deficits during the year granted, except when they are used to offset operating deficits in future years in which case they are attributed to those years.

4.16 Current and deferred taxes

Income tax expense (income) is that amount of income tax that accrues during the period. It includes both current and deferred tax expense (income).

Both current and deferred tax expenses (income) are recognised in the income statement. However, the tax effect of items recorded directly in equity is recognised in equity.

Current tax assets and liabilities are carried at the amounts that are expected to be payable to or recoverable from the tax authorities, in accordance with prevailing legislation or regulations that have been approved and are pending publication at the year end.

Deferred taxes are calculated in accordance with the liability method on the temporary differences between the tax bases of assets and liabilities and their carrying values.

However, if the deferred taxes arise from the initial recognition of a liability or an asset on a transaction other than a business combination that at the time of the transaction has no effect on the tax or accounting gain or loss, they are not recognised. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised insofar as future tax profits will probably arise against which to offset the temporary differences.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and combined businesses except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

4.17 Provisions and contingent liabilities

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is likely that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are carried at the present value of the payments that are expected to be necessary to settle the obligation, using a rate before taxes that reflects the current market's assessment of the temporary value of money and the specific risks relating to the obligation. Adjustments made to update the provision are recognised as a financial expense as they accrue.

Provisions maturing in one year or less are not discounted when the financial effect is immaterial.

Where a part of the outflow necessary to settle the obligation is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset, provided collection is virtually assured.

Contingent liabilities are considered to be potential liabilities deriving from past events, the existence of which are subject to the occurrence of one or more future events that lie outside the control of the Group. These contingent liabilities are not recorded in the accounts but are described in the notes presenting the financial statements (Note 28).

4.18 Business combinations

Merger, spinoff and non-monetary contributions of a business among group companies are recorded in accordance with the provisions for transactions between related parties (Note 4.25).

Merger or spin-off transactions other than those indicated above and business combinations arising from the acquisition of all of the equity of a company or a portion of that equity that constitutes one or more businesses, are recorded in accordance with the acquisition method (Note 4.1).

4.19 Joint arrangements

The Group participates in several joint arrangements that are managed through jointly-controlled entities or joint operations and assets, including joint ventures (UTEs).

Those that involve the incorporation of an independent legal person or jointly-controlled entities are recognised in accordance with the policy established in Note 4.2.

Within joint operations and assets, which involve the use of assets and other resources owned by participants, the Group recognises its proportion of jointly controlled assets and jointly incurred liabilities in accordance with the stake held as well as assets associated with joint operations and incurred liabilities resulting from the combined business.

Furthermore, the income statement recognises the proportional stake in the income generated and expenses incurred by the joint arrangement. The expenses incurred in relation to the interest held in the joint arrangement are also reflected.

Unrealised gains/ losses on reciprocal transactions and the reciprocal amounts of assets, liabilities, revenues, expenses and cash flows are eliminated in proportion to the interest held.

4.20 Revenue recognition

Revenues include the fair value of consideration received or to be received on the sale of goods and services during the ordinary course of the Group's business. Revenues are stated net of value added tax, returns, discounts and rebates, and after eliminating intra-Group sales.

The Group recognises revenues when the amount concerned may be reliably measured, it is likely that future profits will flow to the company and the specific conditions for each of the Group's activities is met, as is described below. Income measurement is not deemed to be reliable until all contingencies relating to sales have been resolved. The Group bases its estimates on past results, taking into account the type of client, the type of transaction and the specific terms of each agreement.

The policy followed for revenue recognition in each of the Group's areas is as follows:

Construction and engineering activities

When the results of a construction contract may be reliably estimated, revenues and associated costs of the contract are recognised as such in the income statement, stating percentage of completion at the balance sheet date. In projects for which losses are estimated, when an updated budget is prepared the relevant provisions are recorded to cover those projected losses in full.

To determine the percentage of completion of a contract, Ferrovial generally chooses to inspect the work executed. This method may be used since all contracts generally include:

- A definition of each project unit that must be executed to complete the whole project;
- The measurement of each of these project units; and
- The price at which each unit is certified.

Construction execution costs are recognised in the accounts on an accrual basis, recognising expenses actually incurred on the execution of the completed work units (including expenses accrued but for which no supplier invoice has yet been received, in which case the liability is recorded based on the invoice receivable).

The application of this revenue recognition method is combined with the preparation of a budget made for each construction contract by project unit. This budget is used as a key management tool in order to maintain detailed monitoring, project unit by project unit, of fluctuations between actual and budgeted figures.

In exceptional cases, where it is not possible to estimate the margin for the entire contract, the total costs incurred are recognised and sales that are reasonably assured with respect to the completed work are recognised as contract revenue, subject to the limit of the total contract costs.

During the execution of construction work, unforeseen events not envisaged in the primary contract may occur that increase the volume of work to be executed. Changes to the initial contract require the customer's technical approval and subsequent financial approval. This approval permits, from that moment, the issue and collection of certificates for this additional work. The Company follows the policy of not recognising the revenue from this additional work until customer approval is reasonably assured. The costs incurred to perform this work is recognised at time they are incurred, regardless of the degree of approval from customers for the work performed.

In the event that the original cost of the work executed is higher than the figure certified at the balance sheet date, the difference between both amounts is recognised under "Trade and other receivables" in the consolidated balance sheet. If the original cost of a project is lower that the certified amount, the difference is recorded under "Suppliers" in the consolidated balance sheet.

Provision is made for the estimated cost of withdrawing from works when they are completed based on the estimated costs yet to be incurred in this respect. Costs that arise between the end of the construction work until the relevant amount is definitively settled are charged against that provision.

When at the year-end there are construction contracts that are expected to give rise to a loss, that estimated loss is recognised when it is not likely that it can be offset against additional revenue.

When there are claims against the customer due to construction cost overruns, the Group only recognises the relevant revenue when negotiations are at an advanced stage and the likelihood that the customer will accept the claim is high and the amount concerned can be reliably measured.

Late-payment interest arises from delays in the collection of certificates from public administrations and are recognised when it is likely it will be received and, in addition, when the amount may be reliably measured.

The costs related to the presentation of bids for construction contracts are expensed in the profit and loss account at the time incurred when it is not likely, or not known, at that date that the contract will be obtained. The costs for presenting 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 these costs will be reimbursed or included in the revenues originating from the contract.

Concession and services activities

Contracts with multiple elements

Public service concessions consist of contracts between a private operator and the Administration, under which the latter grants the private operator the right to supply public services such as, for example, the supply of water and energy, or the operation of roadways, airports or prisons. Control over the asset remains in public hands but the private operator is responsible for the construction of the asset and the operation and maintenance of the infrastructure. According to the terms of the contract, concessions are treated as intangible assets (when the predominating element is that the concession company has the right to receive fees directly from the user or the level of future cash flows is not guaranteed by the grantor) or a financial asset (in cases in which the granting party guarantees a level of future cash flows).

The Group offer certain agreements under which it builds infrastructure in exchange for a concession covering the operation of that infrastructure over a certain period. When these multi-element agreements are reached, the amount recognised as revenue is defined as the fair value of each of the stages of the contract. The revenue relating to infrastructure construction and engineering is recognised based on the standards indicated in the preceding paragraphs. The operating revenue from an intangible asset is recognised on an accruals basis as operating income, while revenue in cases in which a financial asset has been recognised constitute the return of the principal amount with interest. The following rules have been established based on the characteristics of the Group's primary activities:

Car parks

The car park business may be divided into:

- Off-street car parks:

In this case, revenues arise from the use of parking spaces owned by the Group or held under an administrative concession. Off-street car park revenues are recorded when the hourly parking rate is paid and, in the case of season ticket holders, on an accrual basis.

- Car parks for visitors and residents

Mixed car parks (with visitor and resident spaces) record revenues as follows: in the case of visitor spaces, in the manner described in the preceding paragraph; and, in the case of resident spaces, the amount received is recorded as deferred revenues and recognised in income on a straight-line basis over the concession period, to the extent that distributable costs cannot be reasonably segregated. During the accounting period in which the revenues are recognised, the necessary provisions are posted to cover costs to be incurred following handover. These provisions are calculated using best estimates of costs to be incurred and may only be decreased as a result of a payment made in relation to the costs provisioned or a reduction in the risk. Once the risk has disappeared or the payments have been made, the surplus provision is reversed. Capitalised costs are classified under intangible assets.

4.21 Interest income

Interest income is recognised using the effective interest method. When a loan or a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, which is calculated based on the estimated future cash flow discounted at the original effective interest rate of the instrument and continues to unwind the discount as interest income. Income from loan interest that has suffered impairment losses are recognised using the original effective interest rate.

4.22 Dividends

Dividend income is recognised when the right to receive payment is established.

4.23 Leases

4.23.5. Financial leases - lessee

The Group leases certain property, plant and equipment. When, in accordance with a lease covering property, plant and equipment, the Group has substantially all the rights and benefits of ownership, it is classified as a finance lease. Finance leases are capitalised at the start of the lease at the lower of the fair value of the leased property or the present value of the minimum rental payments to be made. To calculate present value the implicit interest rate for the agreement will be used, or the interest rate for the lessee in a similar transaction, if the first rate cannot be determined.

Each lease payment is made up of the liability and financial charges. The total financial charge is distributed over the term of the lease and is taken to the income statement in the year in which it accrues, applying the effective interest rate method. Contingent instalments are expenses for the year incurred. The relevant lease obligations, net of financial charges, are included under “Finance leases payable”. Assets acquired under finance leases are amortised over the lower of their useful life or the term of the lease.

4.23.6. Operating leases - lessee

Leases under which the lessor maintains a significant portion of the risks and benefits of ownership are classified as operating leases. Operating lease payments (net of any incentive received by the lessor) are charged against the consolidated income statement for the year in which they accrue on a straight-line basis over the lease period.

4.23.7. Lessor

When assets are leased under finance lease, the present value of the lease payments, discounted at the implicit contract interest rate, is recognised as a receivable (Note 4.10). The difference between the gross amount receivable and the present value of that amount him up and please no phone, which relates to unaccrued interest, is taken to the consolidated income statement for the year in which such interest accrues, in accordance with the effective interest rate method.

When assets are leased under an operating lease, the asset is included in the consolidated balance sheet in accordance with its nature. Lease revenues are recognised on a straight-line basis over the lease period.

4.24 Transactions denominated in foreign currency

4.24.1 Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the Group operates, i.e. the currency in the environment in which the Group generates and employs cash.

The Group's consolidated financial statements are presented in euro, which is the Group's functional and presentation currency.

4.24.2. Translation of the financial statements to euro:

The translation of the financial statements of a Group company whose functional currency is not the euro takes place in accordance with the following rules:

- Assets and liabilities are translated at the year-end exchange-rate, which is the average spot rate at that date;
- Equity items, including profit/(loss) for the year, are translated at the historic exchange rate;
- The difference between the net amount of assets and liabilities and equity items is recognised in the equity heading "Differences on exchange", net of any tax effect and after deducting the portion of the difference that corresponds to non-controlling interests, and
- Cash flows are translated at the exchange rate on the transaction date or using an average weighted exchange rate for the month, provided that there have not been significant fluctuations.

The difference on exchange recognised in the consolidated income statement is stated in consolidated profit and loss for the period in which the investment is sold or otherwise disposed of by the consolidated company.

The historic exchange rate is:

- For equity items existing on the date the shares being consolidated were acquired: the exchange rate on the transaction date;
- For income and expenses, including those recognised directly in equity: the exchange rate on the transaction date. If exchange rates have not fluctuated significantly, the average weighted rate for the month is used, and
- Reserves generated after the transaction dates as a result of retained earnings: the effective exchange rate resulting from the translation of the income and expenses that gave rise to those reserves.

Goodwill on consolidation and adjustments to the fair values of assets and liabilities deriving from the application of the acquisition method are considered to be target company elements and are translated using the year-end exchange rate.

The translation to euro of the financial statements expressed in a different functional currency in a hyper-inflationary economy takes place by applying the following rules:

- Prior to translation to euro the balances in the financial statements are adjusted in accordance with the matters indicated in the following section;
- Assets, liabilities, equity items, expenses and income are translated to euro at the closing exchange-rate applicable to the most recent balance sheet date;
- Comparative figures are those that are presented as current amounts in each year, except those relating to the first year in which a restatement must be made, and therefore they are not adjusted by any subsequent changes affecting price levels or exchange rates.

None of the Group's companies operated in the functional currency of a hyperinflationary economy at 31 December 2018 and 2017.

4.24.3. Transactions and balances in foreign currency

Transactions in foreign currency are translated to the functional currency using the exchange rates in force on the transaction date. Foreign currency gains and losses resulting from the settlement of transactions and conversion at the year-end exchange rates of monetary assets and liabilities denominated in foreign currency, are recognised in the income statement, unless they are deferred in equity as qualified cash flow hedges and qualified net investment hedges.

Changes in fair value of monetary instruments denominated in foreign currency classified as available for sale are analysed for translation differences resulting from changes in the amortised cost of the instrument and other changes in its carrying amount. Translation differences are recognised in results for the year while other changes in fair value are recognised in equity.

Translation differences on non-monetary items such as equity instruments held at fair value through profit or loss are presented as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in equity.

4.25 Related-party transactions

In general, transactions between Group companies are initially recognised at fair value. If applicable, where the agreed price differs from fair value the difference is recognised based on the financial reality of the transaction. The later measurement is made in line with the respective accounting standards.

Notwithstanding the above, in transactions involving a business, including shareholdings in equity that grant control over a company that constitutes a business, the Group applies the following criteria:

4.25.1. In-kind contribution

Non-monetary contributions made to a Group company give rise to both the granting and receiving companies valuing the investment at the carrying amount of the delivered equity items in the consolidated financial statements at the transaction date. For these purposes, the Group's, or the largest sub-group's consolidated financial statements that include the equity item, provided the parent company is Spanish, are used.

4.25.2. Merger and spin-off

In transactions between group companies involving the parent company (or the parent of a sub-group) and a direct or indirect subsidiary, the items constituting the acquired business are measured at their carrying value in the consolidated financial statements for the group or sub-group. Any difference that is revealed is recognised in a reserve account.

In the case of transactions between other Group companies, the equity items acquired are measured based on their carrying amounts in the Group's or the largest sub-group's consolidated financial statements including these items, provided that the parent company is Spanish.

The accounting effective date for mergers and spin-offs carried out between Group companies is the start of the year in which the transaction is approved, provided that it is after the date on which they enter into the Group. If one of the companies involved with the transaction joined the Group in the year in which the merger or spin-off takes place, the accounting effective date will be the acquisition date.

Comparative information for the preceding year is not re-expressed for the purposes of the merger or spin-off, even when the companies involved in the transaction would have formed part of the Group in that year.

4.25.3. Share capital reductions, distribution of dividends and winding up.

In those cases in which the business that is affected by the share capital reduction adopts a resolution to pay a dividend or the settlement amount for the shareholder remaining in the Group is cancelled, the assigning company will account for the difference between the amount payable to the shareholder and the carrying amount of the business by creating a reserve item. The recipient records the business in accordance with the rules for mergers and spin-offs as described in Note 4.25.2.

4.26 Segment reporting

4.26.1. Segmenting policy

The policies applied when presenting the Group's segment information in the notes to the consolidated financial statements were as follows:

Segmentation has taken place on the basis of the business units, separating the operating activities of construction, services, energy, real estate and concessions (Note 33).

4.26.2. Basis and methodology of segment information

The income and expenses assigned to each of the segments are those directly attributable to the segment and therefore exclude financial income and expense and all other non-operating results. Segment assets and liabilities are those that are directly related to the operation of the segment or the shareholding in companies engaging in that activity.

They are identified by segmenting those identifiable components of the Group characterised by being subject to similar risks and offering similar yields.

4.26.3. *Environmental assets and liabilities*

The consolidated Group has no liabilities, expenses, assets provisions or contingencies relating to the environment that could be considered significant compared with its equity, financial situation and the results of its operations. For this reason, no specific breakdowns are provided in these notes to the consolidated financial statements regarding environmental information.

4.27 Employee benefits

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises these benefits when it has demonstrably undertaken to terminate employees' employment in accordance with a formal detailed plan that cannot be withdrawn, or to provide severance indemnities as a result of an offer made to encourage voluntary redundancy. Benefits which are not going to be paid within 12 months of the balance sheet date are discounted to present value.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities are exposed to several financial risks: market risk (including exchange rate risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's risk management program focuses on uncertainty in financial markets and seeks to minimise the potential adverse impact 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.

Risk management is controlled by the Group's Treasury Department which identifies, evaluates and hedges against financial risks in accordance with the policies approved by the Board of Directors. The Board provides written policies for overall risk management, as well as for specific areas such as interest rate risk and liquidity risk, use of derivatives and non-derivatives and the investment of excess liquidity.

a) Market risk

Exchange rate risk

The Group operates internationally in more than 10 countries and is therefore exposed to foreign exchange risk arising from currency transactions. As a result of its activities and operations, the Company incurs exchange rate risks that are managed on a centralised basis.

(thousand euro)

The management has established a policy so as to manage their foreign currency exchange risk before the operating currency which established several "natural hedge" 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 Treasury Department. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the Company's functional currency.

Exposure to changes in interest rates

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 Group's policy consists of using interest rate swaps to convert non-current bank borrowings to fixed rates, which can also be applied to debts related to concession projects developed through jointly-controlled entities and associates.

The exposure to variable interest rate risk at the end of 2018 and 2017 is as follows:

	Thousand euro	
Indexed to the Euribor	**2018**	**2017**
Variable rate borrowings not hedged by financial derivatives	13,205	40,007
Group borrowings (*)	142,267	146,617
Borrowings exposed to interest rate risk (%)	**9%**	**27%**

(*) Includes "Debentures and other marketable securities" and "Bank borrowings"

The Group analyses its exposure to interest rate risk in a dynamic manner considering long-term financing, renewal of current positions and alternative financing. This risk is not significant bearing in mind the amounts of the non-current financing.

b) Price risk

The Group is not significantly exposed to price risk for capital securities, since it has no significant investments, or to commodity price risk since, in general, any changes in prices are efficiently transferred to selling prices by all similar contractors that operate in 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.

c) Credit risk

The Group's credit risk of the Group mainly relates to trade receivables. Once contracts are being executed the credit quality of amounts pending receipt are assessed regularly and the estimated recoverable amounts of those considered to be questionable are revised through write-downs applied to results for the year.

Transactions with financial institutions included as cash and cash equivalents and other financial assets relating to current deposits and credit institutions are contracted with financial institutions of recognised prestige.

A high proportion of the balances under the heading 'Trade and other accounts receivable' refers to transactions with national and international public entities and the Group therefore considers that credit risk is very limited. A significant portion of the balances relating to private sector customers involve companies with high credit ratings with which there is no history of delinquency. The overall position of Trade receivables is monitored, and an individual analysis is performed for the most significant exposures.

d) Liquidity risk

The syndicated loan signed in 2018 (Note 22) allowed further reductions to current borrowings, thereby minimising the Group's exposure to liquidity risk.

However, in order to manage liquidity risk and to cover the different needs for funds, the Group prepares an annual cash budget and a monthly cash forecast, the latter including a daily breakdown and update. The prudent management of liquidity risk by the Company entails maintaining sufficient cash, having financing available through a sufficient amount of committed credit facilities and having sufficient capacity to settle market positions.

(thousand euro)

Taking into consideration all of the foregoing, as of the date of issue of the consolidated financial statements, the Group covers all need for funds so as to fully satisfy with every obligation to suppliers, employees and administration in accordance with the cash flow projection for 2019.

5.2. Estimation of fair value

The fair value of the financial instruments sold on an active market (such as available-for-sale securities) is based on the market prices at the balance sheet date. The listed market price used for financial assets is the ordinary ask price.

The carrying amounts of trade receivables and payables are assumed to approximate their fair value.

6. LOSS OF CONTROL OVER SUBSIDIARIES

During 2018 the Group continued with its strategy of divesting from the real estate branch sub-group of companies made up of the company Grupo Ortiz Properties SOCIMI, S.A. and subsidiaries which, at 31 December 2017, reclassified as Assets and Liabilities held for sale.

The Group has sold 38.37% of the shares in Grupo Ortiz Properties SOCIMI, S.A. during 2018 which, together with the 12.81% sold in 2017, has led to the loss of control over this sub- group. At 31 December 2018 Ortiz Construcciones y Proyectos, S.A. maintains a 48.81% interest and therefore it is now consolidated using the equity method since the Group currently has significant influence over the company.

Details of the loss of control are as follows:

	Thousand euro
Consideration received for the sale of shares in 2018	29,102
Consideration received for the sale of shares in 2017	9,571
(A) Total consideration received	**38,673**
(B) Carrying amount of the net assets sold in proportion to	**33,594**
Results due to the loss of control over subsidiaries (A- B)	**5,079**

Although the Group has been divesting the shares that it held in this subgroup throughout the year, the loss of control did not take place until December 2018. Therefore, its assets and liabilities continued to be consolidated as held for sale and profit/(loss) obtained during the year was recognised as “Profit/(loss) from discontinued operations” (Note 15) up until that time.

Furthermore, as is established by the Rules on the Preparation of Consolidated Financial Statements, the Group has recognised the retained interest at fair value which was calculated based on the selling price of the shares that led to the loss of control. This price was €15.60 per share, the listed price on the alternative stock market (MAB) at 31 December 2018, which gave rise to the following figures:

	Thousand euro
(A) Fair value of the interest maintained	37,693
(B) Carrying amount of the interest maintained	29,768
Results due to the loss of control over subsidiaries (A- B)	**7,925**

This transaction therefore gave rise to a total profit of €13,004 thousand, which has been recorded under the heading “Profit/(loss) on the loss of control over consolidated shareholdings” in the consolidated balance sheet.

Details of the equity-consolidated shareholdings in the 4 companies that make up the subgroup being divested are shown in Note 10 of these notes to the consolidated financial statements.

7. INTANGIBLE ASSETS

The breakdown and movements in the items included under “intangible assets” are as follows:

(thousand euro)

Thousand euro

2018	Administrative concessions	Patents, licenses and trademarks	Goodwill	Software	Other intangible assets	Prepayments, concession arrangements	Concession arrangements, regulated asset	Concession arrangements, financial capitalisation	Total
31 December 2017									
Cost	4,638	43	23,300	310	2,308	4,950	28,665	506	64,720
Impairment	(298)	-	-	-	-	-	(1,100)	-	(1,398)
Accumulated amortisation	(1,096)	-	(4,660)	(258)	(18)	-	(5,670)	-	(11,702)
Carrying amount at 31.12.2017	**3,244**	**43**	**18,640**	**52**	**2,290**	**4,950**	**21,895**	**506**	**51,620**
Cost:									
Additions	250	-	-	2	2	-	-	32	**286**
Disposals	-	-	-	-	-	(315)	(3,398)	-	**(3,713)**
31 December 2018	**250**	**-**	**-**	**2**	**2**	**(315)**	**(3,398)**	**32**	**(3,427)**
Accumulated Amortisation:									
Additions	(223)	-	(2,330)	(7)	(8)	-	(742)	-	**(3,310)**
Disposals	-	-	-	-		-	563	-	**563**
31 December 2018	**(223)**	**-**	**(2,330)**	**(7)**	**(8)**	**-**	**(179)**	**-**	**(2,747)**
Impairment:									
Additions	-	-	-	-	-	-	-	-	**-**
Disposals	-	-	-	-	-	-	1,100	-	**1,100**
31 December 2018	**-**	**-**	**-**	**-**	**-**	**-**	**1,100**	**-**	**1,100**
Cost	4,888	43	23,300	312	2,310	4,635	25,267	538	61,293
Impairment	(298)	-	-	-	-	-	-	-	(298)
Accumulated Amortisation	(1,319)	-	(6,990)	(265)	(26)	-	(5,849)	-	(14,449)
Carrying amount at 31.12.2018	**3,271**	**43**	**16,310**	**47**	**2,284**	**4,635**	**19,418**	**538**	**46,546**

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousand euro)

Thousand euro

2017	Administrative concessions	Patents, licenses and trademarks	Goodwill	Software	Other intangible assets	Prepayments, concession arrangements	Concession arrangements, regulated asset	Concession arrangements, financial capitalisation	Total
31 December 2016									
Cost	4,638	42	23,300	251	2,308	4,950	28,665	467	64,621
Accumulated Amortisation	(895)	1	(2,330)	(244)	(12)	-	(4,935)	-	(8,415)
Impairment	(298)	-	-	-	-	-	(1,100)	-	(1,398)
Carrying amount at 31.12.2016	**3,445**	**43**	**20,970**	**7**	**2,296**	**4,950**	**22,630**	**467**	**54,808**
									-
Cost:									**-**
Additions	-	-	-	59	-	-	-	39	**98**
Disposals	-	-	-	-	-	-	-	-	**-**
Transfers	-	-	-	-	-	-	-	-	**-**
Changes in consolidation scope	-	-	-	-	-	-	-	-	**-**
31 December 2017	**4,638**	**42**	**23,300**	**310**	**2,308**	**4,950**	**28,665**	**506**	**64,719**
Accumulated Amortisation:		-	-	-	-	-	-	-	**-**
Additions	(201)	-	(2,330)	(14)	(6)	-	(735)	-	**(3,286)**
Disposals	-	-	-	-	-	-	-	-	**-**
Transfers	-	-	-	-	-	-	-	-	**-**
Changes in consolidation scope	-	-	-	-	-	-	-	-	**-**
31 December 2017	**(1,096)**	**1**	**(4,660)**	**(258)**	**(18)**	**-**	**(5,670)**	**-**	**(11,701)**
Cost	4,638	42	23,300	310	2,308	4,950	28,665	506	64,719
Impairment	(298)	-	-	-	-	-	(1,100)	-	(1,398)
Accumulated Amortisation	(1,096)	1	(4,660)	(258)	(18)	-	(5,670)	-	(11,701)
Carrying amount at 31.12.2017	**3,244**	**43**	**18,640**	**52**	**2,290**	**4,950**	**21,895**	**506**	**51,620**

(thousand euro)

Disposals during 2018 mainly relate to the early termination of the concession agreement covering the Alameda parking facility which, at the request of the parent company, was reversed to the Municipality of Madrid. There were non-current prepayments and accrued income associated with this asset (Note 22.7). The termination of that arrangement by the mutual agreement of the parties gave rise to a book result of €937 thousand, recorded under the heading “Impairment and profit/(loss) on disposals of assets”.

Goodwill on consolidation

The goodwill was assigned to the Group's cash generating units (CGUs). A summary of the assignment of goodwill at the CGU level is set out below.

	Thousand euro	
CGU	**2018**	**2017**
Asteisa Tratamiento de Aguas, S.A.U.	18	21
Construcciones Icma-Proakis, S.A.U.	2,956	3,379
Contratas y Servicios Ferroviarios, S.A.U.	9,071	10,366
Elecor, S.A.U.	4,147	4,740
Impulsa Grup Ortiz, S.L.	9	10
Juan Galindo, S.L.U.	81	92
Ortiz Energía, S.A.U.	6	7
Grupo Ortiz Construcciones México, S.A.	20	22
Águeda Educatis, S.L.U.	2	3
Total	**16,310**	**18,640**

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash-flow projections based on five-year financial budgets approved by management. Budgets and projections have been prepared based on a sales growth assumption ranging between -5% and 15% (2017: between -5% and 15%), which are margins that are coherent with the reality observed over the past few years and a 7% discount rate (2017: 7%), and a residual value growth rate of 0% (2017: 0%).

