ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A.
and subsidiaries

Consolidated Financial Statements at 31 December 2019

and Consolidated Directors’ Report for 2019

(thousand euro)

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, 2019, 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, 2019, 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.

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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 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.	We have considered our understanding of the controls over the process for estimating the margin on construction contracts within the scope of our 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.

- We obtain explanations on the reconciliation between the financial information and the monitoring reports of the projects provided by the project management.

Finally, we consider the sufficiency of the information disclosed in the attached consolidated annual accounts on this matter.

As a consequence of the procedures carried out, we consider that the results of the exercise of revenue recognition in construction contracts carried out by the Management are reasonably supported.

Other information: Consolidated management report

The other information only relates to the consolidated management report for 2019, 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 2019 and its content and presentation comply with applicable legalization.

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 26, 2020

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A.
and subsidiaries

Consolidated Financial Statements at 31 December 2019

and Consolidated Directors’ Report for 2019

(thousand euro)

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GRUP ORTIZ

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2019

(thousand euro)

ASSETS	Notes	2019	2018
NON-CURRENT ASSETS		**282,855**	**287,616**
Intangible assets	**7**	**41,441**	**46,546**
Property, plant and equipment	**8**	**14,280**	**13,269**
Investment Property	**9**	**28,759**	**41,433**
Investments in Group companies and associates		**150,198**	**136,529**
Equity-consolidated shareholdings	10	88,655	76,028
Loans to companies consolidated using the equity method	11, 32	61,543	60,501
Non-current financial investments	**11, 13**	**15,326**	**16,062**
Equity instruments	11	699	699
Loans to third parties		13,564	14,234
Derivatives		-	48
Other financial assets		1,063	1,081
Non-current trade receivables	**11, 13**	**26,498**	**26,515**
Deferred tax assets	**24**	**6,353**	**7,262**
CURRENT ASSETS		**559,184**	**497,500**
Inventories	**16**	**15,421**	**14,166**
Trade and other receivables		**446,826**	**344,261**
Trade receivables for sales and services rendered	11, 13	417,719	322,941
Trade receivables, equity-consolidated companies	11, 13	6,758	6,058
Other receivables	11, 13	731	574
Personnel	11, 13	1,586	2,575
Current tax assets	26	3,957	1,473
Other receivables from public administrations	13, 26	16,075	10,600
Called share capital not paid		-	40
Current investments in group companies and associates		**10,675**	**9,937**
Loans to companies consolidated using the equity method	11, 32	10,675	9,937
Current financial investments	**11, 13**	**32,180**	**39,474**
Equity instruments	11	2,334	2,438
Loans to third parties		10,100	13,904
Debt securities		-	1
Derivatives		494	1,022
Other financial assets		19,252	22,109
Prepayments and accrued income	**11, 13**	**22,493**	**21,686**
Cash and cash equivalents	**11, 17**	**31,589**	**67,976**
TOTAL ASSETS		**842,039**	**785,116**

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

GRUP ORTIZ

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2019

(thousand euro)