Sensitivity analyses are also performed on that goodwill, particularly with respect to the gross operating margin and the discount rate, so as to ensure that potential changes in the estimated rates have no impact on the possible recovery of goodwill recognised. Specifically, a pessimistic scenario has been prepared using a 100 basis point reduction in gross operating margin, from which no impairment is revealed.

Goodwill recognised in the financial statements for the years commencing on or after 1 January 2016 will be amortised and its useful life will be presumed to be 10-years unless there is evidence to the contrary, due to the amendment of Article 39.4 of the Commercial Code as a result of the approval of Law 22/2015 (20 July).

The amortisation expense for goodwill on consolidation in 2018 amounted to €2,330 thousand (2017: €2,330 thousand), as recorded in the consolidated income statement under the heading “Asset depreciation/amortisation”.

Administrative Concessions, Concession Arrangements, Patents, licenses and trademarks

The most significant items that are included under these headings are as follows at 31 December 2018 and 2017:

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousand euro)

Thousand euro

2018	Maturity date	Operating period	Amortisation for the year	Cost	Accumulated amortisation	Impairment losses	Carrying amount
Aparcamiento Reyes Católicos	25/07/2048	40 years	(215)	7,829	(1,397)	-	6,432
Aparcamiento Iliada	22/08/2046	40 years	(105)	3,957	(1,033)	-	2,924
Aparcamiento Juan R. Jiménez	02/02/2046	40 years	(159)	6,026	(1,515)	-	4,511
Aparcamiento Pamplona	29/01/2047	40 years	(105)	3,999	(1,032)	-	2,967
Aparcamiento Andorra II	16/07/2047	40 years	(90)	3,454	(869)	-	2,585
Fotovoltaico Universidad Málaga.	11/10/2036	25 years	(115)	3,197	(860)	(298)	2,039
Pabellón “Andrés Torrejón” Móstoles	11/02/2045	30 years	-	4,635	-	-	4,635
			(789)	**33,097**	**(6,706)**	**(298)**	**26,093**

Thousand euro

2017	Maturity date	Operating period	Amortisation for the year	Cost	Accumulated amortisation	Impairment losses	Carrying amount
Aparcamiento Reyes Católicos	25/07/2048	40 years	(218)	7,829	(1,182)	-	6,647
Aparcamiento Alameda	31/12/2049	40 years	(57)	3,398	(504)	(1,100)	1,794
Aparcamiento Iliada	22/08/2046	40 years	(106)	3,957	(928)	-	3,029
Aparcamiento Juan R. Jiménez	02/02/2046	40 years	(161)	6,026	(1,356)	-	4,670
Aparcamiento Pamplona	29/01/2047	40 years	(106)	3,999	(927)	-	3,072
Aparcamiento Andorra II	16/07/2047	40 years	(91)	3,454	(779)	-	2,675
Fotovoltaico Universidad Málaga.	11/10/2036	25 years	(115)	3,197	(745)	(298)	2,154
Pabellón “Andrés Torrejón” Móstoles	11/02/2045	30 years	-	4,950	-	-	4,950
			(854)	**36,810**	**(6,421)**	**(1,398)**	**28,991**

Impairment losses affecting individual intangible assets

In 2018 and 2017 the Group did not recognise or reverse any impairment of intangible assets.

Intangible assets located abroad

At 31 December 2018 and 2017 the Group does not have any investments in intangible assets located abroad, or whose rights can only be exercised outside of Spain.

Capitalised financial expense

The Group capitalises the financial expenses incurred during the year relating to the financing to develop assets under construction, provided that the expenses concern assets that take more than one year to be in a state of use. In 2018 and 2017 no interest was capitalised.

Intangible assets not used in operations

At 31 December 2018 and 2017 there were no intangible assets that were not used in operations.

Fully amortised intangible assets

The cost of fully-amortised intangible assets still in use at 31 December 2018 amounts to €239thousand (€236 thousand in 2017).

Intangible assets pledged to guarantees

Intangible assets with a value of €6,432 thousand secure bank borrowings in the amount of €4,704 thousand at 31 December 2018.

Intangible assets with a value of €6,647 thousand secured bank borrowings in the amount of €4,947 thousand at 31 December 2017.

Intangible assets subject to reversal

Intangible assets subject to reversal at 31 December 2018 and 2017 are those indicated in the section "Administrative concessions, Concession arrangements, Patents, licences and trademarks".

Insurance

The Group has taken out insurance policies to cover risks relating to intangible assets. The coverage provided by these policies is considered to be sufficient.

8. PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment and movements in 2017 are as follows:

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousand euro)

Thousand euro

2018	Land	Buildings	Machinery	Plant	Other installations	Furnishings	Tooling and auxiliary resource s	Computer equipment	Vehicles	Other Property, plant and	Work in progress and prepayments	Total
31 December 2017												
Cost	1,473	1,879	34,861	17	98	638	40	276	2,771	322	360	42,735
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	(562)	(27,931)	(8)	(63)	(482)	(38)	(176)	(2,151)	(134)	-	(31,545)
Carrying amount at 31.12.2017	**1,473**	**1,317**	**6,930**	**9**	**35**	**156**	**2**	**100**	**620**	**188**	**360**	**11,190**
Cost:												
Additions	1	-	1,842	4	7	62	-	103	118	160	1,667	3,964
Disposals	-	-	(100)	-	-	(35)	(3)	(9)	(81)	(7)	-	(235)
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Differences on exchange	-	-	(4)	-	-	(1)	-	(23)	(35)	2	-	(61)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
31 December 2018	**1,474**	**1,879**	**36,599**	**21**	**105**	**664**	**37**	**347**	**2,773**	**477**	**2,027**	**46,403**
Accumulated Depreciation:												
Additions	-	(34)	(1,399)	(3)	(8)	(47)	(3)	(53)	(194)	(45)	-	(1,786)
Disposals	-	-	74	-	-	2	3	6	80	3	-	168
Differences on exchange	-	-	5	-	-	1	2	1	19	1	-	29
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
31 December 2018	**-**	**(596)**	**(29,251)**	**(11)**	**(71)**	**(526)**	**(36)**	**(222)**	**(2,246)**	**(175)**	**-**	**(33,134)**
Cost	1,474	1,879	36,599	21	105	664	37	347	2,773	477	2,027	46,403
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	(596)	(29,251)	(11)	(71)	(526)	(36)	(222)	(2,246)	(175)	-	(33,134)
Carrying amount at 31.12.2018	**1,474**	**1,283**	**7,348**	**10**	**34**	**138**	**1**	**125**	**527**	**302**	**2,027**	**13,269**

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousand euro)

Thousand euro

2017	Land	Buildings	Machinery	Plant	Other installations	Furnishings	Tooling and auxiliary resources	Computer equipment	Vehicles	Other Property, plant and equipment	Work in progress and prepayments	Total
31 December 2016												
Cost	1,473	1,879	32,038	17	191	610	95	236	3,157	228	299	40,223
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	(527)	(27,384)	(6)	(144)	(449)	(89)	(153)	(2,342)	(130)	-	(31,224)
Carrying amount at 31.12.2016	**1,473**	**1,352**	**4,654**	**11**	**47**	**161**	**6**	**83**	**815**	**98**	**299**	**8,999**
												-
Cost:												-
Additions	-	-	3,100	-	-	34	-	53	-	106	61	3,354
Disposals	-	-	(231)	-	(93)	-	(55)	-	(340)	-	-	(719)
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Differences on exchange	-	-	(46)	-	-	(6)	-	(13)	(46)	(12)	-	(123)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
31 December 2017	**1,473**	**1,879**	**34,861**	**17**	**98**	**638**	**40**	**276**	**2,771**	**322**	**360**	**42,735**
												-
Accumulated Depreciation:												-
Additions	-	(35)	(1,121)	(2)	(7)	(36)	(4)	(30)	(55)	(8)	-	(1,298)
Disposals	-	-	534	-	88		55		206		-	883
Differences on exchange	-	-	40	-	-	3	-	7	40	4	-	94
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
31 December 2017	**-**	**(562)**	**(27,931)**	**(8)**	**(63)**	**(482)**	**(38)**	**(176)**	**(2,151)**	**(134)**	**-**	**(31,545)**
												-
Cost	1,473	1,879	34,861	17	98	638	40	276	2,771	322	360	42,735
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	(562)	(27,931)	(8)	(63)	(482)	(38)	(176)	(2,151)	(134)	-	(31,545)
Carrying amount at 31.12.2017	**1,473**	**1,317**	**6,930**	**9**	**35**	**156**	**2**	**100**	**620**	**188**	**360**	**11,190**

(thousand euro)

Additions in 2018 under the heading "Work in progress" relates to the construction of a parking facility being carried out by the subsidiary Go Barajas 2017, S.A. for subsequent operation.

Additions in 2018 included construction machinery in the amount of €1,806 thousand, of which €921 thousand is being acquired under finance leases.

Machinery additions in 2017 mainly relates to the acquisition of a ballast regulator under a finance lease.

Impairment of individual items of property, plant and equipment

During 2018 and 2017, no impairment adjustments to individual property, plant and equipment were recognised or reversed.

Property, plant and equipment located abroad

At 31 December 2018 and 2017 the Group recorded the following investments in property, plant and equipment located abroad:

	Thousand euro		
2018	**Carrying amount**	**Accumulated depreciation**	**Impairment losses**
Machinery	1,952	(957)	-
Furnishings	115	(46)	-
Computer processing equipment	198	(115)	-
Vehicles	228	(134)	-
Other property, plant and equipment	250	(98)	-
Total	**2,743**	**(1,350)**	**-**

	Thousand euro		
2017	**Carrying amount**	**Accumulated depreciation**	**Impairment losses**
Machinery	1,148	(800)	-
Furnishings	85	(31)	-
Computer processing equipment	168	(81)	-
Vehicles	202	(115)	-
Other property, plant and equipment	230	(64)	-
Total	**1,833**	**(1,091)**	**-**

Capitalised financial expense

The Group capitalises the financial expenses incurred during the year relating to the financing to develop assets under construction, provided that the expenses concern assets that take more than one year to be in a state of use. In 2018 and 2017 no interest was capitalised.

Property, plant and equipment not used in operations

At 31 December 2018 and 2017 there is no property, plant and equipment not used in operations.

Fully depreciated property, plant and equipment

The heading buildings does not record any fully-depreciated assets. The cost of other fully-depreciated property, plant and equipment still in use amounts to €23,794 thousand (€20,283 thousand at 31 December 2017).

(thousand euro)

Property, plant and equipment pledged to guarantees

At 31 December 2018 and 2017 there is no property, plant and equipment pledged to guarantees.

Property, plant or equipment subject to reversal

At 31 December 2018 and 2017 there were no property, plant and equipment items subject to reversal.

Insurance

The Group has taken out insurance policies to cover risks relating to property, plant and equipment. The coverage provided by these policies is considered to be sufficient.

Finance leases - lessee

"Machinery" and "Vehicles" include assets under finance lease arrangements under which the Group is the lessee, the amounts of which are as follows:

	Thousand euro	
	2018	2017
Cost - capitalised finance leases	5,342	4,421
Accumulated depreciation	(1,225)	(542)
Carrying amount	**4,117**	**3,879**

The Group maintains vehicles and machinery under irrevocable finance leases. These leases end in between 3 and 8 years and the assets are owned by the Group.

Assets under operating leases

The consolidated income statement includes €12,212 thousand for operating lease expenses relating to the rental of machinery and buildings (2017: €8,996 thousand).

9. INVESTMENT PROPERTIES

Investment properties consist of owned land, office buildings, business premises and garages that are maintained to obtain long-term income and are not occupied by the Group.

Set out below is an analysis of investment properties:

	Thousand euro		
	Land	Buildings	Total
Balance at 31.12.2017			
Cost	27,539	15,842	43,381
Accumulated depreciation	-	(1,537)	(1,537)
Carrying amount at 31.12.2017	**27,539**	**14,305**	**41,844**
Cost:			
Additions	36	54	90
Disposals	-	(242)	(242)
31 December 2018	**27,575**	**15,654**	**43,229**
Accumulated depreciation:			
Additions	-	(275)	(275)
Disposals	-	16	16
31 December 2018	**-**	**(1,796)**	**(1,796)**
Cost	27,575	15,654	43,229
Accumulated depreciation	-	(1,796)	(1,796)
Impairment	-	-	-
Carrying amount at 31.12.2018	**27,575**	**13,858**	**41,433**

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousand euro)

		Thousand euro	
	Land	Buildings	Total
Balance at 31.12.2016			
Cost	27,539	15,842	43,381
Accumulated depreciation	-	(1,261)	(1,261)
Impairment	-	-	-
Carrying amount at 31.12.2016	**27,539**	**14,581**	**42,120**
Cost:			
Additions	-	-	-
Disposals	-	-	-
31.12.17	**27,539**	**15,842**	**43,381**
Accumulated Depreciation:			
Allocations	-	(276)	(276)
Disposals	-	-	-
31 December 2017	**-**	**(1,537)**	**(1,537)**
Cost	27,539	15,842	43,381
Accumulated depreciation	-	(1,537)	(1,537)
Impairment	-	-	-
Carrying amount at 31.12.2017	**27,539**	**14,305**	**41,844**

Impairment losses on investment properties

In 2018 and 2017 the Group did not recognise or reverse any impairment adjustments with respect to investment properties.

Investment properties located abroad

At 31 December 2008 the Group did not have foreign investment properties.

Investment properties not used in operations

At 31 December 2018 and 2017 the Group did not record any investment properties not used in operations.

Fully depreciated investment properties.

There are no fully depreciated investment properties at 31 December 2018 and 2017.

Investment properties pledged to guarantees

Investment properties securing bank borrowings total €14,503 thousand at 31 December 2018 (2017: €14,775 thousand).

In addition, there are €8,641 thousand in investment properties securing the contingent liabilities described in Note 28 at 31 December 2018 (2017: €8,641 thousand)

Investment properties subject to reversal

At 31 December 2018 and 2017 the Group did not record any investment properties subject to reversal.

Insurance

The Group has taken out a number of insurance policies to cover risks relating to investment properties. The coverage provided by these policies is considered to be sufficient.

(thousand euro)

Income and expense relating to investment properties

The consolidated income statement recognises the following income and expense deriving from investment properties:

	Thousand euro	
	2018	2017
Lease revenues	638	620
Direct operating expenses	(390)	(540)
Total	**248**	**80**

10. SHAREHOLDINGS IN EQUITY-CONSOLIDATED COMPANIES

Equity consolidated shareholdings mainly relate to the Group's interest in the special-purpose vehicles created to develop the infrastructure and energy concession projects.

Details of shareholdings in companies consolidated using the equity method are as follows:

	Thousand euro	
	2018	2017
Inmuebles Gade, S.L.	15,345	15,339
Accesos de Ibiza, S.A.	4,218	3,410
Viario A-31,S.A.	2,816	4,567
Africana Energia, S.L.	-	-
Alten Renewable Energy Investments	-	-
Alten Renewable Energy Developments	2,263	1,406
Alten El Casar, S.L.	153	523
Alten Energias Renovables, S.L.	1,239	5,326
Alten Alange, S.L.	-	933
Alten Alconera Dos, S.L.	-	-
Alten 2010 Renovables, S.L.	1,984	2,948
Alten Gestion de Proyectos, S.L.	-	-
Dumar Ingenieros, S.L.	449	449
Bulevar del Arte y la Cultura, S.A.	299	205
MedSolar SPV10, S.R.L.	18	16
Ormats Mantenimiento Integral, S.L.	104	76
Superficie Cartera de Inversiones, S.A.U.	99	119
Explotaciones Eólicas Vélez Rubio, S.L.U.	-	268
Fortem Integral, S.L.	65	92
SPC 20 Infra e Saneamento Marabá	-	-
Construcciones Inca-Ortiz	-	7
Concesión Transversal del Sisga, S.A.S	330	-
Autopistas del Nordeste, S.A.S.	-	1,087
Promotora Hospitalaria Tepic, S.A.P.I. DE C.V.	5,349	4,632
Alten Renewable Energy Developments America	2,541	1,995
Cubico Alten Aguascalientes Uno	311	190
Cubico Alten Aguascalientes Dos	397	296
Grupo Ortiz Properties SOCIMI, S.A.	16,255	-
Aldigavia, S.A.U.	6,829	-
Aldigavia oficinas, S.L.U.	9,936	-
Ortega y Gasset Park, S.A.U.	4,672	-
Ortiz Sport Factory, S.L.	-	-
Ola Ortiz Construccion SPA	-	-
Urbanizadora Gade S.A	-	-
Vending La Gavia S.L.	25	-
Alten Renewable Energy Developments Africa, B.V.	-	-
Alten Solar Power (Hardap) (pty) Ltd	331	-
Total	**76,028**	**43,884**

(thousand euro)

The movements in this item during the year are as follows:

	Thousand euro	
	2018	2017
Balance at 1 January	**43,884**	**36,356**
Share of results	3,582	1,229
Additions to the scope of consolidation	356	10,017
Additions due to loss of control	37,692	-
Disposals due to the sale of shares	(4,252)	(3,986)
Disposals due to capital reductions	(4,502)	-
Other movements in equity	(712)	268
Balance at 31 December	**76,028**	**43,884**

Disposals in 2018 primarily concern the sale of the interests held in the associates Alten Alange, S.L., Alten Alconera Dos, S.L. y Explotaciones Eólicas Vélez Rubio, S.L. These transactions gave rise to €3,960 thousand recorded under the heading “Impairment and profit/(loss) on the loss of significant influence in equity consolidated shareholdings” in the consolidated income statement. The same heading records the result on the sale of 13% of the shareholding Viario A-31, S.A. and the 24.99% interest in the associate Concesión Transversal del Sisga, S.A.S. for a total of €1,010 thousand.

Additions in 2018 mainly derive from the loss of control over the subgroup Grupo Ortiz Properties SOCIMI, S.A. and subsidiaries (Note 6), which is now consolidated using the equity method.

Disposals in 2017 mainly relate to the sale of the shareholdings held in the associates Alten Pozohondo, S.L., Alten Los Hinojosos, S.L., Alten Alconera, S.L. and Alten Hinojosa del Valle S.L. These transactions gave rise to a loss of (€473) thousand, recorded under the heading “Impairment and profit/(loss) on the loss of significant influence in equity consolidated shareholdings” in the consolidated income statement. The same heading records the €1,368 thousand obtained on the sale of 0.5% of the interest held in the associate Autopistas del Nordeste, S.A.S.

Additions in 2017 consist of the entry into consolidation or the increase in the interest held in several associates and jointly-controlled entities, as described in Note 1.1.

The equity-consolidated interest includes the goodwill generated on the first consolidation using the equity method. The goodwill relating to the following companies, of the total goodwill for equity-consolidated companies is notable due to the amount concerned:

	Thousand euro	
	2018	2017
Alten Alange	-	3,745
Dumar Ingenieros	509	509
Alten El Casar	153	533
Balance at 31 December	**662**	**4,787**

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousand euro)

Assets, liabilities, revenues and profit/(loss) for the year, as appearing in the individual financial statements for the equity-consolidated companies are as follows at 31 December 2018 and 2017, (thousand euro):

				Thousand euro
2018	**Assets**	**Liabilities**	**Operating income**	**Profit/(loss)**
Urbanizadora Gade S.A	9,361	26,934	-	(436)
Inmuebles Gade, S.L.	33,360	13,988	-	-
Accesos de Ibiza, S.A.	68,799	54,494	8,452	1,859
Alten Energias Renovables, S.L.	6,798	365	-	(856)
Alten 2010 Renovables, S.L.	7,725	1,555	-	11
Bulevar del Arte y la Cultura, S.A.	12,584	11,739	2,931	160
Africana Energia, S.L.	316,498	332,298	40,078	546
Ormats Mantenimiento Integral, S.L.	2,184	1,874	5,308	1,064
Superficie Cartera de Inversiones, S.A.U.	20,520	10,752	9,257	1,665
Fortem Integral, S.L.	454	326	833	2
Viario A-31,S.A.	95,599	84,054	17,463	1,573
Alten Renewable Energy Investments	37,463	20,756	-	(580)
Alten Renewable Energy Developments	31,638	9,168	6,983	3,525
Alten Gestion de Proyectos, S.L.	916	1,023	4,679	341
Alten El Casar, S.L.	2,153	2,172	-	(3)
Dumar Ingenieros, S.L.	505	769	-	(1)
Ortiz Sport Factory, S.L.	5,917	6,782	1,293	(139)
Concesión del Sisga, S.A.S.	107,445	106,333	43,165	530
Autopistas del Nordeste, S.A.S.	288,875	290,844	103,658	(4,724)
Ola Ortiz Construcción SPA	651	1,034	-	-
MedSolar SPV10, S.R.L.	2,451	2,379	440	5
SPC 20 Infra e Saneamento Marabá	-	124	-	-
Construcciones INCA-Ortiz, S.A.	909	2,144	-	(4)
CIE Celaya, S.A.P.I. de C.V.	-	-	-	-
Alten Renewable Energy Developments América, S.A.P.I. de C.V.	29,602	295	1,459	1,071
Cubico Alten Aguascalientes Uno, S.A.P.I. de C.V.	160,465	151,014	4,680	4,496
Cubico Alten Aguascalientes Dos, S.A.P.I. de C.V.	127,750	115,652	3,769	3,528
Promotora Hospitalaria Tepic, S.A.P.I. de C.V.	61,236	49,975	16,875	1,069
Grupo Ortiz Properties SOCIMI, S.A.	78,286	3,274	1,363	3,850
Ortega y Gasset Park, S.A.U.	11,994	10,336	1,179	12
Aldigavia, S.A.U.	27,391	23,591	1,632	482
Aldigavia Oficinas, S.L.U.	73,784	57,002	3,147	2,478
Alten Renewable Energy Developments Africa, B.V.	20,320	23,527	2,153	(4,640)
Alten Solar Power (Hardap) (pty) Ltd	60,794	57,538	1,171	622
	1,704,427	**1,474,111**	**281,968**	**17,506**

(thousand euro)

				Thousand euro
2017	**Assets**	**Liabilities**	**Operating income**	**Profit/(loss)**
Urbanizadora Gade S.A	7,733	11,846	-	(15,378)
Inmuebles Gade, S.L.	33,208	13,844	-	(23)
Accesos de Ibiza, S.A.	71,159	58,471	8,732	1,792
Alten Energias Renovables, S.L.	29,410	1,201	507	603
Alten Alange, S.L.	60,054	64,642	6,477	(1,432)
Alten Alconera Dos, S.L.	36,193	36,811	3,546	(1,105)
Alten 2010 Renovables, S.L.	8,971	56	100	3,067
Bulevar del Arte y la Cultura, S.A.	12,563	11,998	3,180	90
Africana Energia, S.L.	328,921	345,640	40,761	1,112
Ormats Mantenimiento Integral, S.L.	1,719	1,492	5,509	207
Superficie Cartera de Inversiones, S.A.U.	27,254	15,474	10,196	1,175
Explotaciones Eólicas Vélez Rubio, S.L.U.	59,456	58,975	8,504	(1,242)
Fortem Integral, S.L.	388	205	815	61
Viario A-31,S.A.	98,546	86,835	14,047	1,359
Alten Renewable Energy Investments	29,582	12,294	-	(1,141)
Alten Renewable Energy Developments	33,726	14,692	1,555	6,990
Alten Gestion de Proyectos, S.L.	8,499	8,948	6,172	3,253
Alten El Casar, S.L.	2,077	2,093	-	(17)
Dumar Ingenieros, S.L.	492	7,263	-	(1)
Ortiz Sport Factory, S.L.	6,007	6,812	1,213	(319)
Concesión del Sisga, S.A.S.	41,270	30,509	18,311	-
Autopistas del Nordeste, S.A.S.	179,825	163,792	54,409	4,272
Ola Ortiz Construcción SPA	637	1,011	-	(200)
MedSolar SPV10, S.R.L.	2,289	2,258	444	3
SPC 20 Infra e Saneamento Marabá	-	139	-	-
Construcciones INCA-Ortiz, S.A.	981	2,305	-	(3)
Ortiz Cocomex, S.A.P.I. de C.V.	-	-	-	-
Alten Renewable Energy Developments América, S.A.P.I. de C.V.	23,982	5	451	(2,653)
Cubico Alten Aguascalientes Uno, S.A.P.I. de C.V.	61,483	55,708	-	(4,022)
Cubico Alten Aguascalientes Dos, S.A.P.I. de C.V.	44,544	35,538	-	(2,335)
Promotora Hospitalaria Tepic, S.A.P.I. de C.V.	9,956	204	-	413
	1,220,925	**1,051,061**	**184,929**	**(5,474)**

None of the associates or jointly-controlled entities are listed on a stock market, except for Grupo Ortiz Properties SOCIMI, S.A. whose shares are listed on the alternative stock exchange (MAB), within the SOCIMI segment.

The Group did not incur any contingencies relating to associates or jointly-controlled companies, except for the contingent liabilities described in Note 28.

Differences between the value of shareholdings and equity are covered by tacit capital gains.

The Group has not recognised losses during the year amounting to €1,347 thousand (2017: €389 thousand) from associates. In 2018 the Group recognised accumulated losses totalling €124 thousand (2017: €2,212 thousand). Unrecognised accumulated losses total €9,700 thousand (2017: €8,477 thousand).

In 2015 the Group acquired investment commitments relating to its interest in the associates and jointly-controlled entities Autopistas del Nordeste, S.A.S and Concesión del Sisga, S.A.S. to develop the concession projects. After the investments made up to date, at 31 December 2018 the investment commitments total €23,440 thousand that are to be executed over the coming 2 years (2017: €27,400 thousand).

During 2017 the Group acquired investment commitments relating to its interest in the company Promotora Hospitalaria Tepic, S.A.P.I. de C.V. in the amount of €4,846 thousand, of which €3,000 thousand remain pending execution at 31 December 2018.

(thousand euro)

11. FINANCIAL INSTRUMENTS

11.1. Analysis by category

The carrying amount for each of the categories established in the financial instrument recognition and measurement rules is as follows:

Non-current financial assets

Thousand euro

	Equity instruments		Debt securities		Loans, derivatives, other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Investments held to maturity (Note 13)	-	-	-	-	1,081	1,474	**1,081**	**1,474**
Loans and receivables (Note 13)	-	-	-	-	101,250	90,004	**101,250**	**90,004**
Derivatives	-	-	-	-	48	-	**48**	**-**
Available-for-sale financial assets (Note 13):								
- Measured at fair value	699	699	-	-	-	-	**699**	**699**
TOTAL	**699**	**699**	**-**	**-**	**102,379**	**91,478**	**103,078**	**92,177**

Current financial assets

Thousand euro

	Equity instruments		Debt securities		Loans, derivatives, other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Assets at fair value through profit or loss:	2,438	3,437	1	219	-	-	**2,438**	**3,655**
Derivatives	-	-	-	-	1,022	-	**1,022**	**-**
Loans and receivables (Note 13)	-	-	-	-	399,824	362,484	**399,824**	**362,484**
Cash and cash equivalents (Note 17)	-	-	-	-	67,976	43,349	**67,976**	**43,349**
TOTAL	**2,438**	**3,437**	**1**	**219**	**468,822**	**405,833**	**471,260**	**409,488**

Non-current financial liabilities

Thousand euro

	Bank borrowings		Debentures and other marketable securities		Derivatives and other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Borrowings and payables (Note 22)	74,298	58,236	26,651	32,153	33,524	31,642	**134,473**	**122,031**
Derivative financial instruments (Note 11)	-	-	-	-	1,962	1,575	**1,962**	**1,575**
TOTAL	**74,298**	**58,236**	**26,651**	**32,153**	**35,486**	**33,217**	**136,435**	**123,606**

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousand euro)

Current financial liabilities

Thousand euro

	Bank borrowings		Debentures and other marketable securities		Derivatives and other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Borrowings and payables (Note 22)	19,504	57,825	24,829	1,122	354,813	294,558	**399,146**	**253,505**
Derivative financial instruments (Note 14)	-	-	-	-	3,036	-	**3,036**	**-**
TOTAL	**19,504**	**57,825**	**24,829**	**1,122**	**357,849**	**294,558**	**402,182**	**353,505**

11.2. Classification by maturity

At 31 December 2018 the amounts of financial instruments with a maturity date that is certain or can be determined classified by year of maturity are as follows:

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousand euro)

Financial assets

Thousand euro

	2019	2020	2021	2022	2023	Subsequent years	Total
Investments in Group companies and associates:							
- Loans to companies	9,937	636	-	-	-	59,865	**70,438**
Financial investments:							
- Loans to companies	13,904	1,896	1,604	1,604	1,604	7,526	**28,138**
- Derivatives	1,022	-	-	-	-	48	**1,070**
- Other financial assets	22,109	-	-	-	-	1,081	**23,190**
Trade and other receivables:							
- Trade receivables for sales and services rendered	322,941	-	-	-	-	-	**322,941**
- Trade receivables from group companies and associates	6,058	-	-	-	-	-	**6,058**
- Sundry receivables	574	-	-	-	-	-	**574**
- Personnel	2,575	-	-	-	-	-	**2,575**
Prepayments and accrued income	**21,686**	-	-	-	-	26,515	**48,201**
TOTAL	**400,806**	**2,532**	**1,604**	**1,604**	**1,604**	**95,035**	**503,185**

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousand euro)

Financial liabilities

							Thousand euro
	2019	2020	2021	2022	2023	Subsequent years	Total
Payables:							
- Debentures and other marketable securities	24,829	-		-	26,651	-	**51,480**
- Bank borrowings (Note 22.4)	18,736	14,586	15,281	16,647	22,056	3,482	**90,787**
- Finance leases (Note 22.5)	768	771	770	571	135	-	**3,015**
- Other financial liabilities	30,499	1,058	2,331	1,118	883	1,197	**37,085**
Derivatives	**3,036**	**609**	**387**	**-**	**966**	**-**	**4,998**
Accruals	**61**	**4,308**	**114**	**-**	**-**	**9,320**	**13,803**
- Payables to group companies and associates (Note 32)	**61**	**-**	**-**	**-**	**-**	**13,196**	**13,257**
Trade and other payables:							
- Suppliers	284,066	-	-	-	-	-	**284,066**
- Trade payables, Group and associated companies	6	-	-	-	-	-	**6**
- Sundry Payables	463	-	-	-	-	-	**463**
- Personnel	3,635	-	-	-	-	-	**3,635**
- Prepayments from customers	36,022	-	-	-	-	-	**36,022**
TOTAL	**402,182**	**21,331**	**18,882**	**18,336**	**50,690**	**27,195**	**538,617**

(thousand euro)

12. FINANCIAL ASSETS AT FAIR VALUE THORUGH PROFIT OR LOSS

This heading includes the following items and amounts:

			Thousand euro
2018	**Non-current**	**Current**	**Total**
Equities	699	2,437	**3,136**
Debentures	-	1	**1**
Total	**699**	**2,438**	**3,137**

			Thousand euro
2017	**Non-current**	**Current**	**Total**
Equities	699	3,436	**4,135**
Debentures	-	219	**219**
Total	**699**	**3,655**	**4,354**

		Thousand euro
	2018	**2017**
Listed securities:		
- Equities – Euro zone	2,437	3,436
Unlisted securities:		
- Equities – Euro zone	699	699
- Other debt securities	1	219
Total	**3,137**	**4,354**

The fair value of equities is based on current ask prices on an active market.

Changes during the year in the fair value of assets carried at fair value through profit or loss are reflected in “Changes in fair value of financial instruments” in the consolidated income statement and amount to €(1,010) thousand (2017: €(213) thousand) (Note 27)

The maximum exposure to credit risk at the reporting date is the fair value of the assets.

(thousand euro)

13. LOANS AND RECEIVABLES

	Thousand euro	
	2018	**2017**
Non-current loans and receivables:		
- Loans to associates (Note 32)	60,501	58,376
- Loans to third parties	14,234	4,884
- Derivatives	48	-
- Other financial assets	1,081	1,474
- Non-current trade receivables: concession arrangement, debt claim	26,515	24,571
Total	**102,379**	**95,080**
Current loans and receivables:		
- Completed work pending certification	194,406	196,818
- Works certification and invoices	84,236	31,024
- Trade bills receivable	27,834	30,734
- Warranty withholdings	16,465	12,567
- Trade receivables, associates (Note 32)	6,058	5,917
- Sundry receivables	574	4,478
- Personnel	2,575	1,165
- Taxes refundable	12,073	14,743
- Called share capital not paid	40	42
- Current loans to associates	9,937	9,727
- Loans to third parties	15,835	15,062
- Other financial assets	20,179	23,448
Total	**390,212**	**345,725**
Current prepayments and accrued income	21,686	31,502
Total loans and receivables	**514,277**	**472,307**

Loans and receivables are measured at their nominal value, which does not significantly differ from their fair value, since the discounting of future cash flows is not significant.

At 31 December 2018 and 2017, the heading “Sundry receivables” mainly records the amount deriving from the 2015 sale of land located in Vallecas, of which €3,904 thousand was collected in 2018 and €10,162 thousand in 2017.

At 31 December 2018 the amount of invoices discounted through factoring facilities amounted to €63,162 thousand (2017: €55,157 thousand).

The heading “Taxes refundable” mainly consists of VAT and corporate income tax amounts refundable.

Impairment of receivables and foreign currency

The movement in the provision for impairment losses on trade receivables is as follows:

	Thousand euro
Impairment of loans at 31.12.2016	**19,707**
Impairment adjustments	331
Write-offs and reductions (definitive write-off of defaults)	(4)
Impairment of loans at 31.12.2017	**20,034**
Impairment adjustments	644
Reversal of impairment	(14)
Impairment of loans at 31.12.2018	**20,664**

(thousand euro)

The carrying value of loans and receivables is denominated in the following currencies:

	Thousand euro	
	2018	**2017**
Euro	273,397	187,448
Peso - Colombia	48,210	57,662
New Sol - Peru	44,849	39,456
Leu - Romania	637	995
Real - Brazil	867	899
Yen - Japan	16,497	24,253
Peso - Mexico	17,119	87,960
Colon - El Salvador	69	22
Balboa- Panama	-	43,315
Bolivianos- Bolivia	945	12
Dollar- Mexico and Panama	93,302	-
Peso - Chile	2,015	2,527
Zloty - Poland	2,611	2,689
Quetzal - Guatemala	11,473	24,123
Lempira - Honduras	2,118	757
Other currencies	168	189
Non-current loans and receivables	**514,277**	**472,307**

Other financial assets

This heading records €20,179 thousand (2017: €23,449) relating to:

- €10,908 thousand in bank deposits (2017: €13,152). Mainly deriving from short-term deposits with Banco Sabadell.
- €285 thousand in prepayments made to professionals (2017: 358)
- €7,217 thousand in guarantees and deposits (2017: 7,532).
- €1,768 thousand in excess contributions to UTEs (2017: 2,406).

- Non-current trade receivables: concession arrangement, debt claim

The entire heading relates to the unconditional debt claim associated with the parking facility concession called Honorio Lozano, in the municipality of Collado Villalba.

(thousand euro)

14. DERIVATIVE FINANCIAL INSTRUMENTS

	Thousand euro	
	2018	2017
Exchange rate swaps – exchange rate hedges	1,070	-
Total Derivatives - Assets	**1,070**	**-**
Less non-current portion:		
Exchange rate swaps – cash flow hedges	48	-
Non-current portion - Assets	**48**	**-**
Current portion - Assets	**1,022**	**-**

	Thousand euro	
	2018	2017
Interest rate swaps – cash flow hedges	1,543	1,575
Exchange rate swaps – cash flow hedges	3,455	-
Total Derivatives - Liabilities	**4,998**	**1,575**
Less non-current portion:		
Interest rate swaps – cash flow hedges	1,352	1,575
Exchange rate swaps – cash flow hedges	610	-
Non-current portion - Liabilities	**1,962**	**1,575**
Current portion - Liabilities	**3,036**	**-**

The Group maintains interest-rate hedge contracts with several financial institutions covering loans from credit institutions that ensure an interest rate of between 0.375% and 3.99% (2017: between 0.409% and 3.99%).

The Group has proceeded to contract two new interest rate hedge instruments covering the new syndicated financing obtained by the parent company in 2018 (Note 22.4). It also cancelled the swap arrangement that it maintained to hedge the syndicated loan obtained in 2015, which was fully repaid in July 2018.

The notional principal on interest rate hedges at 31 December 2018 amounted to €78,507 thousand (€56,305 thousand at 31 December 2017).

The Group maintains exchange rate hedge contracts covering the euro rate for several currencies in which the Group operates.

At the end of 2018 the Company maintains several exchange rate derivatives intended to cover its exposure to exchange rates for future cash flows originating from branches and subsidiaries.

At 31 December 2018 the notional principal amount of the euro-dollar exchange rate hedge contracts totals €79,504 thousand and €16,445 thousand with respect to the euro-yen exchange rate hedge.

The effective portion of cash flow hedges recognised in equity in 2018the income statement due to cash flow hedges totals €(3,417) thousand (2017: €48 thousand) and generates a tax effect totalling €854 thousand that is also taken to equity (2017: €(12) thousand) recorded as deferred taxes. The settlement of these derivatives gave rise to a negative gross effect of €1,064 thousand during the year (2017: €822 thousand).

15. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

(thousand euro)

In 2016 the Group restructured its real estate business consisting of rental management assets, grouping together the assets and liabilities relating to that line of business within the subsidiary created in 2016, Grupo Ortiz Properties SOCIMI, S.A.U. and its investee companies.

The purpose of that restructuring was to divest this line of business, over which control was lost in December 2018 (Note 16). Accordingly, the assets and liabilities of the subsidiaries forming part of the subgroup Grupo Ortiz Properties were classified under the headings "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale" in the consolidated balance sheet at 31 December 2017 and the results obtained by those companies up until the loss of control is recorded under the heading "Discontinued operations" in the consolidated income statement for 2017 and 2018.

Prior to the aforementioned restructuring transactions, in August 2016 the Group acquired control over the companies Aldigavia, S.A.U. and Aldigavia Oficinas, S.L.U., consisting of 100% of the shares in those companies, which were acquired for the sole purpose of selling them within the framework of the described transaction. Accordingly, in accordance with the provisions of measurement rule 4.9, these companies were not fully consolidated, and the investment made in them was recognised at fair value less estimated selling costs under the heading "Non-current assets held for sale" in the consolidated balance sheet.

During 2018 and 2017 the Group sold 38.37% and 12.81%, respectively, of its interest in Grupo Ortiz Properties SOCIMI , S.A., and on 28 July 2017 all of the company's shares were listed on the alternative stock market (MAB), within the SOCIMI segment.

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

Comparative information is set out below with respect to the assets of the subsidiaries Grupo Ortiz Properties SOCIMI, S.A.U. and Ortega y Gasset Park, S.A.U. that are included in this heading which, after the Group lost control over them in December 2018 (Note 6), are now consolidated using the equity method (Note 10):

	Thousand euro	
	2018	2017
Disposal groups held-for-sale:		
Intangible assets	-	13,259
Investment properties	-	20,346
Loans to group companies	-	8,622
Other current and non-current assets	-	678
Total	**-**	**42,905**

Furthermore, details of the fair value investment in Aldigavia, S.A.U. and Aldigavia Oficinas, S.L.U. included in this heading at 31 December 2018 and 2017 are as follows:

	Thousand euro	
	2018	2017
Aldigavia	-	3,226
Aldigavia Offices	-	23,327
Total	**-**	**26,553**

The change in the fair value of the investments in these companies in 2018 and 2017 are included under the heading "Profit/(loss) for the year from discontinued operations" in the consolidated income statement.

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

Thousand euro

(thousand euro)

	2018	2017
Financial debt	-	7,236
Derivatives	-	85
Non-current accruals and deferred income	-	3,593
Deferred tax liabilities	-	1,483
Trade and other payables	-	598
Other current and non-current liabilities	-	438
Total	**-**	**13,433**

15.3. Analysis of the results from discontinued operations

It includes the results generated by the subsidiaries Grupo Ortiz Properties SOCIMI, S.A.U. and Ortega y Gasset, S.A.U., as well as the results deriving from the change in the fair value of the investments in Aldigavia, S.A.U. and Aldigavia Oficinas, S.L.U.

16. INVENTORIES

The breakdown of this heading by uniform groups of operations and degree of completion is as follows:

	Thousand euro	
	2018	2017
Goods purchased for resale	89	80
Raw materials and other supplies	1,107	1,484
Work in progress	7	7
Finished goods	3,990	3,990
Prepayments to suppliers	8,973	5,705
Total	**14,166**	**11,266**

The heading “Finished goods” primarily records a housing development in Ojén (Malaga), which includes provisions for impairment total of €1,925 thousand at 31 December 2018 and 2017.

Impairment losses on inventories

During 2018 and 2017, the Group did not recognise or reverse any impairment adjustments.

Inventories located abroad

At 31 December 2018 and 2017 the Group does not have any inventories located abroad.

Capitalised financial expense

In 2018 and 2017 no interest was capitalised.

Inventories pledged as security

Loans from credit institutions are secured by inventories valued at €3,875 thousand (2017: €3,875 thousand).

Insurance

The Group has taken out a number of insurance policies to cover risks relating to inventories. The coverage provided by these policies is considered to be sufficient.

17. CASH AND CASH EQUIVALENTS

Thousand euro

(thousand euro)

	2018	2017
Cash	67,976	43,349
Total	**67,976**	**43,349**

The value of restricted cash 31 December 2018 and 2017 amounts to €285 thousand.

18. CAPITAL AND RESERVES

Share capital

The authorised share capital of Ortiz Construcciones y Proyectos, S.A. consists of 1,913,226 fully paid ordinary bearer shares (registered, represented by book entries) with a par value of €30.05 each.

	Thousand euro	
	2018	2017
Authorised capital	57,492	57,492
Total	**57,492**	**57,492**

At 31 December 2018 and 2017 companies with a shareholding of 10% or more are as follows:

2018

Company	Number of shares	% shareholding
Participaciones La Cartuja S.L.	935,176	48.88%

2017

Company	Number of shares	% shareholding
Participaciones La Cartuja S.L.	935,176	48.88%

Share premium

This reserve is freely available.

Treasury shares

On 17 October and 3 November 2016, the Parent Company acquired 130,189 shares for a unit price of €54.567 from non-controlling shareholders. At 31 December 2016 the shares were recognised by reducing the value of the Company's capital and reserves by €7,104 thousand.

On 25 July 2017 shareholders at a general meeting of the parent company approved the distribution of all of the treasury shares in its possession as a dividend. That transaction gave rise to a reduction of consolidated reserves in the amount at which those shares were recognised.

Reserves

Thousand euro

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousand euro)

	2018	2017
Reserves in consolidated companies		
- Legal reserve	11,934	11,934
- Other reserves	110,254	109,721
- Reserves in fully consolidated companies	68,205	75,137
- Reserves in equity consolidated companies	(31,215)	(33,329)
Reserves in consolidated companies	**159,605**	**163,463**

Legal reserve

Appropriations to the legal reserve are made in compliance with Article 274 of the Spanish Companies Act, which stipulates that 10% of the profits for each year must be transferred to this reserve until it represents at least 20% of share capital.

Until the legal reserve exceeds the indicated amount, it may only be used to offset losses if no other reserves are available for this purpose, and it must be replenished using future profits.

Profits for the year in the parent company

The proposal for distributing 2018 results and reserves to be presented to shareholders at a general meeting, and that for 2016 which was approved on 24 May 2018, are as follows:

	Thousand euro	
	2018	**2017**
Available for Distribution		
Profit/loss for the year	6,619	7,892
Total	**6,619**	**7,892**

	Thousand euro	
	2018	**2017**
Application of profit/(loss)		
To dividends	5,063	5,063
To voluntary reserve	1,556	2,829
Total	**6,619**	**7,892**

19. MEASUREMENT ADJUSTMENTS

Differences on exchange

Movements in the heading “Differences on exchange” is as follows for the years ended 31 December 2018 and 2017:

	Thousand euro	
	2018	**2017**
Beginning balance	**(2,073)**	**(4,037)**
- At consolidated companies	(5,369)	1,878
- At equity-consolidated companies	321	86
Ending balance	**(7,121)**	**(2,073)**

Hedging transactions

A breakdown of “Hedging transactions” is set out below:

(thousand euro)

	Thousand euro 2018	Thousand euro 2017
- Parent company	(2,507)	(331)
- Consolidated companies	(440)	(925)
- Equity-consolidated companies	(15,884)	(26,665)
Total hedging transactions	**(18,831)**	**(27,921)**

Movements in this heading during 2018 and 2017 are set out below:

	Thousand euro 2018	Thousand euro 2017
Beginning balance	**(27,921)**	**(27,248)**
Movement in hedging transactions:	**9,090**	**(673)**
- Parent company	(2,176)	173
- Fully and equity consolidated companies	11,266	(846)
Ending balance	**(18,831)**	**(27,921)**

20. NON-CONTROLLING INTERESTS

The breakdown of this item by company in 2018 and 2017 is as follows:

2018	Reserves for non-controlling interests	Profit/(loss) non-controlling interests	Total non-controlling interests
Impulsa Grup Ortiz, S.L.	(31)	(11)	(42)
Arquitectura Industrializada Andaluza, S.L.	268	-	268
Ortiz Colombia, S.A.S.	41	-	41
Grupo Ortiz Construcciones México, S.A.	-	-	-
Personal Management y Construcción, S.A. de C.V.	-	-	-
Constructora Hospitalaria Tepic, S.A.P.I. DE C.V.	-	966	966
Total	**278**	**955**	**1,233**

Thousand euro

2017	Reserves for non-controlling interests	Profit/(loss) for non-controlling interests	Total non-controlling interests
Impulsa Grup Ortiz, S.L.	(13)	(2)	(15)
Arquitectura Industrializada Andaluza, S.L.	268	-	268
Ortiz Colombia, S.A.S.	43	(1)	42
Grupo Ortiz Construcciones México, S.A.	-	-	-
Personal Management y Construcción, S.A. de C.V.	-	-	-
Ortega y Gasset Park, S.A.U.	472	(8)	464
Grupo Ortiz Properties SOCIMI, S.A.	7,313	30	7,343
Total	**8,083**	**19**	**8,102**

(thousand euro)

21. CAPITAL AND GRANTS RECEIVED

Movements in these subsidies are as follows:

	Thousand euro	
	2018	**2017**
Beginning balance	**1,823**	**1,933**
Received during the year	3	7
Disposals during the year	(332)	-
Taken to profit/(loss)	(194)	(153)
Tax effect	48	36
Ending balance	**1,348**	**1,823**

The breakdown of grants by origin is as follows:

	Thousand euro	
	2018	**2017**
-Parent company	-	332
-Consolidated companies	42	99
- Equity consolidated companies	1,306	1,392
Ending balance	**1,348**	**1,823**

22. BORROWINGS AND PAYABLES

	Thousand euro	
	2018	**2017**
Non-current:		
Debentures and other marketable securities (Note 22.3)	26,651	32,153
Bank borrowings (Note 22.4)	72,051	56,108
Finance leases (Note 22.5)	2,247	2,128
Derivatives	1,962	1,575
Other financial liabilities (Note 22.8)	6,586	6,827
Payables to related parties (note 31)	13,196	12,869
Non-current accruals and deferred income	**13,742**	**11,946**
Non-current provisions	**8,787**	**8,607**
Total	**145,223**	**140,381**
Current:		
Debentures and other marketable securities	24,829	1,122
Bank borrowings	18,736	57,234
Finance leases	768	591
Other financial liabilities	30,499	35,665
Payables to related parties	62	32
Trade payables	284,066	235,186
Trade payables to related parties	6	3
Sundry payables	463	305
Personnel	3,635	3,892
Taxes payable	11,633	10,684
Prepayments from customers	36,022	19,342
Current accruals and deferred income	**61**	**133**
Current provisions	**720**	**1,099**
Total	**411,499**	**368,074**

The carrying amount of non-current borrowings approximates their fair value given that the effect of the discount is not significant.

(thousand euro)

22.1 Borrowings and payables in foreign currency

The carrying amount of Group's borrowings and payables is denominated in the following currencies:

	Thousand euro	
	2018	**2017**
Euro	380,229	379,126
Peso - Colombia	25,187	32,185
Peso - Mexico	14,391	19,105
New Sol - Peru	19,414	18,448
Peso - Chile	3,654	347
Zloty - Poland	2,060	659
Leu - Romania	1,625	692
Quetzal-Guatemala	9,322	722
Lempiras-Honduras	3,070	1030
Balboa- Panama	-	21,783
Yen - Japan	23,349	34,358
Bolivianos- Bolivia	3,449	-
Dollar- Mexico and Panama	70,931	-
Other currencies	2	-
Total	**556,722**	**508,455**

22.2 Available lines of credit

The Group has the following unused credit lines:

	Thousand euro	
	2018	**2017**
Variable rate:		
- maturing in less than one year	25,950	20,000
- maturing in more than 1 year (*)	67,125	64,400
Fixed rate:		
- maturing in less than one year	-	-
Total	**93,075**	**84,400**

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

22.3 Debentures

In 2018, Ortiz Construcciones y Proyectos, S.A. carried out a new bond issue on the MARF for €50,000 thousand, after having partially redeemed 262 bonds relating to the 2014 issue, the face value of which totalled €26,200 thousand.

Accordingly, at 31 December 2018 the company maintained bonds relating to both the 2014 and 2018 issues. The bonds issued in 2014 mature in the short-term.

The main characteristics of both issues are set out below:

2018 issue

On 9 July 2018, Ortiz Construcciones y Proyectos, S.A. carried out a bond issue on the MARF, with the following terms:

- Debt issued: The nominal amount of the issue was €50,000,000 and consisted of 500 bonds with a value of €100,000.00 each, grouped into a single class or series. The issue price was 100% of their face value.
- Original date of issue and redemption 9 July 2018

- Maturity date: 9 October 2023
- Financial rights of bondholders: Annual 5.25% interest payable annually based on the face value of the bonds at that time. The interest accrues daily and is payable yearly in arrears as from the issue and purchase date.

  The issue has the following limitations:

  - Additional debt
  - Certain acquisitions and sales
  - Distribution of dividends to shareholders
  - Related-party transactions.
  - Corporate agreements and structural changes
  - Certain information and calculation of the ratio
  - Change of control
  - Guarantees in rem

  The first 3 limitations only arise if the financial ratios are not met as required in the prospectus, and management considers they have been met at 31 December 2018.

  The issue is not secured by any guarantees in-rem. The issue is secured by the companies Cia. Internacional de Construcción y Diseño, S.A.U., Indag, S.A.U., Asteisa Tratamientos de Agua, S.A.U., Contratas y Servicios Ferroviarios, S.A.U., Elecor, S.A.U., Juan Galindo, S.L.U., Agrícola El Casar, S.L.U., Ortiz Área Inmobiliaria, S.A.U., Concesionaria Collado Villalba, S.A.U., EMCA Sociedad Concesionaria, S.L.U., Ingeniería y Diseños Técnicos, S.A.U., Ortiz Energía Japan, K.K., and Ortiz Energía, S.A.U., which represent 85% of EBITDA. The guarantors must always represent at least 85% of EBITDA.

  In any event, all of the additional contractual information relating to the issue may be consulted in the prospectus with ISIN ES020531000.

  <u>2014 issue</u>

  On 3 July 2014, Ortiz Construcciones y Proyectos, S.A. carried out a bond issue on the MARF, with the following terms:

- Debt issued: The nominal amount of the issue was €50,000,000 and consisted of 500 bonds with a value of €100,000.00 each, grouped into a single class or series. The issue price was 100% of their face value.
- Original date of issue and redemption 3 July 2014
- Maturity date: 3 July 2019
- Financial rights of bondholders: Annual 7% interest payable annually based on the face value of the bonds at that time. The interest accrues daily and is payable yearly in arrears as from the issue and purchase date.

  The issue has the following limitations:

  - Additional debt
  - Certain acquisitions and sales
  - Distribution of dividends to shareholders
  - Related-party transactions.
  - Corporate agreements and structural changes
  - Certain information and calculation of the ratio
  - Change of control
  - Guarantees in rem

  The first 3 limitations only arise if the financial ratios are not met as required in the prospectus, and management considers they have been met at 31 December 2018 and 2017.

  The issue is not secured by any guarantees in-rem. The issue is secured 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 y Servicios

(thousand euro)

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 EBITDA, in accordance with the requirement that guarantees represent at least that amount of EBITDA.

All of the additional contractual information relating to the issue may be consulted in the prospectus with the ISIN Es0305031009.

On 24 April 2018, the agency AXESOR assigned a BB + credit rating to the issuer, with a stable outlook.

Prior to the new issue in 2018, in June 2018 the Group made a Public Offer to repurchase the bonds issued in 2014 through which it acquired 86 bonds which, together with the 176 that the Group held at 31 December 2017, were immediately amortised.

Details of the bonds in 2018 and 2017 are as follows:

	Thousand euro	
	2018	**2017**
Debentures and bonds (nominal value) - 2018 Issue	50,000	-
Amortised cost effect (due to fees) - 2018 Issue	(449)	-
Bonds in the possession of the Group - 2018 Issue	(22,900)	-
Accrued interest payable	279	-
Total	**26,930**	**-**
Debentures and bonds (nominal value) - 2014 Issue	23,800	50,000
Amortised cost effect (due to fees) - 2014 Issue	(76)	(229)
Bonds in the possession of the Group - 2014 Issue	-	(17,618)
Accrued interest payable	826	1,122
Total bonds – 2014 Issue	**24,550**	**33,275**
Total	**51,480**	**33,275**

The fair value of the liability component of the convertible bond at 31 December 2018 and 2017 does not differ from its fair value.