EQUITY AND LIABILITIES	Notes	2019	2018
EQUITY		**227,616**	**217,816**
Capital and reserves		**249,913**	**241,187**
Share capital	**18**	57,492	57,492
Share premium	18	9,327	9,327
Parent company reserves		184,178	122,188
Reserves in consolidated companies		6,553	68,632
Reserves in companies consolidated using the equity method		(30,762)	(31,215)
Profit/(loss) for the year attributable to the parent company		23,125	14,763
Measurement adjustments	**19**	**(24,774)**	**(25,952)**
Hedging transactions		(21,083)	(18,831)
Difference on exchange - Consolidated companies		(4,326)	(7,295)
Difference on exchange - equity consolidated companies		635	174
Subsidies, donations and bequests received	**21**	**1,296**	**1,348**
Non-controlling interests	**20**	**1,181**	**1,233**
NON-CURRENT LIABILITIES		**138,134**	**152,138**
Non-current provisions	**23**	**8,850**	**8,788**
Non-current borrowings		**103,116**	**109,497**
Debentures and other marketable securities	11, 22	33,045	26,651
Bank borrowings	11, 22	61,425	72,051
Finance lease payables	11, 22	1,731	2,247
Derivatives	14, 22	1,299	1,962
Other financial liabilities	22	5,616	6,586
Non-current payables to group companies and associates	**11, 22, 32**	**4,594**	**13,196**
Deferred tax liabilities	**22, 24**	**4,218**	**6,915**
Accruals and deferred income	**11, 22**	**17,356**	**13,742**
CURRENT LIABILITIES		**476,289**	**415,162**
Current provisions	**23**	**604**	**720**
Current borrowings		**96,619**	**77,868**
Debentures and other marketable securities	11, 22	399	24,829
Bank borrowings	11, 22	53,141	18,736
Finance lease payables	11, 22	857	768
Derivatives	14, 22	3,912	3,036
Other financial liabilities	22	38,310	30,499
Current payables to Group companies and associates	**11, 22, 32**	**13**	**61**
Trade and other payables		**379,048**	**336,452**
Trade payables	11, 22	338,231	284,066
Trade payables to Group companies and associates	11, 22, 32	9	6
Other payables	11, 22	615	463
Personnel	11, 22	3,553	3,635
Current tax liabilities	26	886	627
Other payables to public entities	11, 26	10,127	11,633
Prepayments from customers	11, 22	25,627	36,022
Accruals and deferred income	**11,22**	**5**	**61**
TOTAL EQUITY AND LIABILITIES		**842,039**	**785,116**

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 2019

(thousand euro)

CONSOLIDATED INCOME STATEMENT	Notes	2019	2018
Revenues	**25**	**640,201**	**605,305**
Sales		636,320	601,235
Services rendered		2,477	2,667
Financial income, concession arrangements		1,404	1,403
Own work capitalised		**1,843**	**1,667**
Supplies	**25**	**(480,887)**	**(464,971)**
Consumption of goods purchased for resale		17	(89)
Raw materials consumed and other consumables		(310,716)	(316,929)
Subcontracted work		(170,188)	(147,953)
Other operating income		**513**	**549**
Sundry and other income		513	532
Capital grants released to income during the year		-	17
Personnel expenses	**25**	**(82,493)**	**(77,997)**
Wages, salaries and similar remuneration		(65,507)	(61,884)
Employee benefit expenses		(16,986)	(16,113)
Other operating expenses	**25**	**(38,260)**	**(40,387)**
External services		(33,283)	(33,786)
Taxes		(4,079)	(3,638)
Losses, impairment and changes in trade provisions		(898)	(2,963)
Asset amortisation/depreciation	**7, 8, 9**	**(4,620)**	**(5,371)**
Attribution of subsidies for non-financial assets		**14**	**13**
Impairment and profit/(loss) on disposals of assets	**7, 8, 9**	**(2,979)**	**1,408**
Results due to the loss of control over consolidated companies	**6**	**5,618**	**13,004**
Other results		**(811)**	**152**
OPERATING PROFIT/(LOSS)		**38,139**	**33,372**
Financial income		**4,424**	**3,548**
Financial expenses		**(17,408)**	**(19,010)**
Change in the fair value of financial instruments	**12**	**(116)**	**(1,010)**
Differences on exchange		**(186)**	**(7,945)**
Impairment and gain/(loss) on disposal of financial instruments		**(857)**	**(246)**
FINANCIAL INCOME	**27**	**(14,143)**	**(24,663)**
Share in profits/(losses) at companies consolidated using the equity method	**10**	**5,021**	**3,582**
Impairment and results on the loss of significant influence over PPE	**10**	**-**	**4,970**
PROFIT/(LOSS) BEFORE TAXES		**29,017**	**17,261**
Corporate income tax	**26**	**(5,545)**	**(2,896)**
Profit/(loss) for year from continuing operations		**23,472**	**14,365**
DISCONTINUED OPERATIONS			
PROFIT/(LOSS) FOR YEAR FROM DISCONTINUED OPERATIONS	**15**	**-**	**1,352**
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR		**23,472**	**15,717**
Profit attributed to parent company		23,125	14,763
Profit/(loss) attributable to non-controlling interests		347	954

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

GRUP ORTIZ

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(thousand euro)