Details of the maturity of the issued bonds (which also includes those acquired by the Group) at 31 December 2018 is as follows:

	Thousand euro					
	2019	**2020**	**2021**	**2022**	**2023**	**Total**
Nominal value	23,800	-	-	-	50,000	73,800
Interest	4,291	2,625	2,625	2,625	2,625	14,791
Total	**28,091**	**2,625**	**2,625**	**2,625**	**52,625**	**88,591**

Details of the maturities of the issued bonds at 31 December 2017 were as follows:

(thousand euro)

	Thousand euro		
	2018	2019	Total
Nominal value	-	50,000	50,000
Interest	3,500	3,500	7,000
Total	**3,500**	**53,500**	**57,000**

22.4 Bank borrowings

Bank borrowings are as follows in 2018 and 2017:

Thousand euro

2018					
Instrument	Interest Rate Range	Drawn down at 31.12.2017	Maturing in 1 year	Maturing in 2-5 years	Maturity - other
Syndicated loan	2.75%	65,525	5,013	60,512	-
ICO lines of credit	2% - 2.758%	-	-	-	-
Loan facilities	3.75% - 5%	-	-	-	-
Project Financing - Finance	1.71% - 2.01%	11,000	11,000	-	-
Mortgage loans	0.0% - 1.81%	13,383	1,844	6,829	4,710
Receivables for discounted bills		-	-	-	-
Accrued unpaid interest		879	879	-	-
Total		**90,787**	**18,736**	**67,341**	**4,710**

Thousand euro

2017					
Instrument	Interest Rate Range	Drawn down at 31.12.2017	Maturing in 1 year	Maturing in 2-5 years	Maturity - other
Syndicated loan	3.00%	44,590	12,828	31,762	-
ICO lines of credit	2% - 2.758%	4,050	4,050	-	-
Loan facilities	3.75% - 5%	30,501	30,501	-	-
Project Financing - Finance	1.71% - 1.758%	11,000	-	11,000	-
Mortgage loans	0.0% - 1.98%	15,130	1,784	7,169	6,177
Receivables for discounted bills		7,562	7,562	-	-
Accrued unpaid interest		509	509	-	-
Total		**113,342**	**57,234**	**49,931**	**6,177**

On 17 July 2018, the Group signed a non-current syndicated loan agreement for an initial maximum amount of €134,250 thousand, structured into Tranche A for €67,125 thousand and a revolving credit Tranche B in the amount of €67,125 thousand (the latter was also intended to finance the Group's general cash requirements).

The funds obtained through this credit facility were partially used fully repay and cancel the syndicated loan obtained in 2015 by the Group, which 31 December 2017 totalled €44,590 thousand, as well as the cancellation of loans and credit facilities in the amount of €35,980 thousand.

The balances drawn down from this loan accrued interest at Euribor plus a variable spread between 2% and 3.25%, based on the value of certain ratios. The initial rate applied in 2018 was 2.75%.

Tranche A was drawn down in full on the date the contract was signed, maturing on 17 July 2023. No drawdowns have been made from Tranche B at 31 December 2018.

The loan is subject to compliance with ratios, as is habitual in these types of transactions, which Management considers have been met at 31 December 2018.

The nominal maturity dates by year for Tranche A are as follows:

Maturity date	Thousand euro
jul-19	5,370
jan-20	5,370
jul-20	5,370
jan-21	5,705
jul-21	5,706
jan-22	6,377
jul-22	6,377
jan-23	13,425
jul-23	13,425
Total	**67,125**

Available lines of credit and factoring facilities at 31 December 2018 amount to €108,668 thousand (2017: €89,682 thousand).

22.5 Finance leases

Total future minimum lease payments are reconciled with their present value as follows:

	Thousand euro	
	2018	**2017**
Total amount of the minimum future payments at the year-end:		
- Up to one year	768	591
- Between 1 and 5 years	2,246	2,128
- More than 5 years	-	-
Present value at the year end	**3,014**	**2,179**

The present value of finance lease liabilities is as follows:

	Thousand euro	
	2018	**2017**
- Up to one year	768	591
- Between 1 and 5 years	2,246	2,128
- More than 5 years	-	-
Total	**3,014**	**2,179**

22.6 Disclosures regarding payments made to suppliers.

The disclosures required by Final Provision Two of Law 31/2014 (3 December), which have been prepared in accordance with the Resolution issued by the Accounting and Audit Institute on 29 January 2016, are as follows:

	2018	2017
Average deferral of payments to suppliers	126	163
Ratio of transactions paid	120	169
Ratio of payments pending	135	90

	Amount (thousand euro)	Amount (thousand euro)
Total payments made	302,853	268,944
Total payments pending	175,141	116,972

(thousand euro)

The "Average period for payments to suppliers" is understood to be the time that elapses between the invoice date and the date effective payment is made, as defined in the aforementioned resolution issued by the Accounting and Audit Institute.

The ratio of transactions paid is calculated as a quotient in which the numerator contains the sum of the payments made divided by the number of payment days (calendar days elapsing since the calculation started until effective payment for the transaction is made) and the denominator contains the total amount of payments made.

The "Average payment period for suppliers" is calculated as a quotient in which the numerator contains the sum of the ratio of transactions paid divided by the total amount of the payments made plus the ratio of transactions pending payment divided by the total amount of pending payments and the denominator contains the total amount of payments made and total outstanding payments.

The ratio of pending payments is a quotient in which the numerator contains the sum of amounts pending payment divided by the number of days payment has been pending (calendar days elapsing since the calculation started and the date on which the financial statements were closed) and the denominator contains the total number of pending payments.

In accordance with the provisions of Article 3 of the resolution issued by the Accounting and Audit Institute on 29 January 2016, the amount of the transactions occurring prior to the date on which Law 31/2014 (3 December) entered into force have not been taken into consideration.

According to Law 11/2013 (26 July), the maximum payment deadline applicable to the Company is 30 days, unless there is an agreement between the parties, in which case the maximum deadline is 60 days.

22.7 Non-current prepayments and accrued income

The heading relates to the income deriving from the assignment of the use of parking spaces associated with the parking facility concession agreements concluded by the Group. This income is taken to profit or loss over the remaining term of the concession.

In 2018 the concession agreement covering the Alameda parking facility was terminated, which gave rise to a disposal recorded under this heading in the amount of €2,238 thousand.

22.8 Other financial liabilities

This heading primarily records the loans obtained from the CDTI and other governmental entities to finance R&D+i projects, as well as amounts collected from customers under factoring arrangements without recourse through their assignment to banks.

23. OTHER PROVISIONS

Movements in current provisions recognised in the consolidated balance sheet are as follows:

Thousand euro

Current	Provision for works settlements	Provision for other liabilities	Provision for taxes	Other provisions	Total
Balance at 01.01.2017	**721**	**-**	**-**	**459**	**1,180**
Allocations	-	-	-	-	-
Applications	(214)	-	-	-	(214)
Excesses	-	-	-	-	-
Other adjustments	-	-	182	(49)	133
Ending balance at 31.12.2017	**507**	**-**	**182**	**410**	**1,099**
Allocations	-	-	-	-	-
Applications	(318)	-	-	-	(318)
Excesses	-	-	-	-	-
Other adjustments	-	-	(182)	121	(61)

(thousand euro)

Ending balance at 31.12.2018	**189**	**-**	**-**	**531**	**720**

Thousand euro

Non-current	Provision for works settlements	Provision for other liabilities	Provision for taxes	Other provisions	Total
Balance at 01.01.2017	**-**	**-**	**7,176**	**-**	**7,176**
Business combinations	-	-	-	-	-
Allocations	-	-	-	-	**-**
Applications	-	-	-	-	-
Excesses	-	-	-	-	-
Other adjustments	-	-	1,431	-	1,431
Ending balance at 31.12.2017	**-**	**-**	**8,607**	**-**	**8,607**
Allocations	-	-	-	-	**-**
Applications	-	-	-	-	**-**
Excesses	-	-	-	-	**-**
Other adjustments	-	-	181	-	**181**
Ending balance at 31.12.2018	**-**	**-**	**8,788**	**-**	**8,788**

The provision for taxes relates to the recognition of the contingent liabilities described in Note 28.

24. DEFERRED TAXES

Deferred taxes break down as follows:

Thousand euro

	2018	2017
Tax effect of differences on exchange	2,503	1,684
Derivatives	1,250	394
Non-deductible depreciation/amortisation	267	311
Deductions and credits pending application	1,261	888
Tax-loss carryforwards for the year	1,981	2,241
Capitalisation reserve pending application	-	257
Total deferred tax assets	**7,262**	**5,775**

Thousand euro

	2018	2017
Tax effect of differences on exchange	409	1,680
Unrestricted depreciation	5,998	6,227
Finance lease	232	136
Subsidies	14	125
Total deferred tax liabilities	**6,915**	**8,168**

Changes in deferred tax assets and liabilities during 2018 and 2017 were as follows:

Thousand euro

Deferred tax assets:	Tax credits	Derivatives	Other	Total
Balance at 1 January 2018	**3,129**	**394**	**2,252**	**5,775**
Charged against/(credited to) profit or loss	113	-	(301)	(188)
Charged against/(credited to) equity	-	856	819	1,675
Balance at 31 December 2017	**3,242**	**1,250**	**2,270**	**7,262**

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousand euro)

				Thousand euro
Deferred tax assets:	**Tax credits**	**Derivatives**	**Other**	**Total**
Balance at 1 January 2017	**3,446**	**602**	**2,431**	**6,479**
Charged against/(credited to) profit or loss	(317)	-	171	(146)
Charged against/(credited to) equity	-	(208)	(350)	(558)
Balance at 31 December 2017	**3,129**	**394**	**2,252**	**5,775**

					Thousand euro
Deferred tax liabilities:	**Unrestricted depreciation**	**Differences on exchange**	**Derivatives**	**Other**	**Total**
Balance at 1 January 2018	**6,227**	**1,680**	**-**	**261**	**8,168**
Charged against/(credited to) profit or loss	(226)	-		67	(159)
Charged against/(credited to) equity	(3)	(1,277)	268	1	(1,011)
Other movements	-	-	-	(83)	(83)
Balance at 31 December 2018	**5,998**	**403**	**268**	**246**	**6,915**

				Thousand euro
Deferred tax liabilities:	**Unrestricted depreciation**	**Differences on exchange**	**Other**	**Total**
Balance at 1 January 2017	**5,509**	**521**	**214**	**6,244**
Charged against/(credited to) profit or loss	(417)	-	46	(371)
Changes in consolidation scope	-	1,159	1	1,160
Charged against/(credited to) equity	1,135	-	-	1,135
Balance at 31 December 2017	**6,227**	**1,680**	**261**	**8,168**

Deferred tax assets in respect of pending deductions and tax-loss carryforwards available for offset are recognised insofar as the realisation of the relevant tax benefit through future taxable profits is probable. Group companies have tax-loss carry forwards, in addition to those capitalised in Spain and Colombia, totalling approximately €15 million (2017: €17 million of), primarily relating to the business is carried out by the Group in Peru, Panama and Mexico.

(thousand euro)

25. INCOME AND EXPENSE

Transactions denominated in foreign currency

Transactions carried out in foreign currency are as follows:

Thousand euro

	Income		Expense	
	2018	2017	2018	2017
Peso - Colombia	37,278	19,007	(37,116)	(13,860)
Peso - Mexico	20,802	4,987	(21,127)	(6,846)
New Sol - Peru	12,244	22,890	(13,022)	(19,559)
Peso - Chile	758	6,098	(879)	(7,101)
Zloty - Poland	-	-	(9)	(16)
Leu - Romania	(92)	1,216	(388)	(641)
Balboa- Panama	-	37,978	-	(27,418)
US dollar	295,083	101,272	(256,358)	(104,226)
Yen - Japan	23,488	33,846	(21,384)	(32,396)
Lempiras - Honduras	4,005	288	(3,753)	(356)
Colon - El Salvador	(1,323)	2,809	(168)	(2,789)
Quetzal-Guatemala	3,673	963	(2,762)	-
Peso- Bolivia	2,844	-	(3,034)	-
Other currencies	-	160	(20)	-
Total	**398,760**	**232,441**	**(360,020)**	**(215,911)**

Revenues

Revenues from the Group's ordinary activities may be analysed geographically as follows:

Thousand euro

Market	2018	%	2017	%
National	206,325	34%	196,761	46%
International	398,980	66%	232,441	54%
Total	**605,305**		**429,202**	**100%**

Revenue can also be analysed by business category as follows:

Thousand euro

Business	2018	%	2017	%
Construction and Services	270,340	44%	240,673	56%
Energy	322,275	53%	177,534	41%
Concessions	9,920	2%	9,514	2%
Real Estate	2,770	1%	1,481	1%
	605,305	**100%**	**429,202**	**100%**

(thousand euro)

Raw materials, goods consumed and other consumables

	Thousand euro	
	2018	**2017**
a) Consumption of goods purchase for resale	**89**	**(3)**
Change in the inventory of goods purchased for resale	89	(3)
b) Raw materials consumed and other consumables	**316,928**	**107,561**
Purchases of storable goods and materials	159	673
Purchases of other supplies	316,600	107,191
Volume discounts for other supplies acquired	(26)	(37)
Change in inventories of raw materials/Land	211	(240)
Change in inventories of other supplies	(16)	(26)
c) Subcontracted work	**147,954**	**179,100**
Construction work certification and expenses for developments in progress		
Work-Services pending receipt or formal arrangement	81,593	104,572
Utilities and outside services	54	37
Subcontracted work	66,307	74,491
d) Impairment of goods to be resold, raw materials and other materials	-	-
Total	**464,971**	**286,658**

Personnel expenses

	Thousand euro	
	2018	**2017**
Wages, salaries and similar remuneration	61,883	65,076
Employee benefit expenses	16,078	17,228
Non-current remuneration through defined contribution systems	36	73
Total	**77,997**	**82,377**

Salaries and wages includes employee termination benefits amounting to €498 thousand in 2018 (€723 thousand in 2017).

Personnel expenses include all wages and mandatory or voluntary benefit expenses accrued at any given moment and obligations deriving from bonuses, vacation time or variable salary amounts, and the associated expenses are recognised.

The average number of employees by category during the year at fully consolidated companies is as follows:

Category	**2018**	**2017**
Senior management	5	5
Administrative and technical managers and construction foremen	493	400
Middle management	299	253
Administrative staff	257	255
Workers	1,174	1,483
Total	**2,228**	**2,396**

(thousand euro)

The distribution of the Group's employees by category and gender was as follows in the years ended 31 December 2018 and 2017:

			2018
	Male	Female	Total
Senior management	4	1	5
Administrative and technical managers and construction foremen	375	128	503
Middle management	260	19	279
Administrative staff	124	123	247
Workers	777	187	964
Total	**1,540**	**458**	**1,998**

			2017
	Male	Female	Total
Senior management	5	1	6
Administrative and technical managers and construction foremen	327	109	436
Middle management	254	20	274
Administrative staff	116	129	245
Workers	1,020	249	1,269
Total	**1,722**	**508**	**2,230**

The average number of employees at the companies included in consolidation at 31 December 2018 and 2017 was 22 and 44, respectively.

Impairment and gains/(loss) on asset disposals

In 2018 and 2017, the heading recorded the profit obtained on the sale of investment properties (Note 9) and the termination of the Alameda parking facility concession agreement in 2018 (Note 7).

26. CORPORATE INCOME TAX AND TAX SITUATION

Ortiz Construcciones y Proyectos, S.A. is taxed under the tax consolidation system, and it is the Group's parent company since 2015.

Set out below is the reconciliation between net income and expense for the year and the income tax assessment base:

						Thousand euro
	Income statement			Income and expenses taken directly to equity		
Income/expense for 2018			**17,261**			**(9,407)**
	Increases	Decreases	Total	Increases	Decreases	Total
<u>**Corporate income tax**</u>						
Permanent differences	**19,302**	**(16,834)**	**2,468**			
Temporary differences	**979**	**(603)**	**376**			
- Arising during the year	-	(425)	(425)	15,297	(3)	15,294
- Arising in prior years	979	(178)	801	194	(6,081)	(5,887)
Exemption of income from permanent establishments	**-**	**(11,075)**	**(11,075)**			
Consolidation adjustments	**-**	**-**	**11,659**			
Gross taxable income	**-**	**-**	**(2,629)**	**-**	**-**	**-**
Tax-loss carryforwards		(23)	(23)			
Net taxable income	**-**	**-**	**(2,652)**	**-**	**-**	**-**

(thousand euro)

	Income statement			Income and expenses taken directly to equity		
Income/expense for 2017			**15,600**			**(3,397)**
	Increases	**Decreases**	**Total**	**Increases**	**Decreases**	**Total**
Corporate Income Tax						
Permanent differences	**8,737**	**(7,599)**	**1,138**			
Temporary differences	**898**	**(316)**	**582**	**5,626**	**(9,023)**	**3,397**
- Arising during the year	-	(138)	(138)	5,481	(2,621)	2,860
- Arising in prior years	898	(178)	720	145	(6,402)	(6,257)
Exemption of income from permanent establishments	**-**	**(5,059)**	**(5,059)**			
Capitalisation reserve		**(1,495)**	**(1,495)**			
Consolidation adjustments			**2,690**			
Gross taxable income			**13,456**			**-**
Tax-loss carryforwards			(559)			-
Net taxable income			**12,897**			**-**

Income tax expense is analysed below:

	Thousand euro	
	2018	**2017**
Current corporate income tax	2,095	3,732
Deferred tax liability	58	1,914
Other	743	(395)
Total	**2,896**	**5,251**

The main nominal tax rates used in the calculation of corporate income tax for group companies in 2018 and 2017 are as follows:

Country	2018	2017
Spain	25%	25%
Poland	19%	19%
Colombia	33%	34%
Mexico	30%	30%
Brazil	34%	34%
Peru	29.5%	29.5%
Chile	27%	25.5%
Honduras	25%	25%
Italy	24%	24%
France	33.33%	33.33%
Guatemala	25%	25%
El Salvador	30%	30%
Japan	38.2%	30.86%

The corporate income tax rate in Colombia was changed in 2017, grouping previously existing taxes into a single tax and raising the rate from 25% to 34% such that a positive adjustment is recognised for corporate income tax totalling €395 thousand as a result of the effect that the change had on the tax-loss carry forwards recorded by the Ortiz branch in that country.

(thousand euro)

There were no deductions to tax payable in 2018 (2017: €1,143 thousand) and withholdings and interim payments totalled €493 thousand (2017: €267 thousand). The amount refundable to the Parent Company by the tax authorities totals €106 thousand (2017: €1,815 thousand payable). All the Company's tax returns for the last four years for the principal taxes to which it is subject are open to inspection by the tax authorities.

At 31 December the Tax Group failed to comply with the requirement to maintain the increase in capital and reserves for 5 years as from the end of the tax period to which the reduction corresponds, i.e. 31 December 2017, and therefore in the 2018 corporate income tax return it will make payment to the tax authorities of the amount corresponding to the reduction in the tax base applied in 2017, as well as the relevant late-payment interest.

The Ortiz CYP Tax Group cannot reduce the tax base for the capitalisation reserve generated in 2017 that has yet to be applied since at 31/12/2018 it failed to comply with the requirement to maintain the increase in the capital and reserves for 5 years as from the end of the tax period to which the reduction corresponds, i.e. 31 December 2017.

Due to the different interpretations to which tax legislation lends itself, the results of any future tax inspection by the tax authorities of the years open to inspection could give rise to tax liabilities that cannot be objectively quantified at present. However, the Company's directors believe that any liabilities that could arise in this respect would not have a significant effect on the Group's consolidated financial statements.

Deductions for double taxation, investments and donations made to beneficiaries of sponsorship, have yet to be applied, as follows:

	Thousand euro		
	2018	**2017**	**Past year**
Double taxation relief	250	264	No limit
Deduction for double taxation of capital gains	1	1	No limit
Deduction for international double taxation	305	305	No limit
Investment deductions	680	318	2,036
Deduction of donations	16	-	2,028
Non-deductible depreciation	9	-	No limit
Total	**1,261**	**888**	

(thousand euro)

27. NET FINANCIAL INCOME/EXPENSE

	Thousand euro	
	2018	**2017**
Financial income	**3,548**	**4,081**
From equity instruments	**138**	**106**
Dividends	138	106
From marketable securities and other financial instruments	**3,410**	**3,975**
Group companies and associates	**2,311**	**3,014**
From third parties	**1,099**	**961**
Other financial income	410	680
Income from other company debt securities	689	281
Financial expenses	**19,010**	**18,754**
On payables to group companies and associates	**183**	**28**
Payables to third parties	**18,827**	**18,726**
- Interest of debentures and bonds	3,387	2,457
Interest on bank borrowings	3,765	3,380
Interest on bank borrowings	4,368	5,026
Interest on loans from other companies	127	165
Interest on loans from other companies	44	-
- Interest for the discounting of bills and similar transactions	245	432
Interest on factoring transactions without recourse	1,417	2,001
Interest on factoring transactions with recourse	299	292
Other financial expenses	5,175	4,973
Change in the fair value of financial instruments	**(1,010)**	**(213)**
Trading portfolio and other	(1,010)	(213)
Differences on exchange	**(7,945)**	**1,556**
Impairment and gain/(loss) on disposal of financial instruments	**(246)**	**(11)**
Profit/(loss) on disposals and other items	**(246)**	**(11)**
Profits from equities and current debt securities-other companies	294	-
Losses on equities and current debt securities-other companies	(540)	(11)

Exchange differences in 2018 mainly originate from changes in the exchange rates for the local currencies in Mexico and Colombia against the euro and the US dollar during the year.

28. GUARANTEE OBLIGATIONS WITH THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

Guarantees

The Company has provided guarantees to customers, public entities and financial institutions in the amount of €378 million at 31 December 2018 (2017: €397 million), of which €347 million were provided to secure the good outcome of the execution of works for several customers (2017: €323 million). The Group believes that any liabilities that could derive from the guarantees that have been provided would not be significant in any case.

The Group secures bank borrowings obtained by jointly-controlled entities and associates in the amount of €29,641 thousand (2017: €36,537 thousand).

Other contingent liabilities

At the end of 2018 and 2017 the Group maintains provisions to cover possible risks deriving from litigation in progress as a result of several lawsuits filed within the businesses it carries out. Group management believes that no significant liabilities in addition to those covered by the provisions will arise with respect to the consolidated financial statements at 31 December 2018 and 2017.

As a result of the diverse inspection action taken with respect to the jointly -controlled company Urbanizadora Gade, S.A., to corporate income tax assessments were raised for the tax periods 2003 to 2004 and 2005 to 2007 in the amount of €6,894 thousand and €6,255 thousand, respectively, which are based on the percentage interest held. These assessments were contested and at 31 December 2015 appeals have been filed with the Supreme Court and the National Court.

In 2016 the Supreme Court denied the appeal filed with respect to the assessment for 2003 and 2004, and therefore the jointly-controlled entity Urbanizadora Gade, S.A. recognised the tax liability (Note 10). As a result of the fact that the consideration was that Urbanizadora Gade, S.A. did not meet the requirements to be a holding company in 2003 and 2004, it was appropriate to recognise a debt claim for the total amount of €5,422 thousand in the company Ortiz Área Inmobiliaria, S.A.U. as a result of the application of the deduction for the double taxation of dividends at 100%, instead of the 50% established for holding companies (2004-2006), of which €2,460 was collected in 2017. The National Court recognised this right with respect to the 2006 tax return in the amount of €2,806 thousand in the judgment issued on 12 December 2016. The rest of the amount relating to 2004 and 2005 is subject to appeals at various courts.

During 2018 the Group recognised the interest accrued with respect to these assessments in the amount of €180 thousand (2017: €1,431 thousand) (Note 23)

During 2018 the Supreme Court denied the appeal filed with respect to the assessment relating to the tax periods 2005 to 2007 which the Group had pertinently decided to cover with a provision in 2016, which was maintained at 31 December 2018 (Note 23).

The payment of this final assessment is secured through a mortgage guarantee covering several plots of land classified in the heading Investment properties with a carrying amount of €8,641 thousand (2017: €8,641 thousand) which guarantees the amount of €6,255 thousand.

At 31 December 2017 the payment of the 2003 and 2004 assessment was secured by a bank guarantee in the amount of €6,895 thousand, which was returned in 2018.

(thousand euro)

29. COMMITMENTS

Total minimum future payments for irrevocable operating leases are as follows:

	Thousand euro	
	2018	2017
< 1 year	55	39
1 - 5 years	1,300	1,152
> 5 years	76	87
Total	**1,431**	**1,278**

30. JOINT VENTURES (UTEs)

The Group holds interests in several joint ventures (UTEs) that are described in Appendix III.

Group companies carry out part of their businesses together with other companies through joint ventures, which are entities without a legal personality through which business collaboration arrangements are established among different companies for a specified period of time to carry out or execute a project, service or supply. The contracts managed through UTEs mean that the partners in the arrangement share joint and several liability for the activities carried out.

At 31 December 2018 group companies participate in 115 joint ventures (120 at 31 December 2017).

The main figures for the jointly operated contracts set out in the various headings in the accompanying consolidated balance sheet and consolidated income statement, in proportion to the interest held in them, at 31 December 2018 and 2017, without adjusting the relationships with group companies, are indicated below:

	Thousand euro	
	2018	2017
Non-current assets	5,039	5,072
Current assets	33,823	39,817
Total Assets	**38,862**	**44,889**
Equity	2,536	19,568
Non-current liabilities	581	601
Current liabilities	35,745	24,720
Total Liabilities and Equity	**38,862**	**44,889**
Revenues	**29,940**	**36,507**
Reported profit	**498**	**3,592**

31. BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Directors' remuneration

In 2018, the amount accrued by the members of the Board of Directors totalled €1,919 thousand (€1,608 thousand in 2017) and is made up of the following items and amounts:

	Thousand euro	
	2018	2017
Wages, per diems and other remuneration	1,919	1,608
Termination benefits	-	-
Share-based payments	-	-
Total	**1,919**	**1,608**

The members of the Company's Board of Directors did not receive any compensation in the form of profit sharing or bonuses. No shares or stock options were received by them during the year, no options were exercised and no options yet to be exercised remain outstanding.

(thousand euro)

Senior Management compensation and loans

	Thousand euro	
	2018	**2017**
Wages, per diems and other remuneration	1,867	1,564
Pension obligations	-	-
Loans	8,973	4,073
Total	**10,840**	**5,637**

In 2018 the Group granted loans to members of senior management who, in turn, are members of the Board of Directors, in the amount of €4,900 thousand.

In 2017 the Group did not grant any loans to senior management.

It has not been necessary to record any provision covering loans to senior executives.

Director conflict of interest situations

In order to avoid conflicts of interest with the company, during the year Directors that held positions on the Board of Directors complied with the obligations established in Article 228 of the Spanish Companies Act. Both they and persons associated with them have abstained from entering into the conflicts of interest defined by Article 229 of that law, except in the cases in which the appropriate authorisation has been obtained.

32. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Balances with related parties were as follows in 2018 and 2017:

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousand euro)

Thousand euro

2018	Current receivables	Current trade payables	Current credit facilities	Non-current credit facilities	Other current loans	Current loans	Non-current loans
Accesos de Ibiza,S.A.	1	-	-	2,367	-	-	(2,217)
Africana Energia, S.L.	2	-	-	17,601	-	-	-
Alten Renewable Energy Developments,B.V.	152	-	-	990	-	-	(3,167)
Alten Renewable Energy Investment,B.V.	-	-	-	-	-	-	-
Alten Gestion de Proyectos, S.L.U.	29	-	-	-	-	-	-
Alten El Casar, S.L.	-	-	-	585	-	-	-
Bulevar del Arte y La Cultura,S.A.	-	-	-	1,136	-	-	-
Consorcio Inca-Ortiz	121	-	-	-	-	-	-
Fortem Integral, S.L.	1	-	-	157	-	-	-
Inmuebles Gade, S.L.	-	-	8,734	-	-	(7)	-
Medsolar SPV	574	-	461	-	-	-	-
Ola Ortiz Construtción,S.P.A.	4,712	-	-	9	-	-	-
Ormats Mantenimiento Integral, S.L.	-	-	-	-	-	-	-
Ortiz Sport Factory, S.L.	16	-	742	4,057	-	-	-
Superficie Cartera Inversiones, S.A.	30	-	-	254	-	-	-
Concesión del Sisga, S.A.S.	-	-	-	14,347	-	-	-
Urbanizadora Gade, S.A.	1	-	-	9,005	-	(3)	(7,812)
Autopistas del Nordeste, S.A.S.	-	-	-	9,993	-	-	-
Promotora Hospitalaria Tepic,S.A.P.I. de C.V.	168	-	-	-	-	-	-
Aldigavia Oficinas, S.L.	146	-	-	-	-	-	-
Aldigavia,S.A.U.	16	-	-	-	-	-	-
Grupo Ortiz Properties Socimi, S.A.	83	(6)	-	-	-	(51)	-
Ortega y Gasset Park, S.A.U.	6	-	-	-	-	-	-
TOTAL	**6,058**	**(6)**	**9,937**	**60,501**	**-**	**(61)**	**(13,196)**

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousand euro)

Thousand euro

2017	Current receivables	Current trade payables	Current credit facilities	Non-current credit facilities	Other current loans	Current loans	Non-current loans
Accesos de Ibiza,S.A.	189	-	-	1,146	-	-	-
Africana Energia, S.L.	8	-	-	17,661	-	-	-
Alten Alange, S.L.	-	-	-	6,168	-	-	-
Alten Alconera Dos, S.L.	114	-	-	881	-	-	(743)
Alten Alconera, S.L.	-	-	-	-	-	-	-
Alten Renewable Energy Developments,B.V.	-	-	-	495	-	-	(5,976)
Alten Renewable Energy Investment,B.V.	-	-	-	-	-	-	(2,499)
Alten Gestion de Proyectos, S.L.U.	135	-	-	-	-	-	-
Alten El Casar, S.L.	-	-	-	35	-	-	-
Bulevar del Arte y La Cultura,S.A.	-	-	-	1,120	-	-	-
Consorcio Inca-Ortiz	121	-	-	-	-	-	-
Explotaciones Eólicas Velez Rubio, S.L.	-	-	-	2,993	-	-	-
Expociencia, S.L.	-	-	-	-	-	-	-
Fortem Integral, S.L.	1	(3)	-	45	-	-	-
Inmuebles Gade, S.L.	-	-	8,622	-	-	(3)	-
Medsolar SPV	585	-	460	-	-	-	-
Ola Ortiz Construción,S.P.A.	4,713	-	-	8	-	-	-
Ormats Mantenimiento Integral, S.L.	-	-	-	-	-	-	-
Ortiz Sport Factory, S.L.	12	-	645	3,682	-	-	-
Superficie Cartera Inversiones, S.A.	38	-	-	1,176	-	-	-
Concesión del Sisga, S.A.S.	-	-	-	9,571	-	-	-
Urbanizadora Gade, S.A.	1	-	-	-	-	(29)	(3,651)
Autopistas del Nordeste, S.A.S.	-	-	-	13,395	-	-	-
TOTAL	**5,917**	**(3)**	**9,727**	**58,376**	**-**	**(32)**	**(12,869)**

Related-party transactions in 2018 and 2017 were as follows (thousand euro):

Thousand euro

2018	Sales	Purchases	Interest expense	Interest income	Other results	Dividends
Accesos de Ibiza,S.A.	-	-	125	149	-	-
Africana Energia,S.L.	24	0	-	256	-	-
Alten El Casar, S.L.	115	57	-	-	-	-
Bulevar del Arte y La Cultura,S.A.	-	-	-	49	-	-
Fortem Integral, S.L.	-	4	-	3	-	-
Medsolar, S.L.	131		-	-	-	-
Ola Ortiz Construction, S.P.A.	-	-	-	-	-	-
Ortiz Sport Factory, S.L.	2	-	-	220	-	-
Superficie Cartera de Invesiones,S.A.	345	317	13	21	-	12
Inmuebles Gade, S.L.	-	-	-	130	-	-
Urbanizadora Gade, S.A.	-	-	-	-	-	-
Viario A-31, S.A.	182	-	-	-	-	638
Autopistas del Nordeste, S.A.S.	960	1,265	-	864	-	-
Concesión del Sisga, S.A.S.	4,676	3,971	-	494	-	-
Ormats Mantenimiento Integral, S.L.	124	-	-	-	-	327
Aldigavia Oficinas, S.L.	431	1,446	-	-	-	-
Aldigavia,S.A.U.	78	0	-	-	-	-
Grupo Ortiz Properties Socimi, S.A.	346	444	42	41	-	1,766
Promotora Hospitalaria TEPIC, S.A. de C.V.	602	93	-	-	-	-
Ortega y Gasset Park, S.A.U.	115	5	-	-	-	-
TOTAL	**8,131**	**7,602**	**180**	**2,227**	**-**	**2,743**

Thousand euro

2017	Sales	Purchases	Interest expense	Interest income	Other results	Dividends
Accesos de Ibiza,S.A.	-	-	-	99	-	-
Africana Energia,S.L.	981	836	-	302	-	-
Alten Alange, S.L.	-	-	-	205	-	-
Alten Alconera Dos, S.L.	437	-	5	-	-	-
Alten Alconera, S.L.	-	-	5	190	-	-
Alten El Casar, S.L.	602	-	-	-	-	-
Bulevar del Arte y La Cultura,S.A.	-	-	-	49	-	-
Explotaciones Eólicas Velez Rubio, S.L.	47	-	-	286	-	-
Fortem Integral, S.L.	-	1,096	-	-	-	-
Medsolar, S.L.	430	-	-	-	-	-
Ola Ortiz Construction, S.P.A.	-	-	-	-	-	-
Ortiz Sport Factory, S.L.	2	-	-	194	-	-
Superficie Cartera de Invesiones,S.A.	-	-	17	7	-	9
Urbanizadora Gade, S.A.	-	-	1	-	-	-
Viario A-31, S.A.	120	-	-	-	-	-
Autopistas del Nordeste, S.A.S.	-	-	-	1,684	-	-
Ormats Mantenimiento Integral, S.L.	124	-	-	-	-	76
TOTAL	**2,743**	**1,932**	**28**	**3,014**	**-**	**85**

(thousand euro)

These loans with related parties accrue interest at an interest rate of between 3% and 8%.

Transactions with directors or executives

There are no significant transactions involving a transfer of resources or obligations between the parent company or group companies and directors or executives.

33. SEGMENT REPORTING

The Group's financial information by operating segment for the years ended 31 December 2018 and 2017 is indicated below:

2018	Construction and Services	Energy	Real estate-Holding company	Concessions
Assets	375,408	205,512	158,622	45,574
Liabilities	371,355	150,359	39,616	5,970
Revenues	**270,340**	**322,275**	**2,770**	**9,920**
Profit/(loss) before tax	**(5,469)**	**2,820**	**10,985**	**8,952**

2017	Construction and Services	Energy	Real estate-Holding company	Concessions
Assets	346,120	192,995	168,060	45,335
Liabilities	320,014	143,916	50,908	7,050
Revenues	**240,673**	**177,534**	**1,481**	**9,514**
Profit/(loss) before tax	**10,147**	**9,886**	**(298)**	**715**

34. ENVIRONMENTAL INFORMATION

The Group has adopted all appropriate measures with respect to the protection and improvement of the environment and the minimisation of any environmental impact and complies with current legislation in this respect. As a result, it has not been deemed necessary to record any provision for environmental risks and expenses and nor are there any contingencies associated with environmental protection and improvement.

The primary environmental aspect involving the companies' businesses that entails an environmental risk is the generation of hazardous wastes.

The various Group companies have implemented and Environmental Management System in accordance with the standard UNE-EN ISO 14001:2004 certified by AENOR: Ortiz Construcciones y Proyectos, S.A.U. with certificate number GA-2000/0039 and an issue date of 10 March 2000. Compañía Internacional de Construcción y Diseño, S.A.U. with certificate number GA-2007/0166 and an issue date of 16 April 2007. Ingeniería y Diseños Técnicos, S.A.U. with certificate number GA-2.006/0486 and an issue date of 30 November 2006. Ortiz Área Inmobiliaria, S.L.U. with certificate number GA-2.005/0292 and an issue date of 1 July 2005. Asteisa Tratamiento de Aguas, S.A.U. with certificate number E-199534 and an issue date of 26 January 2000. Construcciones I.C.M.A.-PROAKIS, S.A.U. with certificate number GA-2.001/0373 and an issue date of 18 December 2001. Contratas y Servicios Ferroviarios, S.A.U. with certificate number GA-2003/0021 and an issue date of 28 January 2003. Elecor, S.A.U. with certificate number GA-2.009/0756 and an issue date of 26 November 2009. Juan Galindo, S.L.U. with certificate number GA-2010/0101 and an issue date of 02/03/2010. Ortiz Energía, S.A.U. in December 2012. Indag, S.A.U., in a study and implementation process.

35. EVENTS AFTER THE REPORTING PERIOD

In the opinion of the parent company's directors, no other matter that could have a significant effect on the consolidated financial statements after the year ended 31 December 2018 has been detected.

36. AUDIT FEES

The audit fees accrued during the year by PricewaterhouseCoopers Auditores, S.L. for audit services totalled €215 thousand (2017: €184 thousand) and €5 thousand for other services (2017: €13 thousand).

The fees accrued during the year by other companies pertaining to the PwC network as a result of other services rendered to the Company amounted to €28 thousand (2017: 68).

GRUP ORTIZ

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

APPENDIX I

SUBSIDIARIES

31 December 2018			Shareholding			
Name	**Domicile**	**Business**	**%**	**Thousand euro**	**Group company owner**	**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	PWC
Ingeniería y Diseños Técnicos, S.A.U.	Madrid	Construction	100	120	Ortiz CYP	PWC
Agrícola El Casar, S.L.U.	Madrid	Real Estate	100	52,393	Ortiz CYP	PWC
Prorax, S.A.U.	Madrid	Real Estate	100	726	Ortiz Área I.	Not audited
Ortiz Área Inmobiliaria, S.A.U.	Madrid	Real Estate	100	6,665	Ortiz CYP	PWC
EMCA Sociedad Concesionaria, S.L.U.	Madrid	Concessions	100	100	Ortiz CYP	PWC
Asteisa Tratamiento de Aguas, S.A.U.	Madrid	Construction	100	1,889	Ortiz CYP	PWC
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.	Seville	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	Concession company	100	6,050	Ortiz CYP	PWC
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	-	Ortiz CYP	Not audited
Juan Galindo, S.L.U.	Almeria	Electricity	100	3,484	Ortiz CYP	PWC
Tendidos y Redes del Sur, S.L.U.	Almeria	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 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, S.A. de C.V.	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., en liquidación	Colombia	Construction	100	236	Ortiz CYP / Ortiz Int. Inv.	Not audited
Tecasol, S.A.	Uruguay	Construction	70	2	Ortiz CYP	Not audited
Águeda Educatis Tres Cantos, S.L.U.	Madrid	Real Estate	100	3	Águeda Educatis	Not audited
Galindo Subestaciónes 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	SANSEI TrusT
Go Barajas 2017, S.A.U.	Madrid	Concession company	100	60	Ortiz CYP	Not audited
Constructora Hospitalaria TEPIC, S.A.P.I. de C.V.	Madrid	Construction	47.5	-	Ortiz CyP	Not audited
Total subsidiaries				**126,520**		

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

APPENDIX I

31 December 2017

Name	Domicile	Business	Shareholding %	Shareholding Thousand euro	Shareholding Group company owner	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	52,393	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.	Seville	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	Concession company	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.	Almeria	Electricity	100	3,484	Ortiz CYP	PWC
Tendidos y Redes del Sur, S.L.U.	Almeria	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 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, S.A. de C.V.	Mexico	Construction	100	3	Condisa	Not audited
Ortiz Brasil Contruçoes, Limitada	Brazil	Construction	100	2,050	Ortiz Int. Inv.	Not audited
Ortiz Colombia, S.A.S.	Colombia	Construction	100	236	Ortiz CYP / Ortiz Int. Inv.	Not audited
Tecasol, S.A.	Uruguay	Construction	70	2	Ortiz CYP	Not audited
Ortega y Gasset Park, S.A.U.	Madrid	Concession company	100	9,287	GOP SOCIMI, 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	19,618	GOP SOCIMI, S.A.	PWC
Aldigavia Oficinas, S.L.U	Madrid	Real Estate	100	16,194	GOP SOCIMI, S.A.	PWC
Grupo Ortiz Properties, S.A.U.	Madrid	Real Estate	88.62	66,517	Ortiz CYP / Viario A31	PWC
Galindo Subestaciónes 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	SANSEI TrusT
Go Barajas 2017, S.A.U.	Madrid	Concession company	100	60	Ortiz CYP	Not audited
Total subsidiaries				**238,137**		

GRUPORTIZ

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

APPENDIX II

JOINTLY-CONTROLLED COMPANIES

31 December 2018

			Shareholding			
Name	**Domicile**	**Business**	**%**	**Thousand euro**	**Group company holder**	**Audit**
Inmuebles Gade, S.L.	Madrid	Real Estate	79.21	14,802	Ortiz Área I.	Not audited
Urbanizadora Gade, S.A. en liquidación	Madrid	Real Estate	50	4,318	Ortiz Área I.	Not audited
Accesos de Ibiza, S.A.	Balearic Islands	Concession company	50	6,400	Ortiz CYP	Gabinete de auditoría Ribas
Medsolar SPV10, S.R.L.	Italy	Energy	50	5	Agricasa	Not audited
Ortiz Sport Factory	Madrid	Concession company	64.31	5	Agricasa/Fortem	Not audited
Alten El Casar, S.L.	Madrid	Energy	66.44	220	Ortiz CyP and Alten 2010 Energ. Renov.	Not audited
Total jointly-controlled entities				**25,750**		

31 December 2017

			Shareholding			
Name	**Domicile**	**Business**	**%**	**Thousand euro**	**Group company holder**	**Audit**
Inmuebles Gade, S.L.	Madrid	Real Estate	79.21	14,802	Ortiz Área I.	Not audited
Urbanizadora Gade, S.A. en liquidación	Madrid	Real Estate	50	4,318	Ortiz Área I.	Not audited
Accesos de Ibiza, S.A.	Balearic Islands	Concession company	50	6,400	Ortiz CYP	Gabinete de auditoría Ribas
Alten Alconera Dos, S.L.	Madrid	Energy	61.3	2,064	Agricasa y Alten ER	PWC
Alten Alange, S.L.	Madrid	Energy	61.31	1,464	Agricasa y Alten ER	PWC
Medsolar SPV10, S.R.L.	Italy	Energy	50	5	Agricasa	Not audited
Ortiz Sport Factory	Madrid	Concession company	64.31	5	Agricasa/Fortem	Not audited
Alten El Casar, S.L.	Madrid	Energy	61.31	688	Ortiz CyP and Alten Energ. Renov.	Not audited
Total jointly-controlled entities				**29,746**		

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

APPENDIX II

ASSOCIATES

31 December 2018			Shareholding			
Name	**Domicile**	**Business**	**%**	**Thousand euro**	**Group company holder**	**Audit**
Bulevar del Arte y la Cultura, S.A.	Valencia	Concession company	33.34	467	Ortiz CyP	Not audited
Render Energías Renovables, S.L.	Madrid	Energy	22.62	2,909	Alten Investments	PWC
Fortem Integral, S.L.	Madrid	Training	51.32	51	Agricasa	Not audited
Viario A - 31, S.A.	Madrid	Concession company	26	1,639	Ortiz CyP	Deloitte
Africana Energía, S.L.	Cordoba	Energy	39.36	1,495	Ortiz CyP	PWC
Alten Renewable Energy Investments, B.V.	Netherlands	Energy	22.74	2,909	Ortiz CyP	Not audited
Superficie Cartera De Inversiones, S.A.	Madrid	Real Estate	1	106	Ortiz CyP	PWC
Ormats mantenimiento Integral, S.L.	Cordoba	Energy	33.33	1	Ortiz CyP	Not audited
Alten Renewable Energy Developments, B.V.	Netherlands	Energy	32.8775	4,438	Ortiz CyP	Not audited
Construcciones Inc-Ortiz, S.A.	Chile	Construction	50	1	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 2010 Energías Renovables, S.A.	Madrid	Energy	32.8775	1,909	Alten Developments	PWC
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
Autopista del Nordeste.	Colombia	Concession company	25	33	Ortiz CyP	Deloitte
Concesión del Sisga, S.A.S.	Colombia	Concession company	25.01	7	Ortiz CyP	EY
OrtizCocomex, S.A.P.I. de C.V.	Mexico	Construction	50	1	Ortiz CyP/JG	Not audited
Alten Renewable Energy Developments America, B.V.	Netherlands	Energy	10.96	706	Alten Developments	Not audited
Cubico Alten Aguascalientes 1, S.A.P.I. de C.V.	Mexico	Concession company	3.29	117	Alten Dev. America	PwC
Cubico Alten Aguascalientes 2, S.A.P.I. de C.V.	Mexico	Concession company	3.29	128	Alten Dev. America	PwC
Promotora Hospitalaria TEPIC, S.A.P.I. de C.V.	Mexico	Concession company	47.5	5,039	Ortiz CyP	Not audited
Ortega y Gasset Park, S.A.U.	Madrid	Concession company	48.81	4,533	GOP SOCIMI, S.A.	PWC
Aldigavia, S.A.U.	Madrid	Real Estate	48.81	9,576	GOP SOCIMI, S.A.	PWC
Aldigavia Oficinas, S.L.U	Madrid	Real Estate	48.81	7,904	GOP SOCIMI, S.A.	PWC
Grupo Ortiz Properties, S.A.U.	Madrid	Real Estate	48.81	35,932	Ortiz CYP	PWC
Vending La Gavia, S.L.	Madrid	Concession company	50	25	Agricasa	Not audited
Alten Renewable Energy Developments Africa, B.V.	Netherlands	Concession company	16.7675	306	Alten Developments	Not audited
Alten Solar Power (Hardap) (pty) Ltd	Namibia	Concession company	8.55143	256	Alten Dev. Africa	Not audited
Total Associates				**79,930**		

GRUP ORTIZ

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

APPENDIX II

31 December 2017			Shareholding			
Name	Domicile	Business	%	Thousand euro	Group company holder	Audit
Bulevar del Arte y la Cultura, S.A.	Valencia	Concession company	33.34	467	Ortiz CyP	Not audited
Alten Energías Renovables, S.L.	Madrid	Energy	22.62	2,909	Alten Investments	PWC
Fortem Integral, S.L.	Madrid	Training	51.32	51	Agricasa	Not audited
Viario A - 31, S.A.	Madrid	Concession company	39	2,458	Ortiz CyP	Deloitte
Africana Energía, S.L.	Cordoba	Energy	39.36	1,495	Ortiz CyP	PWC
Alten Renewable Energy Investments, B.V.	Netherlands	Energy	22.74	5,449	Ortiz CyP	Not audited
Superficie Cartera de Inversiones, S.A.	Madrid	Real Estate	1	130	Ortiz CyP	PWC
Ormats mantenimiento Integral, S.L.	Cordoba	Energy	33.33	1	Ortiz CyP	Not audited
Explotaciones Eólicas Vélez Rubio, S.L.	Valencia	Energy	40	5,671	Agricasa	PwC
Alten Renewable Energy Developments, B.V.	Netherlands	Energy	32.8775	4,438	Ortiz CyP	Not audited
Construcciones Inc-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 2010 Energías Renovables, S.A.	Madrid	Energy	32.8775	1,909	Alten Developments	PWC
Dumar Ingenieros, S.L.	Madrid	Energy	22.62	460	Alten Energ. Renov.	Not audited
Alten Gestión de Proyectos, S.L.	Madrid	Energy	32.8775	1	Alten 2010	Not audited
Autopista del Nordeste.	Colombia	Concession company	25	35	Ortiz CyP	Deloitte
Concesión del Sisga, S.A.S.	Colombia	Concession company	50	6	Ortiz CyP	EY
OrtizCocomex, S.A.P.I. de C.V.	Mexico	Construction	50	1	Ortiz CyP/JG	Not audited
Alten Renewable Energy Developments America, B.V.	Netherlands	Energy	10.96	706	Alten Developments	Not audited
Cubico Alten Aguascalientes 1, S.A.P.I. de C.V.	Mexico	Concession company	3.29	1	Alten Dev. America	PwC
Cubico Alten Aguascalientes 2, S.A.P.I. de C.V.	Mexico	Concession company	3.29	1	Alten Dev. America	PwC
Promotora Hospitalaria TEPIC, S.A.P.I. de C.V.	Mexico	Concession company	47.5	5,039	Ortiz CyP	Not audited
Total Associates				**32,174**		

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2018

JOINT VENTURES

			2018	
ASTEISA, TRATAMIENTO DE AGUAS, S.A.U.	**% Interest**	**Business**	**Revenues**	**Profit/(loss)**
UTE BRETOÑA.	50%	Construction	-	-
UTE CANTON CASA DE CAMPO.	50%	Construction	1,477	(193)
UTE EDAR ARANJUEZ.	50%	Construction	1,271	168
UTE EDAR RIBADEO.	50%	Concessions	149	69
UTE EDAR VEGA.	75%	Construction	-	-
UTE EDAR VILLANUEVA.	50%	Construction	49	(2)
UTE ETAP VALMAYOR.	80%	Construction	1,432	(12)
UTE EXTRACO-ASTEISA.ARCADE.	50%	Construction	164	(22)
Total ASTEISA, TRATAMIENTO DE AGUAS, S.A.U.			**4,542**	**8**

			2018	
CIA.INTNAL.CONSTRUCCION Y DISEÑO,S.A.U.	**% Interest**	**Business**	**Revenues**	**Profit/(loss)**
UTE BIBLIOTECA BURGOS.	50%	Construction	-	135
UTE CULTURA Y DEPORTE 2016.	50%	Construction	338	-
UTE EDIFICIOS P-VALLECAS.	50%	Construction	-	(14)
UTE GESTION CIUDAD LINEAL 2011-2012.	50%	Construction	-	-
UTE GESTION FUENCARRAL 2010.	50%	Construction	-	-
UTE GESTION LATINA 2010.	50%	Construction	-	-
UTE GESTION PUENTE VALLECAS 2010.	50%	Construction	-	-
Total CIA.INTNAL.CONSTRUCCION Y DISEÑO,S.A.U.			**338**	**121**

			2018	
CONTRATAS Y SERVICIOS FERROVIARIOS,S.A.U.	**% Interest**	**Business**	**Revenues**	**Profit/(loss)**
UTE ALICANTE.	20%	Construction	-	-
UTE HENDAYA.	65%	Construction	-	-
UTE MANTENIMIENTO LOTE 2 NOROESTE.	25%	Construction	3,319	(558)
UTE MANTENIMIENTO OLMEDO PEDRALBA.	8%	Construction	323	10
UTE MANTENIMIENTO ORENSE 2017.	50%	Construction	-	-
UTE METRICO 2016.	33.33%	Construction	-	-
UTE METRICO 2017.	33.33%	Construction	25	(6)
UTE OLMEDO PEDRALBA.	8%	Construction	1,735	162
UTE TABOADELA.	50%	Construction	-	(4)
Total CONTRATAS Y SERVICIOS FERROVIARIOS,S.A.U.			**5,402**	**(396)**

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2018

			2018	
ELECOR,S.A.U.	**% Interest**	**Business**	**Revenues**	**Profit/(loss)**
UTE CAMPO DE GIBRALTAR.	50%	Energy	-	-
UTE CUADROS ELECTRICOS AEROPUERTO ALDOFO SUAREZ.	50%	Energy	161	1
UTE CUADROS PRINCIPALES DE BAJA TENSION AEROPUERTO ADOLFO SUAREZ MADRID-BARAJAS	50%	Energy	17	-
UTE ENERGIA MALAGA.	45%	Energy	126	46
UTE HIDRO-CAJAL.	50%	Energy	48	-
UTE ILUMINACION EFICIENTE LED METRO MADRID LOTES 1	45%	Energy	303	(3)
UTE MONTAJE CAJAL.	50%	Energy	(20)	(30)
UTE PLANTAS SOLARES FOTOVOLTAICAS EN AEROPUERTOS CANARIOS.	65%	Energy	991	15
UTE SUSTITUCION REDES HOSPITAL GETAFE.	90%	Energy	176	-
UTE TUNELES AV ZAMORA.	20%	Energy	62	1
UTE TUNELES NORTE.	30%	Energy	71	2
Total ELECOR, S.A.U.			**1,935**	**32**

			2018	
EMCA SOCIEDAD CONCESIONARIA,S.L.U.	**% Interest**	**Business**	**Revenues**	**Profit/(loss)**
UTE PAR ANDORRA.	70%	Concessions	36	(91)
Total EMCA SOCIEDAD CONCESIONARIA,S.L.U.			**36**	**(91)**

			2018	
IMPULSA GRUP ORTIZ, S.L.	**% Interest**	**Business**	**Revenues**	**Profit/(loss)**
UTE SANT ROC.	80%	Construction	-	(2)
Total IMPULSA GRUP ORTIZ,S.L.			**-**	**(2)**

			2018	
INGENIERIA Y DISEÑOS TECNICOS,S.A.U.	**% Interest**	**Business**	**Revenues**	**Profit/(loss)**
UTE CONEXION PARQUES.	90%	Construction	-	-
UTE CR MACETEROS.	80%	Construction	892	-
UTE EDIFICIOS XATIVA.	80%	Construction	528	(84)
UTE GESTION INTEGRAL VICALVARO.	20%	Construction	-	(0)
UTE INDITEC-SICE-PLAYAS CADIZ.	60%	Construction	34	29
UTE MOBILIARIO LA VAGUADA.	50%	Construction	(20)	(22)
UTE ORQUIDIARIO.	80%	Construction	9	(5)
UTE PARQUE JUAN DE AUSTRIA.	80%	Construction	180	-
UTE PARQUES FORESTALES Y VIVEROS.	45%	Construction	4,053	203
UTE PARQUES RED REGENERADORA.	80%	Construction	393	-
UTE PLANTA RESIDUOS BADAJOZ.	60%	Construction	-	-
UTE TAJO SALOR.	60%	Construction	-	5
UTE VILLA ESTEPONA.	80%	Construction	668	70
Total INGENIERIA Y DISEÑOS TECNICOS,S.A.U.			**6,736**	**196**

			2018	
JUAN GALINDO,S.L.U.	**% Interest**	**Business**	**Revenues**	**Profit/(loss)**
UTE CAMPO DE GIBRALTAR.	50%	Construction	-	-
UTE POSADAS.	50%	Construction	-	-
Total JUAN GALINDO,S.L.U.			**-**	**-**

			2018	
ORTIZ CONSTRUCCIONES Y PROYECTOS,S.A.	**% Interest**	**Business**	**Revenues**	**Profit/(loss)**
UTE A-31	27%	Construction	935	143