A) STATEMENT OF CONSOLIDATED INCOME AND EXPENSE

STATEMENT OF CONSOLIDATED INCOME AND EXPENSE	Notes	2019	2018
Consolidated profit/(loss) for the year		**23,472**	**15,716**
Income and expense attributed directly in equity			
Cash flow hedges		(11,669)	(8,549)
Subsidiaries	**14**	*(3,988)*	*(3,417)*
Equity consolidated companies		*(7,681)*	*(5,132)*
Subsidies, donations and bequests received	**21**	-	3
Differences on exchange		3,098	(6,748)
Tax effect		2,683	3,793
Total income and expenses taken directly to consolidated equity		**(5,888)**	**(11,501)**
Transfers to the consolidated income statement			
Cash flow hedges		8,480	6,081
Subsidiaries	**14**	*3,201*	*1,064*
Equity consolidated companies		*5,279*	*5,017*
Subsidies, donations and bequests received	**21**	(69)	(194)
Tax effect		(2,504)	(1,491)
Total transfers to the consolidated income statement		**5,907**	**4,396**
TOTAL CONSOLIDATED RECOGNISED INCOME AND EXPENSE		**23,491**	**8,612**
Total income and expenses attributable to the parent company		23,502	7,671
Total income and expenses attributable to non-controlling interests		(11)	941

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

GRUPO ORTIZ

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(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)	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 2017	**57,492**	**9,327**	**163,463**	**17,171**	**(29,994)**	**1,823**	**8,102**	**227,384**
B) 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 (1)	**-**	**-**	**(3,858)**	**(12,108)**	**10,991**	**(332)**	**(7,810)**	**(13,117)**
C) Ending balance 2018	**57,492**	**9,327**	**159,605**	**14,763**	**(25,952)**	**1,348**	**1,233**	**217,816**
D) Beginning balance 2019	**57,492**	**9,327**	**159,605**	**14,763**	**(25,952)**	**1,348**	**1,233**	**217,816**
I. Total recognised income and expense	**-**	**-**	**-**	**23,125**	**429**	**(52)**	**(11)**	**23,491**
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	**-**	**-**	**364**	**(9,700)**	**749**	**-**	**(41)**	**(8,628)**
E) Ending balance 2019	**57,492**	**9,327**	**159,969**	**23,125**	**(24,774)**	**1,296**	**1,181**	**227,616**

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

(1) Movements in this heading in 2019 mainly reflect the impact on equity of the loss of control of Grupo Ortiz Properties SOCIMI, S.A., in addition to the distribution of 2018 profit and loss (Note 6).

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

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

(thousand euro)

		Year ended 31 December	
CASH FLOW STATEMENT	**Notes**	**2019**	**2018**
A) Cash flows from operating activities			
1. Profit/ (loss) for the year before taxes		**29,017**	**17,261**
2. Adjustments		**10,144**	**8,353**
Asset amortisation/depreciation	7, 8, 9	4,620	5,371
Change in provisions		898	2,963
Application of grants		(14)	(13)
Own work capitalised		(1,843)	(1,667)
Profit/(loss) on write-off and disposal of assets	7, 8, 9	2,979	(1,408)
Profit/loss on write-offs and disposals of financial instruments	27	857	246
Results due to the loss of control over consolidated companies		(5,618)	(13,004)
Financial income	27	(4,424)	(3,548)
Financial expenses	27	17,408	19,010
Change in the fair value of financial instruments	27	116	1,010
Differences on exchange	27	186	7,945
Share in profit of companies consolidated using equity method		(5,021)	(3,582)
Impairment and profit/(loss) of shareholdings consolidated using the equity method		-	(4,970)
3. Changes in working capital		**(52,105)**	**(1,645)**
Inventories		(1,255)	(2,900)
Trade and other receivables		(90,736)	(52,605)
Other current assets		(827)	-
Trade and other payables		42,151	54,506
Other current liabilities		(487)	(72)
Other non-current assets and liabilities		(951)	(574)
4. Other cash flows from operating activities		**(18,426)**	**(15,983)**
Interest paid		(16,217)	(14,093)
Dividends received		978	1,095
Interest received		1,368	1,468
Corporate income tax income/(expense)		(4,555)	(4,453)
5. Cash flows from operating activities		**(31,370)**	**7,986**
B) Cash flows from investing activities			
6. Payments for investments		**(31,929)**	**(42,521)**
Group companies and associates	32	(27,529)	(27,937)
Intangible assets	7	(593)	(286)
Property, plant and equipment	8	(1,231)	(2,296)
Investment properties	9	(1,175)	(90)
Loans to third parties		(1,401)	(11,912)
7. Proceeds from divestments		**18,859**	**71,663**
Non-current assets held for sale	6	-	29,102
Group companies and associates		10,072	36,699
Property, plant and equipment	8	35	569
Investment properties	9	-	226
Debt securities		-	218
Loans to third parties		5,895	1,158
Other financial assets		2,857	3,691
8. Cash flows from investing activities		**(13,070)**	**29,142**
C) Cash flows from financing activities			
10. Payments made and received for financial liability instruments		**11,763**	**(7,668)**
a) Issue		**57,227**	**97,139**
Debentures and other marketable securities	22	6,477	-
Bank borrowings	22	42,186	27,100
Payables to Group companies and associates		275	68,109
Other liabilities		8,289	1,930
b) Return and repayment of		**(44,111)**	**(104,807)**
Debentures and other marketable securities	22	(25,052)	(8,600)
Bank borrowings	22	(19,059)	(90,233)
Payables to Group companies and associates		-	(1,155)
Other payables		-	(4,819)
11. Dividend payments		**(5,063)**	**(4,833)**
Dividends		(5,063)	(4,833)
12. Cash flows from financing activities		**8,053**	**(12,501)**
D) Cash flows from discontinued operations		**-**	**-**
E) Net increase/ decrease in cash or cash equivalents		**(36,387)**	**24,627**
Cash and cash equivalents at the beginning of the year	17	67,976	43,349
Cash and cash equivalents at the end of the year	17	31,589	67,976