UTE AFINO ETAP SANTILLANA.	50%	Construction	-	(7)
UTE AFRICASOLAR.	25%	Energy	20	2
UTE ALCOVER.	50%	Construction	366	371
UTE AUTOVIA ARGAMASILLA.	40%	Construction	-	59
UTE BIBLIOTECA BURGOS.	50%	Construction	-	135
UTE CANTON CASA DE CAMPO.	50%	Construction	1,477	(193)
UTE CASA DEL CUENTO.	50%	Construction	-	17
UTE CENTRO ACUATICO 2012.	20%	Construction	-	(2)
UTE CLINICO MADRID.	30%	Construction	-	(43)
UTE COLEGIO NOBELIS.	50%	Construction	-	52
UTE CONEXION PARQUES.	10%	Construction	-	-
UTE CONSERVACIÓN CUENCA.	50%	Construction	834	1
UTE CR MACETEROS.	20%	Construction	223	-
UTE CULTURA Y DEPORTE 2016.	50%	Construction	338	-
UTE EDAR VILLANUEVA.	50%	Construction	49	(2)
UTE EDIFICIOS P-VALLECAS.	100%	Construction	-	(14)
UTE EDIFICIOS XATIVA.	20%	Construction	132	(21)
UTE ENERGIA MALAGA.	50%	Energy	126	46
UTE ETAP VALMAYOR.	20%	Construction	358	(3)
UTE GESTION CIUDAD LINEAL 2011-2012.	50%	Construction	-	-
UTE GESTION FUENCARRAL 2010.	50%	Construction	-	-
UTE GESTION INTEGRAL VICALVARO.	80%	Construction	-	(1)
UTE GESTION LATINA 2010.	50%	Construction	-	-
UTE GESTION PUENTE VALLECAS 2010.	50%	Construction	-	-
UTE HIDRO-CAJAL.	50%	Construction	48	-
UTE HOSPITAL ALBACETE.	38%	Construction	-	(5)
UTE ILLESCAS.	50%	Construction	-	-
UTE MANTENIMIENTO EMVS ORTIZ-FERNANDEZ MOLINA.	50%	Construction	667	-
UTE MATADERO.	43%	Construction	-	15
UTE NOVA CLINICA GIRONA.	35%	Construction	596	(4)
UTE ORTIZ-SICE-ITUVAL GESTION ENERGETICA.	60%	Construction	2,466	110
UTE PAR ANDORRA.	30%	Concessions	16	(39)
UTE PARKING VILLALBA.	50%	Construction	(10)	(66)
UTE PARQUE JUAN DE AUSTRIA.	20%	Construction	45	-
UTE PARQUES FORESTALES Y VIVEROS.	10%	Concessions	901	45
UTE PARQUES RED REGENERADORA.	20%	Construction	98	-
UTE PLANTA RESIDUOS BADAJOZ.	20%	Construction	-	-
UTE PLAZA MEXICO.	50%	Construction	404	30
UTE POLIDEPORTIVO COLMENAR.	55%	Construction	-	-
UTE PRESA ARBAS.	50%	Construction	-	(1)
UTE RAMOS CARRION.	80%	Construction	148	147
UTE RUTA DE LA PLATA 2015.	50%	Construction	722	34
UTE RUTA DE LA PLATA.	50%	Construction	-	(0)
UTE SALAS.	50%	Construction	(307)	(179)
UTE SANT ROC.	20%	Construction	-	-
UTE SIMANCAS.	50%	Construction	-	-
UTE SOTANO TC.	50%	Construction	-	-
UTE SUSTITUCION REDES HOSPITAL GETAFE.	10%	Construction	20	-
UTE TUNELES NORTE.	20%	Energy	47	-
UTE URBANITZACIÓ CLINICA GIRONA.	35%	Construction	95	(2)
UTE ZONAS VERDES ENSANCHE VALLECAS.	33.33%	Construction	-	-
Total ORTIZ CONSTRUCCIONES Y PROYECTOS,S.A.			**10,812**	**627**

			2018	
ORTIZ ENERGIA,S.A.U.	**% Interest**	**Business**	**Revenues**	**Profit/(loss)**

UTE AFRICASOLAR.	25%	Energy	20	2
UTE CUADROS ELECTRICOS AEROPUERTO ADOLFO SUAREZ.	40%	Energy	107	1
UTE CUADROS PRINCIPALES DE BAJA TENSION AEROPUERTO ADOLFO SUAREZ MADRID-BARAJAS	40%	Energy	11	-
Total ORTIZ ENERGIA,S.A.U.			**139**	**3**
General total			**29,940**	**498**

CONSOLIDATED DIRECTORS' REPORT FOR 2018

GRUP ORTIZ

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR 2018

CONTENTS OF THE DIRECTORS' REPORT

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR 2018

1. BUSINESS DEVELOPMENT AND SITUATION OF THE GROUP

GRUPO ORTIZ is a group with 58 years of history. It is currently diversified into five business areas and has a significant international presence.

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

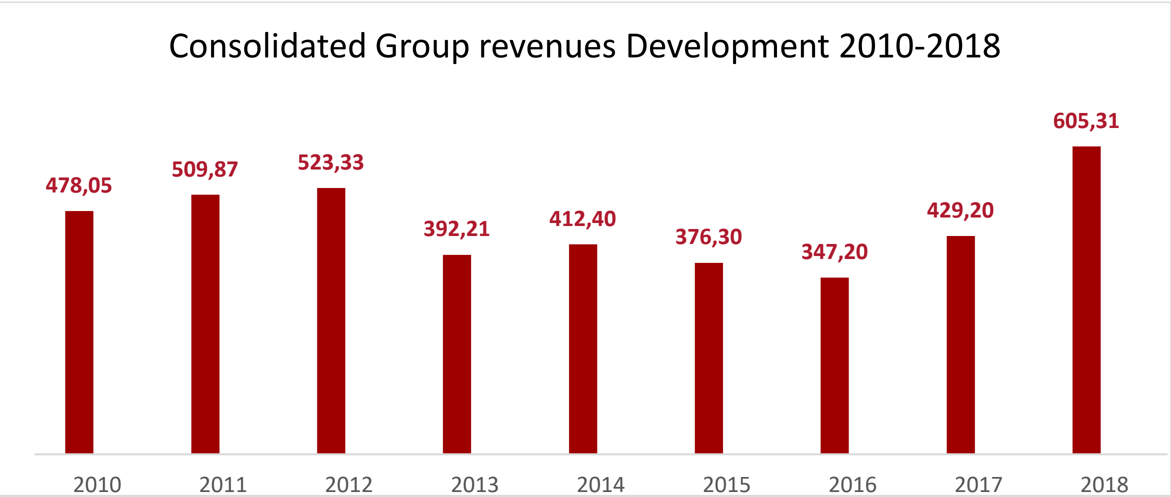
The Group's business areas are:

- **Concessions** Concession operator with broad experience in investment financing, design, execution, operation and maintenance. Energy and Construction Concessions
- **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.** Real estate properties for rental and tertiary level products (offices and business premises).

It must be mentioned that during 2018 the Company´s situation has evolved positively. The Consolidated Group's revenues totalled €605.31 million in 2018, 41% more than in 2017 in which revenues totalled €429 million, and EBITDA was €39.37 million, 32% more than last year.

Grupo Ortiz attained the highest level of consolidated revenues of its 58 years of history in 2018: €605 million

An illustration of the Consolidated Group´s development is set out below:



The Group's robustness can be seen in the development of GRUPO ORTIZ'S main financial figures over the past few years, and in 2018. That year is notable due to the significant growth in group revenues as a result of the diversification of business areas and the internationalization of the Group.

The revenue and EBITDA information by business area, and a comparison against last year, is set out in the following illustration, notably showing 89% revenue growth in the International Energy area and 31% in the International Construction area.

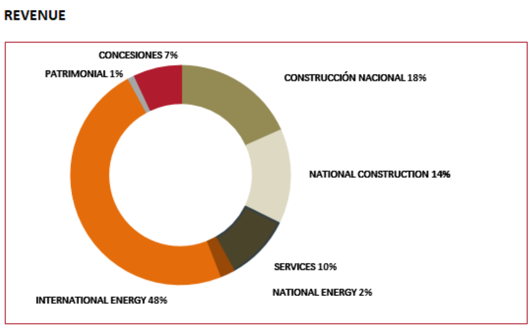
ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR 2018

The breakdown of 2018 Revenues and EBITDA by business area is set out below:

		REVENUE 2018	% 2017-18	EBITDA 2018
BUSINESS AREA	DOMESTIC CONSTRUCTION	117,90	+7%	3,07
	INTERNATIONAL CONSTRUCTION	**89,94**	**+31%**	**4,40**
	SERVICES	62,50	+1%	3,05
	DOMESTIC ENERGY	13,24	+23%	0,45
	INTERNATIONAL ENERGY	**308,73**	**+89%**	**13,90**
	HOLDING AND SOCIMI SALE	2,77	+25%	13,00
	CONCESSIONS HELD BY SUBSIDIARIES	9,92	+6%	2,17
	CONSOLIDATED GROUP TOTAL	**605,00**	**+41%**	**40,04**
	+ CONCESSIONS - NON SUBSIDIARIES	30,20	-27%	20,30
	+SOCIMI	3,92	-	1,90
	TOTAL GROUP (*)	**639,12**	**+35%**	**62,24**

The weight of each of the areas in terms of revenues is shown below:



To better understand the Group, below we mention the various parts, as follows:

- Scope of consolidation
- Non-consolidated
    - Concession interests
    - Real estate asset interests

The consequence of using the equity method to consolidate associates, EBITDA's and Revenues of concession companies and the company Grupo Ortiz Properties Socimi is that they are not included on the financial statements of the Consolidated Group.

Adding together all of the Group's component parts, it can be said that Group revenues totalled €639.43 million if the concession and real estate asset businesses, which are not consolidated into the Group, are included and EBITDA amounts to €61.57 million if the concession companies not consolidated into the Group are included and, for the first year, the EBITDA from Grupo Ortiz Properties Socimi is also included, as is shown in the following:

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR 2018

The Ortiz Group comprises:

CONSOLIDATED

Consolidated companies generating €39.,37 million in EBITDA deriving from the Group's different business areas.

BUSINESS AREA	REVENUE 2018	EBITDA 2018
DOMESTIC CONSTRUCTION	117,90	3.07
INTERNATIONAL CONSTRUCTION	89,94	4.40
SERVICES	62.50	3.05
DOMESTIC ENERGY	13.24	0.45
INTERNATIONAL ENERGY	309.04	13.23
HOLDING	2.77	13.00
CONCESSIONS HELD BY SUBSIDIARIES	9.92	2.17
CONSOLIDATED GROUP TOTAL	605.31	39.37

EBITDA GROUP €48.26 million

NON-CONSOLIDATED

Non-consolidated operations, made up of interests in concessions and holdings with a carrying amount of €107.23 million.

CONCESSIONS CARRIED UNDER THE EQUITY METHOD	EQUITY (CARRYING AMOUNT)
DOMESTIC	33.62
THERMOSOLAR PLANT	17.60
AUTOPISTA ACCESOS DE IBIZA	5.81
MOTORWAY A31	3.37
BULEVAR ARTE y CULTURA	1.43
ORTIZ SPORT FACTORY	4.80
PV ALTEN EL CASAR	0.61
INTERNATIONAL	35.92
TEPIC HOSPITAL (MEXICO)	4.62
CONEXIÓN NORTE (COLOMBIA)	9.99
TRANSVERSAL DEL SISGA (COLOMBIA)	15.13
PV ALTEN AMERICA	5.70
MEDSOLAR	0.48
TOTAL CONCESSIONS	69.54

HOLDING	EQUITY (CARRYING AMOUNT)
GOP SOCIMI	37.69
TOTAL HOLDING	37.69

In 2018 these interests generated EBITDA in addition to consolidated EBITDA of €€8.89 million, with recurring EBITDA of €3.92 million (dividends + interest on subordinated debt) and an accounting result of €4.97 million as a result of divestments.

In summary, and to better understand the Group we note:

The scope of consolidation: Sales totalled €605 million and EBITDA 38.44 million, essentially originating from the following business areas: Energy, Construction and Services.

Concession and Real Estate Asset Interests: Sales totalled €34.12 million and EBITDA €22.2 million. Concession interests are valued at approximately €69.54 million and the real estate asset interests at €37.69 million.

In 2018 these interests generated an EBITDA in addition to that for the consolidated group totalling €8.06 million, with a recurring EBITDA of €3.9 million (dividends + subordinated debt interest) and book results totalling €4.16 million as a result of divestments.

Furthermore, cash resources totalling €67.97 million were generated this year as a result of divestments.

National Concessions: Carrying amount €33.62 million

- Energía Termosolar La Africana Concession
- Autovía Accesos de Ibiza Concession
- Autovía Viario A31 Concession
- Cultural Concession: Bulevar Arte y Cultura
- Centro deportivo Sport Factory

International Concessions: Carrying amount €35.92 million

- Hospital Tepic México
- Motorway concession in Colombia: Conexión Norte.
- Motorway concession in Colombia: Trasversal del SISGA.

Real estate assets: Carrying amount €37.69 million

- Grupo Ortiz Properties SOCIMI

The above table excludes Land owned by Grupo Ortiz that has a carrying amount of €55.50 million and are free of debt.

2. INTERNATIONALIZATION OF THE GROUP

In 2018 international revenues represent 66% of total revenues. In 2017 international revenues represented 54% of the Group's revenues.

International revenues in 2018 total €398.98 million, distributed among the following countries:

In the countries in which we are present: Mexico €248.44 million, Colombia €37.05 million, Panama €35.18 million and Peru €12.24 million,

Countries with Energy Projects based on customers throughout the world: Japan €23.48 million, Honduras €30.64 million, Bolivia €2.84 million, Guatemala €3.60 million and Other countries €5.51 million.

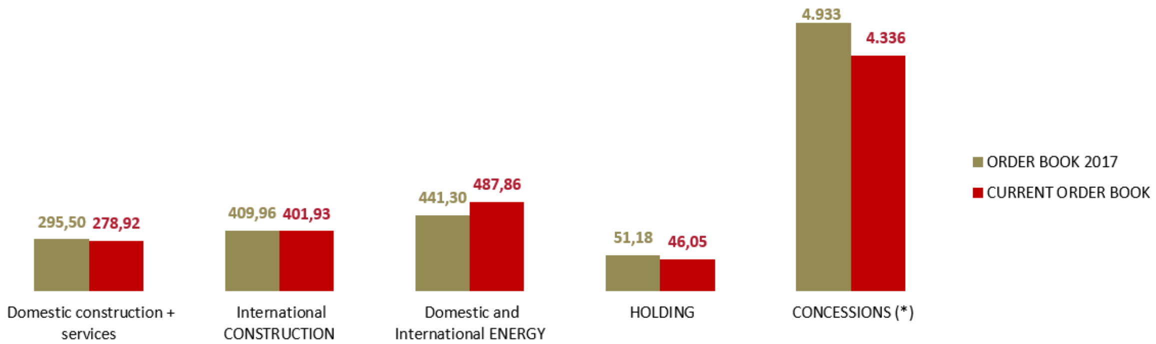
Of total revenues from the Energy area, 96% are international.

Of total revenues from the Construction area, 65% are international.

3. CURRENT PORTFOLIO

The current contracted portfolio pending execution by GRUPO ORTIZ amounts to €5,551 million.

The portfolio of contracts focuses primarily on the Concession, Energy and International Construction areas.



- The Concession portfolio totals €4,336 million, which is a 12% decline compared to last year as a result of the sale of several concessions during the year.

- The Energy portfolio totals €487.86 million, 80% of which relates to international projects, which is a 12% increase compared to last year.

- The International Construction area portfolio totals €401.93 million and remains stable compared to the €409.96 million recorded last year.

- The total portfolio corresponding to the National Construction and Services areas amounts to €278.92 million, 7% lower than last year.

- The portfolio corresponding to the Real Estate Asset area amounts to €46.05 million, practically the same as the 51.18 million recorded the previous year.

The Group's portfolio has three concessions in Colombia, the first one, Conexión Norte, the second one, Trasversal del Sisga (Bogotá), and the third one is the Private Initiative Caribbean Route. It also records the first international hospital concession, Hospital Tepic in Mexico, the execution of which is at a very advanced stage.

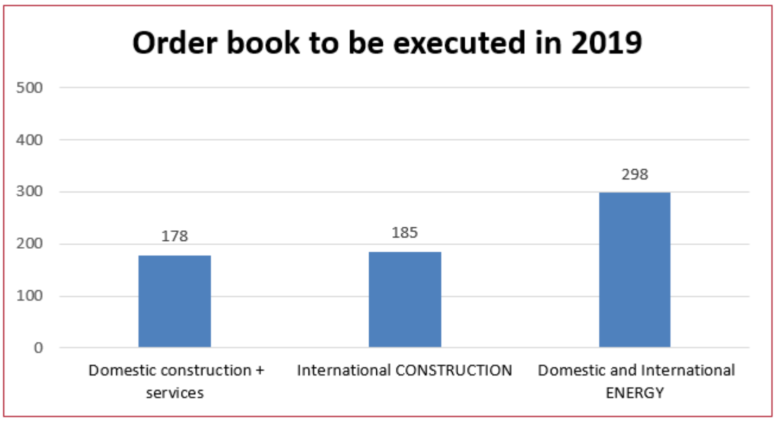
In summary, GRUPO ORTIZ has a highly diversified portfolio both geographically and by business area, which a high growth potential.

International projects make up 78% of the total portfolio, above the 69% recorded the preceding year. It should be noted that the internationalization of this portfolio in the energy areas is 80% and 59% in the construction area.

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR 2018

The portfolio to be executed in 2019 in the Construction, Services and Energy business areas, which totals €661 million, is set out below:



4. FINANCING AND BORROWINGS

DEBT: The GROSS BORROWINGS WITH and WITHOUT RECOURSE in 2018 amounts to 145.28 million, a 3% decrease compared to last year.

If we also add into this category the heading "Other Financial Liabilities" and we eliminate the amount of the only that without recourse included there, the amount of GRUPO ORTIZ GROSS BORROWINGS WITH RECOURSE at the end of 2018 amounts to €165.33 million, a 5% decrease compared to 2017 and 15% less than in 2016.

This decline is due to the Group's commitment to the debt reduction policy, even in the current growth phase.
Borrowings WITHOUT RECOURSE basically relates to the PROJECT DEBT for the VPPAOC housing project in Villalba and total €11 million.

The total amount of credit facilities at 31 December 2018, was fully available, as is habitual with the Group at the end of the year.

Also, in 2018 the Group renewed the Syndicated Financing early, which has meant:

- A deferral of the new syndicated financing to 2023.
- A decline in Borrowings due to part of this financing being used to repay €30 million in International Financing.
- An increase in the initial amount of the borrowings from €120 million to the current level of €134.25 million.
- The inclusion of two new companies in the financing.

The Group has also continued with the diversification of its sources of Financing in 2018, with a new issue on the Alternative Fixed Income Market in the amount of €50 million for a term of slightly more than 5 years and a fixed coupon of 5.25%, which has confirmed the support and confidence in the Company by the markets.
A tender offer was made to which more than 50% of the bondholders participated.

LENDING POSITIONS: Lending positions must be evaluated in order to analyse net debt.
Lending positions at 31 December 2018 amount to €89.04 million compared to the €70.55 million recognised the preceding year.

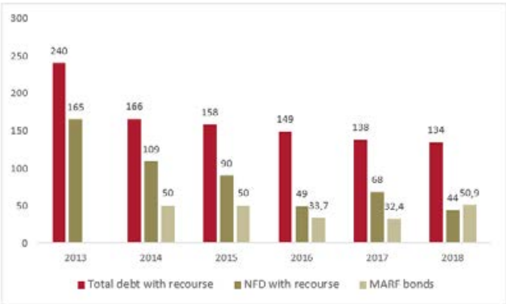
NET FINANCIAL DEBT: As a result, the current year has ended with a net debt figure of €45.11 million, compared to the €67.78 million seen last year.
If the heading "Other Financial Liabilities" is added to this item, we can speak of Net Debt with Recourse totalling €76.17 million at the end of 2018, compared to the €104.10 million in 2017, a 26% decline.

SUMMARY: In summary, and including "Other Financial Liabilities", we can speak of:

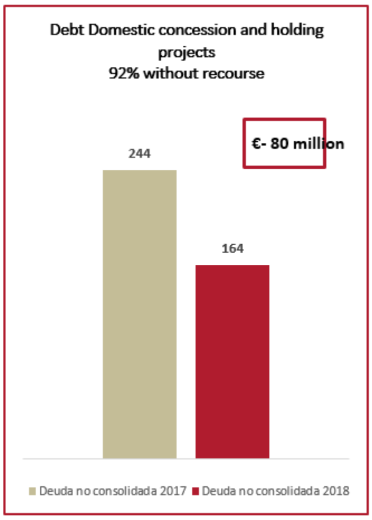
- Gross Debt totalling €165.33 million, which is a 5% decline compared to last year.

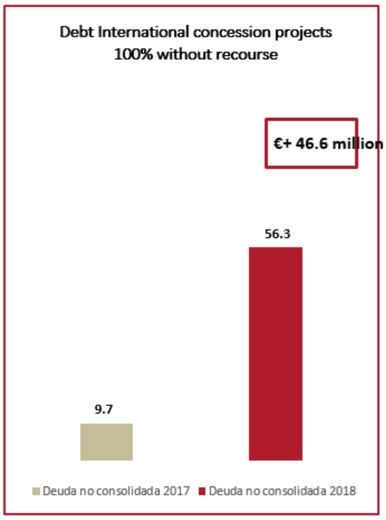
- Lending Positions totalling €89.15 million, a 28% increase
- Net Debt totalling €76.17 million, a 26% decline

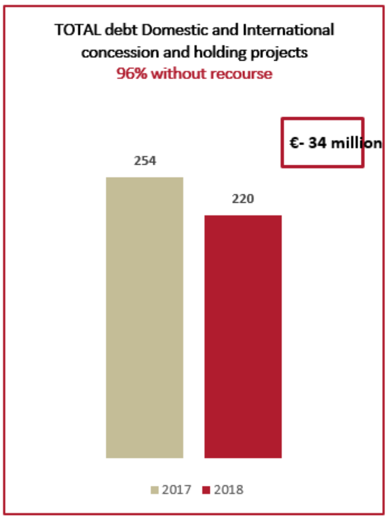
As a result of the decrease in the Group´s net debt and the high lending positions, the corporate ratios required by the Bonds and the Syndicate, which this year coincide, are easily met and fall within the lower range, which will give rise to a reduction in financial expenses in 2019.
An illustration showing the development of the Group´s consolidated debt is shown below, taking into account that it does not include Other Financial Liabilities or CDTIs.



The following table shows non-consolidated debt associated with Concession and Real Estate Asset projects, presenting a reduction in the exposure to the national Banking Pool amounting to €80 million and the expansion of the International Banking Pool by €46 million:







5. INTERNATIONAL ENERGY

The Energy Area at GRUPO ORTIZ underwent sharp growth compared to past years at around 89% over 2017, and everything points to the fact that we will continue with more sustainable growth in the short and medium-term.

In 2018 the figure of 1.3 GW of installed capacity or being installed at photovoltaic projects was reached. We note that the skill and references that have been acquired have served to consolidate the Group's position in the market and we are optimistic that this will contribute to growth in coming years.

The Energy Area at Grupo Ortiz grew sharply worldwide, in accordance with the events taking place in the energy area around the planet. We grew from €175 million in revenues in 2017 to more than €309 million in 2018, and there are excellent expectations that this growth path will continue.

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR 2018

Energy has become a priority protagonist in the global economy as a result of the entry into force of the Paris Agreement signed in 2015 and which, even though an environmental treaty, primarily involves action in the energy area.

The objective is based on the decarbonization of the economy to eliminate CO2 emissions that cause climate change, to obtain a global temperature increase of less than 1.5°C. To achieve this, it will be necessary to decrease CO2 emissions by 95% by 2050 compared to 1990, which implicitly involves decreasing the current consumption of fossil fuels by between 80% and 90%. This will only be possible with significant energy efficiency efforts, the electrification of the economy and only if electricity is produced using renewable energy sources.

Globally, developed countries will have to implement energy transition policies to decrease the current use of fossil fuels and replace them by renewable energy, while guaranteeing supply levels. Developing countries will have to install renewable-source generation systems and systems that guarantee the stability of the electricity system while causing as few emissions as possible.

The International Energy Agency estimates that in 2023 30% of electricity demand in OECD countries will be satisfied by renewable sources, which is a six-point increase compared to 2017. This demand will be primarily satisfied using photovoltaic solar energy. Over the past year, just OECD countries have installed more than 28 GW of photovoltaic capacity and 30 GW of wind energy sources. Worldwide around 100 GW of photovoltaic solar energy capacity per year is being installed, which creates enormous market expectations, together with the need for electric transportation infrastructure and the distribution that is required.

The International Energy Area has grown by 75% with respect to the revenues seen in 2017, and the following projects by geographic area are notable:

Mexico: The Area's position in this market is very relevant and represented 75% of its revenues in 2018. Accordingly, we consider that the level of representation in this market should be maintained to assist guaranteeing future results. While simultaneously consolidating the renewable energy position held by GRUPO ORTIZ, this will allow projects involving other generation technologies and other types of Energy projects to be matured, as is the case with the new contracted project relating to the Oil & Gas sector covering the construction of a new fuel storage terminal for CLH in Mexico. In Mexico the following projects are notable:

- Photovoltaic Plant Navojoa, Sonora 257 Mwp
- Photovoltaic Plant Jinko Power, Yucatán, 100 MWp.
- Photovoltaic Plant Terranova Conejos, Ciudad Juarez, 93 MWp.
- Photovoltaic Plant Tepezalá II, Aguascalientes 133 MWp.
- Photovoltaic Plant Solem 1, Photovoltaic EPC of 180 MWp
- Photovoltaic Plant Solem 2, Photovoltaic EPC of 168 MWp
- Fuel storage Terminal HST/CLH, State of Mexico

Japan: This country has decidedly embraced renewable energies and has a regulatory framework that guarantees its sustained growth in the medium and long-term, which allows us to position the Group in a stable manner within the market, notably involving the following projects:

- Photovoltaic Plant Mine Yamaguchi, 14 MWp.
- Photovoltaic Plant Shirakawa, Fukushima, 15 MWp.
- Photovoltaic Plant Yamagata 25 MWp

Peru: this country has put firm support behind Transmission and Distribution (T&D) projects and has developed a growth strategy for increasing the production capacity of plants, primarily hydraulic in nature, that require transmission infrastructure to connect to the national grid. We note the following projects:

- 132 km Aguaytía-Pucallpa transmission line, 138 KV and the associated sub-stations.

Central America: this region also supports renewable energy projects and they have an excellent position in the region, which is a point of reference with more than 200 MW built and in operation. Notable construction during the year included the following projects:

- Photovoltaic Project PACIFIC SOLAR ENERGY in Honduras, 35 MWp.
- Expansion of the photovoltaic solar plant HORUS, in Guatemala, 17 MWp.

6. INTERNATIONAL CONSTRUCTION

The Group's international construction activity shows revenues of €89.94 million, which represents a 31% increase compared to 2016.

The international construction area has a portfolio at 31 December 2018 totalling €401.93 million.

During the year GRUPO ORTIZ maintained a presence in the Latin American markets of Colombia, Panama, Peru and Mexico.

COLOMBIA. The following works continued to be executed during 2018:

- Construction and enlargement of the Distribution System of the Aqueduct located in the municipality of Magangué, in the Department of Bolívar, for the Financial Institution for Development (FINDETER).
- Optimisation of the aqueduct system in the city of Valledupar, consisting of the construction of treated water storage and auxiliary aqueduct networks, also for Findeter.
- EPC construction works involving the Northern Connection (Conexión Norte) between Remedios, Zaragoza and Caucasia, Department of Antioquía, for the concession company Autopistas del Nordeste S.A.S.
- EPC construction works involving the Sisga Transversal Road, between Sisga and El Secreto, in the Departments of Boyacá y Casanare, for the concession company Autopistas del Nordeste S.A.S.

We notes that the works are within the contractual deadlines after the event liability exclusions that have been analysed with the owner.

In the concession **Transversal del Sisga**, in which the Group holds a 50% interest after the exit of one of the partners, on 18 May 2018 we obtained the definitive financial closing, in which the following participated: Ashmore CAF, FDN, ICO and Blackrock. The total sum of the debt was 575,200 mm COP and the equity base total was 261,861 mm COP.

In October 2018, we sold 24.99% of our shares in the concession to COFIDES. The interest percentages were then as follows: ORTIZ (25.01%); COFIDES (24.99%) and KMA (50%). The sale to COFIDES gave rise to a payment to ORTIZ in the amount of 63,601 mm COP, of which 48,838 mm COP relates to the return of ORTIZ's investment and the rest is the premium on the sale to COFIDES (including the exchange rate).

In 2018 the **Northern Connection Concession** has been affected by the serious public order incidents involving the project since January. The incidents have had serious consequences for the project, such as: (i) Burning of machinery; (ii) Threats against workers; (iii) Attacks against the highway patrol; (iv) interruption of the normal execution rate for the project, which has given rise to delays and unforeseen costs; (v) abandonment of sub-contractors and employees due to fears of attack; (vi) attacks against project employees.

This caused ORTIZ to cease UF1 construction work between April 2018 and the end of 2018. In an attempt to resolve this matter in the most acceptable manner possible, assistance was sought from the Army, which since September 2018 has assigned 400 soldiers to provide security to concession employees.

The concession requested event liability exclusions regarding the public order events, which grant an extension to the deadline to offset the delays that occurred.

In August 2018 the amendments to the loan agreements that were necessary were signed to reschedule the works and bring it more into line with the reality of the project.

We acquired our own machinery in 2018 to complete the Northern Connection work. We plan on expanding their number as required by the works and simultaneously properly manage the equipment.

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR 2018

From an administrative point of view, we implemented the electronic invoice issue program as required of large taxpayers by the tax authorities (DIAN).
All of the loans obtained from Colombian banks in the amount of COP$73,246 million (equivalent to €12.2 million) were cancelled.

AN agreement was reached with Bancolombia to “rotate” the limit granted to Ortiz Colombia, such that the COP$57,600 million facility may be used indistinctly by Ortiz Colombia or Ortiz España. This allows us to present bids for the Findeter tenders.
In 2018 ORTIZ CYP SA was restricted from participating in tenders issued by several entities, such as: Empresa de Acueducto de Bogotá, idu, Fonade, Metro Medellin, Gobernación de Boyacá, Gobernación de Santander, Gobernación de Antioquia, Metrocali and Findeter, among others. This was due to not complying with the financial capacity ratios, the discounting of points due to fines and commercial agreements. In order to resolve this situation, the Group decided to create a new SAS that will allow us to access tenders issued by the aforementioned entities.

At the end of 2018 the definitive award of the concession contract for the Ruta Caribe II project has not yet been obtained. Several meetings were held with the new Administration of ANI and the Ministry of Transportation and Infrastructure, but the positions are not aligned because they wish to adjust the contract to the current reality and publish it again in the SECOP to receive bids. The credit limit has been renewed and it therefore remains in force until 23 July 2019.

All legal claims regarding the finished works or works in progress have been filed and in 2019 we expect to receive arbitration decisions.
The Controller of Tolima has issued the “Tax Liability Attribution Decision”, which allows the return of the encumbered excess amounts to be requested (COP$7,045 million)

MEXICO. In 2018 the construction commenced on the Doctor Aquiles Calles Ramírez Hospital in the City of Tepic, State of Nayarit. This facility has a capacity of 150 active beds and a construction budget totalling MXN 1,068 million. This project was awarded in August 2017 and includes the design of the hospital, the preparation of the execution project, construction of the fully equipped hospital and its operation over 23 years after construction is completed.
The construction of this project notably included the installation of a prefabrication factory at the construction site which has assisted with completing the 26,500 m² structure in 3 months (August, September and October), even with the inconvenience of having done this during the rainy season.

PANAMA. During 2018, the execution of those works contracted in 2015 with the Ministry of Public Health continued. These works related to the “Third Phase of the San Miguelito and Bay Sewer Networks of Panama. Lots 1 & 3". Its completion was scheduled for 2018, but two proposals have been submitted to extend the deadline to 2019 and they were duly approved in 2018. These works are instrumental for the improvement of the water quality in the Bay of Panamá and they have 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 jobs they create.

On 23 November the works involving the design, plan development, conditioning and complete restoration of Santa Iglesia Catedral Basílica Metropolitana de Santa Maria La Antigua, located at Plaza de la Independencia, in San Felipe, were officially received. The Consecration took place on 26 January 2019 during the visit of Pope Francis to Panama for World Youth Day (WYD) 2019 that took place on 22-27 January 2019.

In 2018 the awards received the preceding year continued to progress as follows:

- 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 (88 million dollars). UTE Ortiz (70%) – Asteisa (30%). These works are currently in the design phase prior to the start of construction, which is expected to commence during the first quarter of the year. In January 2018 more than US$20 million have already been invoiced, including the prepayment called for in the contract. The contract will supply potable water to 9 sectors in the northern part of Panama City.

- Construction of the second module and restoration of the first module of the drinking water plant in the city of Santiago de Veraguas and operation and maintenance of both modules (9 million dollars). Asteisa (100%). The order to proceed was received in May 2018. Construction currently progresses at a very good rate and an addendum to the contract is being obtained to cover a significant increase in the scope of the contract, which will also involve an increase in the total sum.

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR 2018

In 2018 there was no new award for the Group companies in Panama.

It should be noted that 2019 is a presidential election year that will lead to a sharp increase in new projects and public contracts concerning civil works (roadways, railways, bridges, etc.), and unique works such as water treatment, etc., that we hope will involve the Group.

PERU. In 2018 the Group executed the works on the Alcides Carrión Hospital for the Cerro de Pasco Regional Government, and the civil works and equipment phases have been completed. The work that remains consists of training the medical team that will operate the equipment, which will take place when designated by the Regional Government. These works are very important from a social point of view and will have a great impact on this mining city located at 4,380 metres above sea level and which, for the first time in its history, has a public building with seismic isolation to minimize the effects of seismic activity on the infrastructure.

At the end of 2017, an Addendum to the Contract was signed with the Regional Government of Apurímac, which ensured restarting the works of the new hospital in Andahuaylas. We are currently in conversations with the Regional Government to obtain approval for the entire project and complete the works as soon as possible. Construction is 59.5% completed and 52.1% of the Equipment has been installed.

Within the field of roadway concessions, Ortiz Construcciones y Proyectos, S.A. Sucursal Perú carried out the following activity during 2018:

- We are pre-qualified in tender for all the Longitudinal Concession of the Sierra, Section 4: Huancayo-Izcuchaca-Mayocc-Ayacucho/Ayacucho-Andahuaylas-Puente Sahuinto/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 construction company JE, with a share of 50-25-25% respectively. The process of selecting bidders for the Longitudinal Concession of Sierra Section 4 was suspended by PROINVERSION due to the expiration of the pre-investment studies and the report of completed works. The tender process is expected to commence during the second half of 2019.

- We have been following the start of the tender process for the Highly Complex Hospitals in Chimbote and Piura, and it is expected to start during the first half of 2019.

For political reasons, the Reconstruction Authority has changed policy and instead of centralizing the management of the works, a large part has been assigned to the Regional and Municipal Governments. We continue to hope that the type and amount of the projects in the tender will allow our participation.

Some future private sector projects have arisen, but they must be further consolidated by the owners. In the case of the Camino Real Shopping Centre planned by Grupo Centenario,
the scope of the project was segmented which means that it is not of interest to us.

BOLIVIA. Our presence in Bolivia started in 2018 with the execution of the Potosí Hospital, with a 51% interest held by ORTIZ. The works consist of the construction of a Level III hospital with a surface area of 27,230 m², without Medical Equipment and at the end of 2018 it was 19.92% completed. The hospital will cover 35 specialties for patient care and will have a capacity of 276 beds and 29 examination rooms.
The main challenge is the construction of a hospital of these characteristics at 4,100m above sea level, one of the highest-altitude hospitals ever built. This has been a demand from the citizens of the Department for a long time. It involves an investment from the Inter-American Development Bank and the Government of Potosí for the Ministry of Health This project will lead to more than 500 direct positions and more than 1,100 indirect jobs, and more than 30 local companies will be contracted.

The Health Sector will receive significant support from the Government and the construction of 49 hospitals (Levels II, III and IV) are planned with an investment of around US$1,600 million. We have already expressed our interest in three of these projects, which are ready for the start of the tender process.
We have also expressed our interest in a private clinic in Santa Cruz being promoted by a business group in that city. We remain vigilant to detect interesting business opportunities for Group companies.

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

In January 2017, Ortiz filed for arbitration proceedings before the International Centre for Settlement of Investment Disputes (ICSID), a World Bank arbitration institution headquartered in Washington. The reason for that 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.

The initial claim and response stages have currently been completed and we are awaiting the hearing before the CIADI Court, which will be held between 11-16 March 2019.

After the hearing, the case will be decided during the first quarter of 2020.

ROMANIA. During 2017, the execution of the Sanitation Works and Pumping Stations for Wastewater in Breaza, Prahova, for the Public Company Hidroprahova continued. Between January and March, the works were suspended due to extreme adverse climate conditions which prevented them from taking place. In September, the work was completed, and the settlement and delivery process began. It is a process that can last a year due to the new regulations for the delivery of these works.

No more tendering process have been submitted because the works that are going public are auctions. Likewise, there are no tendering process involving our focus areas of water and railway works.

PREFABRICATED. During 2018, Indagsa continued with international technical assistance involving several projects. In relation to its internationalisation process, it must be noted that:

- Collaborating with various works carried out by the group of companies in Colombia, providing technical assistance to the construction solutions to be executed and developing prefabricated solutions for structures.
- Execution of a prefabrication plan for the construction of a hospital in Tépic (Mexico).
- Participation in numerous studies of renewable energy plants, designing roadways and drainage networks.

7. INTERNATIONAL CONCESSIONS.

TEPIC NAYARIT HOSPITAL, MEXICO

SPV: Promotora Hospitalaria Tepic S.A.P.I. (ORTIZ 47.5%)

The CONCESSIONS area obtained financing from the Public Private Association (APP) in 2018 to replace the 150-bed General Hospital in Tepic (State of Nayarit), for the Social Security and Insurance Institute for State Workers (ISSSTE).

This project is an important milestone for the Concessions area since, in addition to representing the first contract in the Health Sector, it should be noted that this project comes from a Private Initiative promoted by Grupo Ortiz in 2015.

The project was awarded in 2017 and includes the Design, Construction, Equipping and Rendering of complementary services over 25 years. The health services include: Sterilisation, Haemodialysis, Laboratory, Blood Bank, Pharmacy, as well as the Complementary Food Services, Uniforms, Maintenance of Medical Equipment, Surveillance, Cleaning, Mail, Storage, and Integral Facility Maintenance, including Telecommunications and Medical Gas Supply Systems. It will have an infrastructure of 200 beds (150 active ones), 35 doctors' offices, 7 operating rooms, 31 specialty offices of second and third level of care, 6 diagnostic rooms, 8 treatment rooms and 11 haemodialysis machines, among others. The building will meet LEED certification standards.

The works are being executed by the CONSTRUCTION team and will have a cost of approximately MXN1,200,000,000 and will start in September 2019.

Total investment €70million Total works €50 million SPV capital and reserves €15 million Grupo Ortiz funds €7 million

ROADWAYS IN COLOMBIA:

In 2014 the Company was awarded the first concession contract for the CONEXION NORTE roadway. In 2015 the Company was awarded the concession contract for TRANSVERSAL DEL SISGA.

In 2019, the contract for the APP RUTA CARIBE, which runs from Cartagena to Barranquilla, awarded to the Ortiz KMA consortium, is expected to be signed.

CONEXIÓN NORTE: SPV: Autopistas de Nordeste, S.A.S. (ORTIZ **15%**)

Length: 145 km (63 km of new works and 82 km of rehabilitation), in Antioquia (Remedios–Zaragoza–Caucasia). Execution Term: February 2016 - January 2021, currently being executed. Concession term: 2015 – 2043

The Investment totals €572 million. Bank financing totals €415 million, obtained in 2016 with leveraging of: 75% / 25%.

The capital and reserves at the SPV: €157 million

In 2017, the €8 million investment agreement with COFIDES was specified and the latter obtained 4.2% of the SPV, thus reducing the share of Ortiz and its Equity contribution commitment.

The capital and reserves to be provided by ORTIZ amount to € 21 million, 40% of which is already paid in.

Projected income SPV: €2,830 million. Availability payments + Traffic guaranteed by the State (90%), direct toll (10%).

TRANSVERSAL DEL SISGA: SPV: Concesión Transversal del Sisga S.A.S. (ORTIZ 25%)

Length: 137 km (100% rehabilitation) between Cundinamarca, Boyacá and Casanare, (Sisga–Guateque–San Luis de Gaceno–Aguaclara).

Execution Term: October 2016 - October 2019, currently being executed. Concession Term: 2015 – 2044

The Investment totals €282 million. Bank financing totals €196 million with leveraging of: 55% / 35%.

The capital and reserves at the SPV: 85 M €

In September 2018, the €24 million investment agreement with COFIDES was specified for a 24.9% interest in the SPV, thus reducing the share of Ortiz and its Equity contribution commitment.

The capital and reserves to be provided by ORTIZ amount to €20 million, 75% of which is already paid in.

Projected income SPV: €1,470 million. Availability payments + Traffic guaranteed by the State (70%), direct toll (30%).

AUTOPISTA DEL CARIBE. (ORTIZ **30%**)

We are still working on this private initiative which has already been provisionally awarded pending confirmation through the signing of a concession agreement

Length: 474 km Cartagena – Barranquilla (dual carriageway and remodelling).

Concession Term: 2019 – 2053 Investment: €832 million Need for outside funding: €465 million (investment – net income during the construction phase).

The capital and reserves at the SPV: €167 million and the capital and reserves projected by ORTIZ: €50 million Foreseen income SPV: €6,350 million, 100% direct toll (pre-existing). The traffic volume is already highly consolidated.

8. NATIONAL CONCESSIONS

At the national level, Grupo Ortiz has more than **20 contracts being operated and two projects in the investment stage**.

The majority of concessions are developed by special purpose vehicles, which are consolidated using the equity method, not as Group Ortiz subsidiaries.

At the **national level**, these special purpose vehicles (SPV) represent a very high percentage of concession activities and 80% of revenues in the area.

The only two concession companies that are consolidated are Concesionaria Collado Villalba S.A.U., which manages to parking facilities in that municipality, and GoBarajas 2017 S.A., which is building a long-term parking facility near the airport in Madrid.

In December 2017 Ortega y Gasset Park S.A.U., which manages a parking facility in Madrid was sold to Grupo Ortiz Properties SOCIMI, S.A., which is no longer consolidated in the Group's financial statements.

The remaining consolidated concessions form part of different Group companies:

- Ortiz Construcciones y Proyectos S.A.: the other 6 parking facilities
- Elecor, S.A.U: efficiency projects and a 1 Mw photovoltaic power plant
- Asteisa Tratamiento de Aguas S.A.U.: the EDAR in Ribadeo

The revenues and EBITDA for each consolidated Concession in 2018 are as follows:

- Car parks: €3.20 M / €2.80 M
- Environment (EDAR): €0.15 M / €0.10 M
- Service stations: €5.60 M / €0.15 M
- UTE Energía Málaga: €0.30 M / €0.20 M
- Energy efficiency: €0.50 M / €0.20 M

The Concessions that are consolidated using the equity method generated EBITDA for Grupo Ortiz (in the form of dividends and loans) totalling €4.25 million and the sales of assets that took place in 2018 generated a profit for the Group totalling €5.2 million.

Total EBITDA 2018: €12.90 million

The Concessions area has risen from 3 employees to 140 employees in 10 years. Seventy-two employees working for the SPV companies managing those concessions, which are not included in the consolidation process, must also be added. Therefore, there are nearly 200 employees in the concessions area.

9. NATIONAL ENERGY

In the national market, we note the contracting of a 13 MWp photovoltaic plant for the company Alten in El Casar (Guadalajara), currently in its initial phases, which should be in operation on 31/08/2019. Within the renewable energy field in this market, we note the execution in 2018 of four photovoltaic production plants for direct use by the airports in the Canary Islands ((Lanzarote, Las Palmas, Fuerteventura and Tenerife) managed by AENA. These plans represent a total capacity of 4 MWp, which is a significant figure when taking into account that they are for direct self-consumption.

We also note the transmission project for the Naturgy wind energy plant located in Plasencia, which includes a 40 MVA/132 kW booster substation and a 132-kW aerial and underground line measuring 8 km.

The Energy Area has maintained the activities it has been carrying out in the services sector, among which, we must highlight the electricity infrastructure maintenance service for major conventional electricity generation and distribution companies such as, for example, NATURGY, ENDESA, and the Trillo and Almaraz Nuclear Power Plants. Likewise, we maintained the provision of Operation and Maintenance services to electric power generation facilities from renewable sources we have been carrying out, which currently exceed 800 MW in operation and maintenance in 8 countries. Likewise, we continue to provide Operation and Maintenance Services at the La Africana Thermal-Solar Power Plant (50 MW) in Córdoba. Finally, and within the service division, we continued with the provision of energy services for public lighting and large building projects in the tertiary sector throughout all of Spain.

Finally, we wish to emphasize the good outlook for the coming years, which is the result of the efforts made over the past few years, in terms of market positioning and the references acquired at the international level.

In the **Spanish market**, over the course of 2018 there has been a radical change in the energy policy, with the government's decided support of compliance with the environmental commitments that Spain has acquired with the international community. The government has approved two Legislative-Royal Decrees to seek a stable regulatory framework to guarantee investments in renewable energies with a view to facilitating compliance with the ambitious objectives that have been established.

The estimated targets for renewable energy facilities in Spain call for an installed photovoltaic capacity of approximately 47 GW and a wind energy capacity of approximately 31 GW by 2030. This represents investments exceeding €60,000 million just in those facilities, without taking into consideration the electricity transmission infrastructure. Spain must install an average of 3,000 MW of photovoltaic capacity per year in order to meet the objectives.

We also note that the regulatory framework for self-consumption has substantially changed and will undergo significant development in the short and medium-term. Once the regulatory development has ended and the business models for facilities of a certain size are identified, a new line of business will be opened in the Energy Area that will confirm what has already started with the self-consumption facilities at the Canary Island airports.

These scenarios open up great business opportunities in the sector, although it is true that the sector is very mature and has very high competition levels, which will require the development of association mechanisms for the entry into projects, guaranteeing works at satisfactory business prices and conditions. The sector is continuously evolving, and we must adapt in order to ensure our continuity over time.
We cannot overlook that the renewable-source generation systems do not guarantee capacity and we will have to pay attention to the projects based on combustion technologies, particularly co-generation due to its low emissions, high-efficiency and the supply guarantees that this technology provides. These technologies will be more easily accepted in countries that need new capacity, which will have to join renewable sources and technologies that guarantee the stability of the electricity system.

10. NATIONAL CONSTRUCTION

The revenues from national construction and services in 2017 totalled €174.92 million, a significant increase compared to the €156.39 million in 2016 and the €130.38 million in 2015.

In the construction area, we are present in both public and private markets, and we specialize in the execution of civil works, building, rehabilitation, railways, environmental works, complete water cycle and the Indagsa industrialized construction system. In the civil works sphere, the Company builds all types of infrastructures: road, railway, hydraulic and environmental works.

Building. Throughout 2018, revenues from national building production rose from somewhat more than €52.6 million in 2017 to €57.3 million, which is an 8.9% production increase compared to 2017. This increase in revenues is due to the fact that the highest production phases in the various works deriving from GIP contracts with financial institutions coincide, as well as with other residential contracts with private customers. There has been a great increase in both tenders and the awarding of residential works in 2017, essentially in Madrid, as a result of the consolidation of the good outlook and the increase in financing from banks, as well as the simultaneous interest of several investment funds to increase their production presence in residential works in Spain.

The volume of completed housing in 2018 totals 410 homes, and 1,480 homes are being executed. The former is in line with last year, when 392 homes were completed while there was a significant 42.17% increase in the number of homes being executed compared to 2017.

In 2018 the number of tenders, primarily consisting of residential construction for cooperatives and/or small developers, increased by more than 72% in terms of financial volume compared to 2017, although there is a lower number of projects. This indicates that we are selecting the tenders in which we participate, and they are of a higher volume due to the fact that developers are taking the risk to execute progressively larger developments as the sales recovery has consolidated, especially in Madrid. The ratio of residential building contracts increased this year from 15% of the financial amount under tender in 2017 to 23% of the amount under tender in 2018. This is an increase in total award volume exceeding 100% compared to the volume awarded in 2017.

This, together with the award of the construction works for Nueva Clinica Girona with a budget exceeding €48 million, means that the current portfolio under contract amounts to more than €116 million, compared to the nearly €72 million that we recorded at the end of 2017. This means that the production objective in 2019 is €70.7 million, a 23.4% increase over the production volume seen in 2018.

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR 2018

To sum up, in addition to the award of the Nueva Clinica Girona with a budget exceeding €48 million, we have consolidated customers such as Plainfield Spain SL within the area of Engineering in Madrid, in which in 2018 we were awarded 319 homes in 2 projects, or Gedeprin, which awarded us 92 homes in a further 2 projects, while obtaining works from traditional Ortiz public customers such as IVIMA and EMVS in Madrid.

Rehabilitation and Building Services. There was a notable increase in production within the Rehabilitation and Services Department in 2018, which increased revenues to €74.65 million (44%) over the production amount seen in 2017, when this amount totalled €51.74 million. There has also been an increase in the contracted portfolio for 2019 and subsequent years compared to prior years, reaching a total of €58.84 million on 1 January 2019.

These increases have confirmed the growth of contracts that has been taking place since 2016 and 2017. This is largely due to the confidence of private investors in the hotel, shopping centre and luxury home sectors.

Other private investors have increased their investments in the educational sector in the city of Madrid as well as in other locations in the Region and throughout the rest of Spain.

The public sector has also increased investments in facilities, particularly the Madrid city authorities with respect the end of 2018 and future works to be carried out in 2019. This maintains the upward trend for investments in integral maintenance services and investments in public buildings.

The main works carried out in 2018 were as follows:

- **Private Rehabilitation:** Consolidation and Remodelling of the RIU Building in Plaza de España. Construction of the classroom building at the Runnymede School. Medical building with an underground parking facility located at C/ Ventisquero de la Condesa. Industrial building located at C/ Emilio Muñoz. Expansion of a classroom building in Alcalá de Henares

- **Public Rehabilitation:** Primary school in Las Tablas. Primary school in Arroyofresno Elderly centre in Calviá Baleares. Remodelling of the post office building in Palma de Mallorca. Remodelling of the Bank of Spain building in Cercedilla. Remodelling of the roof of the Parliament Building. Remodelling of the roof of town hall in Brunete.

- **Private Services:** Maintenance of “Palacio de Deportes” in Madrid. Maintenance of the Sanitas building Maintenance of 1,420 homes for SCI.

- **Public Services:** Remodelling and maintenance of homes for the Housing Institute in the Region of Madrid. The maintenance contracts for municipal parking facilities, investment works involving public-use buildings and assets in the area of the arts, security area and the tender for demolitions and consolidations in the sustainable urban development area. Building maintenance in Las Rozas, Leganés, Fuenlabrada and Boadilla del Monte. Integral maintenance services in Estepona. Maintenance and investments in public-use buildings for the municipal districts of Ciudad Lineal, Fuencarral, Centro, Moncloa Aravaca, Salamanca and San Blas.

Civil Works. There were few civil works tenders in general issued in 2018 by public entities, except for during the fourth quarter of the year in which there may have been a change in trend for 2019, while private tenders are at practically zero.

During this period, the Contract for Maintenance and Operation of a section of the Ruta de la Plata A-66 Highway in Extremadura continued, as did the contract for the Maintenance and Operation for several sections of roads N-420, N-301, and N-310, all in the province of Cuenca.

Several development works were carried out for the municipality of Madrid in various districts of the city, as well as the remodelling of “Gran Vía”.

ADIF, a company pertaining to the Ministry of Public Works, awarded us the execution of works through a joint venture with Cosfesa, as a result of the increase in tenders in the final two months of the year, and further tenders have been issued for this platform.

The City of Madrid completed two neighbourhood sidewalk paving projects and the remodelling of streets has been completed in the Chueca area in the centre of Madrid, as well as the remodelling of "Gran Vía".

Hydraulic works involving urgent actions on the supply network of the Canal de Isabel II (for a period of two years) are being executed.

Railways. The Group's railway company, COSFESA, has maintained a steady activity during 2018 through services contracts and renewal works in the conventional rail network.

COSFESA, through a JV with Copasa, was awarded the works relating to the construction of the standard width railway in the Taboadela-Ourense project by ADIF", in addition to the railway renewal works, the drainage works and the cladding of tunnels. The Group continued with the execution of the Infrastructure Maintenance contract work and the conventional railway (MIB) in the Northeast Zone, which was awarded at the end of 2017 for a two-year period, plus a possible 2-year extension.

The Iniesta works continue to be executed and are near completion, and the assembly of the pending railway section between Zamora and Pedralba also continued, as did the maintenance of the segment of the high-speed railway between Olmedo - Zamora on the Madrid - Galicia line, within the Public-Private collaboration agreement with ADIF in which Cosfesa participates.

Water Treatment. In 2018 ASTEISA, our water treatment company, continued its operations by bidding on and executing the works awarded in Spain.

Among the awards that took place during 2018, it is worth highlighting the works of urgent actions of the Supply network with the Canal de Isabel II (for a period of two years) in JV with Ortiz, together with the works of the construction project of the main plant for experimenting with efficient technologies in Torrejón for the Canal de Isabel II (the contract was signed in the first quarter of 2018) and the improvement works of the WWTP of Villanueva de La Cañada also with the Canal de Isabel II.

The execution works continued for the enlargement of the WWTP of Aranjuez (Madrid), the procedures in the DWTP of Valmayor as well as the maintenance and operations of the Riego de la Vega WWTP and the Ribadeo WWTP have been completed.

However, the activities of Asteisa during 2018 continue to be focused on the international division, in particular in the Republic of Panama, where the WWTP works in Santiago de Veraguas in Panama are being executed, as described in the international area.

Indagsa Industrial Construction System. During 2018, Indagsa 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.

The main R&D Projects in which Indagsa collaborated in 2018 are:

- UHPC: Development of very-high-strength concrete incorporating recycled materials.
- INPHASE: PHASE CHANGE MATERIALS Use of phase change materials in prefabricated concrete enclosures. Performed with IECA, the Eduardo Torroja Institute among others.
- SENSOSMART PROJECT. Real-time Monitoring and Control System for the Assessment of the structural condition of buildings.

11. SERVICES

Revenue in the services area total €62.50 million. Maintenance and conservation service contracts provide a recurring portfolio in the medium them and provide recurring cash flows.

Maintenance and conservation service contracts provide a recurring portfolio in the medium them and provide recurring cash flows.

The medium-term contracted works portfolio for maintenance services of green areas, road cleaning and waste collection for the following years increased by 11.5% to €48.47 million.

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 during 2018 are: the Maintenance of Green Areas and Urban Furnishings in Ciudad Real, Park, Garden, Urban Tree care in Marbella (Málaga), the execution of the Juan de Austria Park in Alcala de Henares (Madrid) the Park and Municipal Integral Management Service for Public Plant Nurseries of Madrid, lot 3: Park Forest and Plant Nurseries, and Street Cleaning and Urban Waste Collection Services in Xátiva (Valencia).

Advances have been made in the contracting of medium-term maintenance and conservation services, which provide stability to the Company such as from street cleaning and green area maintenance services in El Casar (Guadalajara), the maintenance of green areas in Ciudad Real, the maintenance of green areas and Alzira (Valencia) and the park and garden maintenance service in Marbella (Malaga), as well as the extension of the green area maintenance service in Humanes de Madrid.

We also attained relevant contracts for the remodelling of the Canarias and Salamanca parks in Alcobendas (Madrid), the remodelling of the Otero Besteiro park in Las Rozas (Madrid), the remodelling of the Juan de Austria park in Alcalá de Henares (Madrid), and the preparation of the Víctimas del Terrorismo park in Galapagar (Madrid), the regeneration of the Pradolongo park in the district of Usera (Madrid) or the development of the new Queiles park in Tudela (Navarre).

Likewise, the contracts executed in the previous year are still in effect, such as the maintenance of green areas Estepona (Málaga), Humanes (Madrid), Ciudad Real, Alboraya (Valencia), the road cleaning and urban waste collection in Xátiva (Valencia), the cleaning of municipal buildings in Xátiva and Enguera (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 renewal of the contract on 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 2019 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.

12. REAL ESTATE ASSET AREA

The year 2018 was one of consolidation for the company Grupo Ortiz Properties SOCIMI, S.A, which owns the Group's main real estate assets. In 2018 there were 149 share purchase transactions involving that company, representing a traded volume of 1,899,599 shares (38.38%). During the year 4 institutional investors also entered into the company, with a total interest of 18.62%. Accordingly, at 31 December 2018 the shareholders of the company are: Ortiz Construcciones y Proyectos, S.A. (48.81%), 5 institutional investors (22.29%), and 130 other investors (28.90%). The share price increased in 2018 by 4% to €15.60 per share.

We note the increase in the market value of the portfolio held by Grupo Ortiz Properties SOCIMI, S.A, based on the appraisal performed at 31 December 2018, by a total of 9,921 million (6.23% compared to 2017), to €169,265 million.

This Company's business strategy will continue to be maximizing associated income and containing the operating expenses of the assets in order to optimize its robust and diversified portfolio so as to add value and profitability to the entire portfolio, while contributing value to investor efforts.

In addition, the Group has plots and pieces of land, not associated with any financial debt, amounting to 2 million square metres of which 59,692 m² correspond to plots for urban development and 38,260 m² are located at the UZP. 1.03 in Valdecarros, and the rest correspond to pieces of land located in Arroyo Butarque, Barajas, Coslada, Vicálvaro, Burgos, Guadalajara and Seville), 132 homes available for lease and 14 homes available for sale.

At the end of the financial year, the Group therefore has a total of 39,860 m² of tertiary area, 484 homes for lease, 14 homes for sale and 976 parking spaces, with the occupancy information detailed below.

	% Type	Area No. Homes/No. of spaces	% Occupancy
Offices	61%	24,368	97%
Retail	23%	9,091	89%
Industrial	16%	6,401	94%
Tertiary	**100%**	**39,860**	**95%**
Homes in Monte Elviria (Málaga)	3%	14	0%
Homes in Paracuellos	35%	176	99%
Homes in Colmenar	19%	96	99%
Homes Alcalá	16%	80	99%
Homes in Chopera	17%	84	98%
Homes Huerta	10%	48	98%
Homes	**100%**	**498**	**96%**
Ortega y Gasset	83%	814	71%
Other spaces	17%	162	17%
Ortega y Gasset and Spaces	**100%**	**976**	**61%**

The continuation of the upward trend in the real estate market has been demonstrated in the Company's results for 2018.
In the tertiary sector, this upward trend is reflected in higher rents, reaching 95% occupancy levels, with a net contracting of 1,748 m², of which 1,297 m² were for rent and 451 m² for sale. The following should be noted:

- The higher sales of free-standing Burger King, which involves greater variable income for the Company.
- The renewal of the lease of 932 m² of retail space in Madrid, increasing rent by 14% on average.
- The lease of 367 m² of retail space in Madrid, increasing rent by 5% on average.
- Leased residential properties.
    - Occupancy levels have increased to 99%.
    - The average price of new rent increased by 6%.
    - Increase in the gross annual rent for the 80-home development in Alcalá de Henares by 14%, once the purchase option expired.
    - Increase in the gross annual rent for the 84-home development in Collado Villalba by 18%, once the protection period and purchase option expired.
- The Ortega y Gasset parking facility maintains a rotating occupancy of 9%, while the number of lessees increased by 6% compared to 2017. All of this represents an increase in operating revenue by 5% compared to 2017.

13. 2018 RELEVANT EVENTS

The most relevant events in each of the Group's business areas in 2018 are:

In the CONCESSIONS area:

- COFIDES enters into the financing of the Transversal del Sisga concession in October 2018
- ANI (Agencia Nacional de Infraestructuras de Colombia): The Northern Connection and the Transversal del Sisga concessions are under construction.
- TEPIC HOSPITAL, Mexico: Construction is underway for the 150-bed hospital in Tepic Mexico for the Institute of Security and Social Insurances of State Workers -ISSSTE.
- ALTEN-CÚBICO AGUASCALIENTES Mexico: Solem I and II are expected to enter into operation during the first quarter of 2019.

- ALTEN ESPAÑA: The construction start date for Alten el Casar during the first quarter of 2019.
- PARKING FACILITIES: Monthly rentals increased by 17% compared to last year.
- ROTATION POLICY FOR MATURE ASSETS: The rotation policy has been maintained and this year this leads to:
    - ALTEN ESPAÑA, all of the photovoltaic plants being executed in Spain have been sold (except ALTEN El Casar).
    - The Santa María wind energy plant was sold in 2018.

In the ENERGY area:

- ALTEN-CUBICO: The construction work for the two EPC photovoltaic plants SOLEM I and SOLEM II, 150 MW and 140 MW in Aguascalientes, Mexico, has been completed. The works commenced in August 2017 and were completed at the end of 2018.
- CANADIAN SOLAR: The 70 MWp EPC photovoltaic plant in Aguascalientes, Mexico is being executed.
- TRINA SOLAR: The 1,323 MWp EPC photovoltaic plant in Aguascalientes, Mexico is being executed.
- X-ELIO: The 2 EPC photovoltaic plans in Sonora and Chihuahua, Mexico (93 MWp and 257 MWp) and in Japan (14 MWp) are being executed.
- JINKO SOLAR: EPC photovoltaic plant is being executed. 100 MW in Yucatán, Mexico.
- PACIFIC SOLAR: The 35 MWp EPC photovoltaic plan in Honduras is being executed.
- ONYX GROUP: The expansion of the photovoltaic plant in Horus (Guatemala) is being executed (additional 16 MWp).

ELECOR:

- The electrical facilities at four Canary Island airports are being executed.
- O&M contracts for photovoltaic plants in Mexico, Guatemala, Honduras and Japan.
- Contract with RENFE for the maintenance of rail car storage facility electrical installations.

JUAN GALINDO:

- Execution of transmission infrastructures for photovoltaic projects: Alten-Cúbico (Solem I and II), Canadian Solar, Trina, Jinko and X-Elio.
- EPC contract in Peru with TERNA covering the construction of a transmission line and 2 substations (138 kW).
- Contract with ENDESA covering the energy recovery service in Almeria and Jaen.
- Contract with Naturgy covering the transmission infrastructure for the wind energy plant in Caceres.

In the CONSTRUCTION area:

<u>**National Construction:**</u>

Building:

- A total of 1,429 homes being executed in 2018, 37% more than last year.
- A total of 497 homes contracted in 2018.

Rehabilitation:

- The structural rehabilitation work on Edificio España (Madrid) is being executed.
- Demolition and structural consolidation of a building located at calle Martínez Campos (Madrid).

Civil Works:

- Completion of the remodelling works on Gran Via (Madrid) within the deadline.

International Construction:

Panama:

- Water works in San Miguelito (Lots I and III) are being executed.
- Completion of the restoration of the Cathedral in Panama.
- Water treatment works being executed: Veraguas and Anillo Hidráulico.

Colombia:

- The Northern Connections motorway works being executed.
- The Transversal del Sisga motorway works being executed.

Perú:

- Andahuaylas Hospital being execution.
- Pasco Hospital completed.

Mexico:

- Tepic Hospital (Nayarit) works being executed.

Bolivia:

- Potosi Hospital works being executed.

SOCIMI OPERATIONS:

- Sale of 51.19 % of the Socimi GOP to investors up until December 2018.
- Entry of institutional investors: Santander Small Caps, Premaat, Gescooperativo, EBN.
- Purchase transactions in 2018 totalling €28,883 million.

FINANCING:

Refinancing of the syndicated loan in the amount of €134.25 million.

- Repayment of the international financing.
- Improvement of conditions and reduction of financial expenses.
- Falling due in 2023.

New issue of bonds on the MARF in the amount of €50 million:

- Type: 5.25%. (175 basis point improvement).
- Maturing in October 2023

Documentary credits totalling €75 million:

Guarantees for EPC energy projects (€60 million) and Concessions (€20 million).

14. FINANCIAL RISK MANAGEMENT POLICIES

The Group's activities are exposed to several financial risks: market risk (including exchange rate risk, price risk and interest rate risk), credit risk and liquidity risk. The Group’s risk management program focuses on uncertainty in financial markets and seeks to minimise the potential adverse impact 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.

Risk management is controlled by the Group’s Treasury Department which identifies, evaluates and hedges against financial risks in accordance with the policies approved by the Board of Directors. The Board provides written policies for overall risk management, as well as for specific areas such as interest rate risk and liquidity risk, use of derivatives and non-derivatives and the investment of excess liquidity.

Market risk

Exchange rate risk

The Group operates internationally in more than 10 countries and is therefore exposed to foreign exchange risk arising from currency transactions. As a result of its activities and operations, the Company incurs exchange rate risks that are managed on a centralised basis.

The management has established a policy so as to manage their foreign currency exchange risk before the operating currency which established several "natural hedge" 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 Treasury Department. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the Company’s functional currency.

Exposure to changes in interest rates

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 Group’s policy consists of using interest rate swaps to convert non-current bank borrowings to fixed rates, which can also be applied to debts related to concession projects developed through jointly-controlled entities and associates.

The exposure to variable interest rate risk at the end of 2018 and 2017 is as follows:

	Thousand euro	
Indexed to the Euribor	**2018**	**2017**
Variable rate borrowings not hedged by financial derivatives	13,205	40,007
Group borrowings (*)	142,267	146,617
Borrowings exposed to interest rate risk (%)	**9%**	**27%**

(*) Includes “Debentures and other marketable securities” and “Bank borrowings”

The Group analyses its exposure to interest rate risk in a dynamic manner considering long-term financing, renewal of current positions and alternative financing. This risk is not significant bearing in mind the amounts of the non-current financing.

Price risk

The Group is not significantly exposed to price risk for capital securities, since it has no significant investments, or to commodity price risk since, in general, any changes in prices are efficiently transferred to selling prices by all similar contractors that operate in 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 Group's credit risk of the Group mainly relates to trade receivables. Once contracts are being executed the credit quality of amounts pending receipt is assessed regularly and the estimated recoverable amounts of those considered to be questionable are revised through write-downs applied to results for the year.

Transactions with financial institutions included as cash and cash equivalents and other financial assets relating to current deposits and credit institutions are contracted with financial institutions of recognised prestige.

A high proportion of the balances under the heading 'Trade and other accounts receivable' refers to transactions with national and international public entities and the Group therefore considers that credit risk is very limited. A significant portion of the balances relating to private sector customers involve companies with high credit ratings with which there is no history of delinquency. The overall position of Trade receivables is monitored, and an individual analysis is performed for the most significant exposures.

Liquidity risk

The syndicated loan signed in 2018 allowed further reductions to current borrowings, thereby minimising the Group's exposure to liquidity risk.

However, in order to manage liquidity risk and to cover the different needs for funds, the Group prepares an annual cash budget and a monthly cash forecast, the latter including a daily breakdown and update. The prudent management of liquidity risk by the Company entails maintaining sufficient cash, having financing available through a sufficient amount of committed credit facilities and having sufficient capacity to settle market positions.

Taking into consideration all of the foregoing, as of the date of issue of the consolidated financial statements, the Group covers all need for funds so as to fully satisfy with every obligation to suppliers, employees and administration in accordance with the cash flow projection for 2019.

Fair value estimation

The fair value of the financial instruments sold on an active market (such as available-for-sale securities) is based on the market prices at the balance sheet date. The listed market price used for financial assets is the ordinary ask price.

The carrying amounts of trade receivables and payables are assumed to approximate their fair value.

15. DEFERRAL OF PAYMENTS TO SUPPLIERS

The disclosures required by Final Provision Two of Law 31/2014 (3 December), which have been prepared in accordance with the Resolution issued by the Accounting and Audit Institute on 29 January 2016, are as follows:

	2018	2017
Average deferral of payments to suppliers	126	163
Ratio of transactions paid	120	169
Ratio of payments pending	135	90

	Amount (thousand euro)	Amount (thousand euro)
Total payments made	302,853	268,944
Total payments pending	175,141	16,972

By virtue of the stipulations of the Sole 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.

The “Average period for payments to suppliers” is understood to be the time that elapses between the invoice date and the date effective payment is made, as defined in the aforementioned resolution issued by the Accounting and Audit Institute.

The ratio of transactions paid is calculated as a quotient in which the numerator contains the sum of the payments made divided by the number of payment days (calendar days elapsing since the calculation started until effective payment for the transaction is made) and the denominator contains the total amount of payments made.

The “Average payment period for suppliers” is calculated as a quotient in which the numerator contains the sum of the ratio of transactions paid divided by the total amount of the payments made plus the ratio of transactions pending payment divided by the total amount of pending payments and the denominator contains the total amount of payments made and total outstanding payments.

The ratio of pending payments is a quotient in which the numerator contains the sum of amounts pending payment divided by the number of days payment has been pending (calendar days elapsing since the calculation started and the date on which the financial statements were closed) and the denominator contains the total number of pending payments.

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR 2018

In accordance with the provisions of Article 3 of the resolution issued by the Accounting and Audit Institute on 29 January 2016, the amount of the transactions occurring prior to the date on which Law 31/2014 (3 December) entered into force have not been taken into consideration.

According to Law 11/2013 (26 July), the maximum payment deadline applicable to the Company is 30 days, unless there is an agreement between the parties, in which case the maximum deadline is 60 days.

16. IMPORTANT EVENTS AFTER THE END OF THE YEAR.

In the opinion of the parent company's directors, no other matter that could have a significant effect on the consolidated financial statements after the year ended 31 December 2018 has been detected.

17. COMPLIANCE WITH COMMITMENTS

Tables summarizing the most relevant milestones in 2018 with respect to the Group's strategy for its growth, restructuring and debt reduction are set out below, including compliance with syndicated loan and bond ratios, sale of shares in the REIT and the verification of the asset rotation policy.

1 GROUP GROWTH 2018

☑Compliance with forecast revenue under the business plan

- Consolidated revenue 2018 **€605.31 million** (Forecast: €592 million).
- Increase in revenue 2017-2018: **41%**
- Interna

2 DEBT RESTRUCTURING

Syndicated debt restructuring + new bond issue ☑

- Corporate debt planning.
- Decrease financial costs.
- LT debt: maturing in **2023.**

3 DEBT REDUCTION

Decrease NFD ☑

- **-26%** on 2017.

Decrease debt with recourse ☑

- **-44 %** period 2013-2018.

4 RATIO COMPLIANCE

Syndicated ratios & bonds ☑

- Ratio NFD/EBITDA (debt with C.R.): **1.60** ≤ 3.00
- Ratio NFD+ indirect debt /indirect EBITDA: **1.89** ≤ 3.90
- Ratio EBITDA / Net Financial Expenses **5.64** ≥ 2.50

5 SOCIMI

Socimi sale ☑

- **51.19%** external investors.
- Entry **institutional investors**.

6 ASSETS TURNOVER

Asset turnover ☑

- Sale of interest in Sisga concession (Columbia) to **COFIDES**.
- Sale **Photovoltaic** (Alten Alconera II).
- Sale **Wind energy** (Sta Mª Nieva).

18. 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: Mexico, Colombia, Panama and Peru.

In the Energy area, development is mostly founded on EPC photovoltaic contracts on any country on the world, for different developers, and important projects that worth mentioning are located in Japan, Mexico, Chile, Honduras, Guatemala and El Salvador.

The construction of Hospitals in Mexico, Peru and Bolivia stands out.

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR 2018

As indicated last year, the strategy for the coming years are focused on financial matters, reducing debt, increasing capitalisation and liquidity, and having enough resources available to access concession projects in the infrastructure, environment and energy areas, and therefore gain access to markets where the knowledge acquired 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.

It should be noted that in 2018 the Group achieved important milestones, all of which are in line with the Group's strategy.

- **Growth of the Group**: The planned revenues for the year have been attained in the Energy area, which was expected to grow, as well as overall consolidated revenues for 2018, achieving €604 million compared to the projected €592 million.
- **Debt reduction**, Refinancing of the syndicated loan and a new issue of bonds.
- **Compliance with ratios** applicable to the Syndicated Loan and the Bonds.
- **Rotation of assets**: Divestments in the concession and real estate areas.
- **Sale of the REIT**: a total of 51.19% has been sold to outside investors.

The Strategic Plan for the coming years may be summarized as follows:

Business.

- Maintain the large volume in the development of the Energy Area through turnkey EPC contracts each year.
- Consolidation of organic growth in countries in which the Group is present and increase international profitability levels.
- Asset rotation policy: disinvestment of mature assets as long as capital gains are generated.
- Take advantage of synergies within the Group to promote growth in every business line.
- Integral development and management of large projects at the international level, taking advantage of our extensive expertise in financing, design, construction, operation and maintenance.

Financing.

- Investment in Concessions, mainly involving infrastructure, at the international level, since in the Energy field the need for the participation in investments is decreasing.
- Accept the entry of investment funds in our International Projects, as in the case of Cofides.
- Continuing the Grupo Ortiz policy for reducing debt.

This strategy leads us to commitments and values, based on the responsible and sustainable management of the business at all levels: financial, social, and environmental, and focused on the growth of GRUPO ORTIZ.

19. EMPLOYMENT.

Grupo Ortiz defends indefinite employment contracts and internal opportunities to create stable employment, and it has increased the number of indefinite contracts over the past few years. In Spain 74.15% of employees are currently under indefinite employment contracts. We have also developed a Talent Management program that assists us with promoting our professionals and successfully relocating them in new growing sectors within the Group, as is the case of Energy and Concessions.

At 31 December 2018 the Group had a total of 2,083 employees, but at 31 December 2017 it had 2,299 employees, 216 more.

The decline in employees was not the result of dismissals but rather due to the end of contracts with personnel involved with subrogations in the services area. Specifically, dismissals only affected 22 employees, of which 4 were women.

Employment in the construction business showed positive development and totalled 583, which is a 3% annual increase resulting from unique works such as the Plaza de España Building or the remodelling of Gran Via. We note that this is the first year that this area has grown, after the Group re-accommodated employees to the production and emerging areas. Accordingly, after several years of reductions of employees in this area and relocations of experienced and trained professionals to the most competitive areas which not only opened a very important internationalisation process but also restructured the payroll to adapt it to the business areas, their production and locations, and there were 16 company changes within the Group. This means that the number of national employees fell from 1,320 in Construction in 2010 to 565 in 2017 but, despite this decrease, the overall number of Group employees increased from 1,893 employees in 2010 to 2,083 this year, thanks to diversification and internalization.

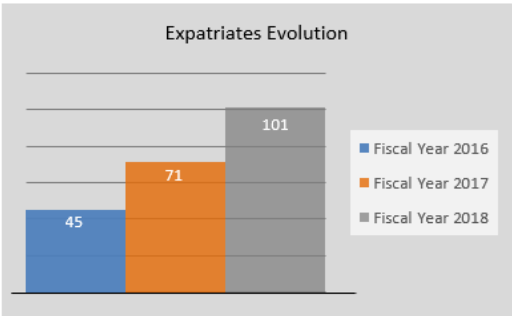
There were 232 employees in the energy area, excluding the 56 Spanish employees seconded abroad, in addition to the more than 268 local employees in those countries, all in accordance with the growth of this strategic area for the Group.

Over the past few years we have sent more than 150 professionals to Latin America, Asia, Africa and Europe, thereby providing them an international component to their careers.

This program allows us to promote our human capital, providing high-value international experience for their future development.

In 2018 the total number of expatriate employees increased to 101 from more than six different companies within the Group and several business areas such as Energy, Construction, Rehabilitation, Concessions, Water and Environment, who are working in 12 different countries.

The number of expatriate employees at the end of 2018 increased by 28% compared to the end of 2017, when the Group had 71 professionals abroad, which was an increase of nearly 50% compared to 2016. There are 45 employees from the Construction area that have been transferred abroad.



The total number of local employees in the various countries making up the International Area is 555. This number fluctuates during the year since it depends on the intensity of labour needs to carry out certain projects, in addition to the impact of seasonality on works being executed in Latin America.

It is important to note that after overcoming the crisis, the market was profoundly transformed and, in addition to having to face the internationalization of the business, the Group also had to take on the diversification of the businesses in which it operates and, what is most important, a specialization and technical implementation process has started in the main operating sectors-construction and energy-, which is defining the Group's personnel hiring policy.

This has led to the establishment of the transformation of the payroll as a corporate strategy, hiring more technical and multi-skilled professional profiles with and without experience, thereby providing professional development opportunities to youths with great potential and to experienced employees that have been able to adapt to the new circumstances. It is evident that the higher an employee's qualifications, the higher the personnel cost is, but Ortiz seeks talent as a means to achieve the viability of its companies and an increase in quality and sustainability.

Grupo Ortiz training policy responds to the transformation and development of the Group over the past few years. The diversification and internationalization of the Group's businesses condition all of its training activities in order to strengthen, improve and transfer the knowledge, skills and aptitudes of its employees and to improve its competitiveness in a progressively more demanding market that is continuously evolving.

20. QUALITY, ENVIRONMENT, OCCUPATIONAL HAZARD PREVENTION AND RESEARCH, DEVELOPMENT AND TECHNOLOGICAL INNOVATION ACTIVITIES

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, GRUPO ORTIZ has implemented an Integrated Quality, Environmental and R&D Management System, certified pursuant to the standards ISO 9001:2015 and 14001:2015.

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.

ENVIRONMENTAL MANAGEMENT AND QUALITY

In 2018 Grupo ORTIZ companies adapted their quality and environmental management systems to the new standards ISO 9001:2015 and ISO 14001:2015. This process ended in May 2018 through an audit performed by an ENAC certified rating agency, resulting in a SATISFACTORY EVALUATION.

The audit process involved visits to a total of 41 work centres (10 permanent centres and 31 temporary/works centres), distributed throughout Spain, Peru and Mexico. and a total of 110 employees were interviewed.

Apart from the audit procedures that are performed by external certification entities, Grupo Ortiz has established an internal evaluation, monitoring and operating control system in order to ensure that the quality control, environmental and occupational hazard prevention policies defined in our management system are being implemented at the various permanent or temporary work centres located in Spain or abroad.

The Quality and Environment Management Department performed a total of 140 visits to inspect and control work centres operated by Grupo Ortiz and 140 Quality and Environmental reports were issued.

OCCUPATIONAL HAZARD PREVENTION.

In 2018 Grupo ORTIZ renewed its OHSAS 18001:2007 certification of the Occupational Hazard Prevention Management System that has been implemented at all Group companies. This process ended in May 2018 through an audit by an ENAC-certified external rating agency that issued a SATISFACTORY EVALUATION.

At this same time, the Joint Internal Prevention Service passed the regulatory Occupational Hazard Prevention audits in accordance with Royal Decree 39/1997 (Prevention Services Regulation).

The audit process involved visits to a total of 71 work centres distributed throughout Spain, Peru and Mexico. and a total of 237 employees were interviewed.

The Prevention Service performed 580 visits to inspect and control various work centres and issued 315 Security/EPH/Permanent Centre reports, supplemented by 305 prevention actions carried out with construction subcontractors.

We note that in 2018 Grupo ORTIZ strengthened its system for supervising, monitoring and controlling its projects abroad in terms of Quality, Environment and Occupational Hazard Prevention.

This involved 81 on-site visits to work centres by the Director of Quality and Prevention and the Head of the Prevention Service at international companies and offices operated by Grupo Ortiz, particularly the energy projects in Aguascalientes (Solem I and II, Tepezalá and Canadian), Hospital de Tepic and construction projects in Panama and Colombia.

RESEARCH, DEVELOPMENT AND TECHNOLOGICAL INNOVATION

During 2018, the companies ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. and INDAG, S.A.U., incurred expenses and made investments for Research, Development and Technological Innovation.

The policy of the GRUPO ORTIZ is aimed at consolidating 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 increase its national and international competitiveness.

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR 2018

During 2018, several Research, Development and Technological Innovation projects have been developed for a total amount of €1,707 thousand, €1,457 thousand of which correspond to the expenses incurred in Research & Development projects and the remaining €250 thousand relates to expenses incurred in Technological Innovation projects.

These are the R&D projects developed within the Quality Area regarding the Rehabilitation Department:

- Analysis and research regarding architectural improvements to reinforce skyscrapers. Edificio España.
- Real-time Monitoring and Control System for the Assessment of the structural condition of buildings.

The main R&D Projects in which Indagsa collaborated in 2018 are:

- Design and development of high-performance non-structural concrete consisting of recycled raw materials.
- Development of a hanging system for anchoring plates.
- Development of innovative prefabricated concrete façade solutions using PCMS for buildings.
- Inphase: change of phase materials. use of change of phase materials in prefabricated concrete cladding carried out with IECA and the Eduardo Torroja Institute, among others.
- Sensosmart Project. Real-time Monitoring and Control System for the Assessment of the structural condition of buildings.

21. STATEMENT OF NON-FINANCIAL INFORMATION

In compliance with Law 11/2018 (28 December) on non-financial and diversity information, the Group has presented a separate report on Non-financial Information that was prepared by the directors of the parent company together with this Consolidated Directors' Report.

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2018

On the 14 March 2019, 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 year ended 31 December 2018, which are comprised of the preceding attached documents.

Signed: Juan Antonio Carpintero López

Signed: Emilio Carpintero López

Signed: Javier Carpintero Grande

Signed: Sara Carpintero Grande

Signed: Carlos Cuervo-Arango Martínez

Signed: Juan Luis Domínguez Sidera

Signed: Raúl Arce Alonso

Signed: Alejandro Moreno Alonso