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 2019. The consolidated financial statements for 2018 were drawn up by the Board of Directors on 14 March 2019 and were approved by the Shareholders' General Meeting on 30 May 2019. 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.

During 2019 the group's parent company carried out a merger of several group subsidiaries. On 16 September 2019 shareholders at a Universal Extraordinary Meeting of de Ortiz Construcciones y Proyectos, S.A. (acquiring company) approved a merger of the companies Ortiz Área Inmobiliaria, S.A.U., Construcciones Icma-Proakis, S.A.U., Emca Sociedad Concesionaria, S.L.U., Elecor, S.A.U., Juan Galindo, S.L.U., Tendidos y Redes del Sur, S.L.U., Ortiz International Investment, S.L.U. and Ortiz Energía, S.A.U. (target companies). To date the acquiring company held all of the shares and/or participation units of the target companies. Accordingly, on that same date the shareholders at extraordinary meetings of the target companies also approved the merger.

The acquiring company's share capital was not increased due to it being the single shareholder of the target companies, in accordance with Article 49.1 of Law 3.2009 (3 April) on Structural Modifications to Companies.

The target companies' transactions are considered to be carried out by the acquiring company as from 1 January 2019 by virtue of the merger project signed on 30 June 2019 by the directors of the acquiring and target companies and in accordance with the matters indicated in Note 4.25.2.

The merger applied the special tax system for mergers, spin-offs, asset contributions, share swaps and changes in the domicile of a European company established by Title VII, Chapter VII of Law 27/2014 (27 November) on corporate income tax.

The public merger document was filed with the Madrid Mercantile Registry on 19 December 2019 in Volume 39560, Sheet 110, Entry 206, Page M-167515.

The assets acquired have been measured at their carrying amount in the group's consolidated annual accounts, in accordance with recognition and measurement rule 21 of the Spanish Chart of Accounts 21.2. The difference detected has been recognised in a reserve account.

The target companies' figures, which have been included as subsidiaries in the group's consolidated annual accounts up until 2018 continue to be recognised in 2019 although within the figures for the parent company.

The main changes in the scope of consolidation during 2019 were as follows:

- The company El Arce de Villalba, S.L. moved from being classified as a subsidiary to an associate because the interest held fell by 50.13% (Note 6).
- The interest held in Ortiz Sport Factory, S.L. declined by 14.44% (Note 10).
- Incorporation of the jointly-controlled company Móstoles Factory, S.L. (Note 10).
- Liquidation of the subsidiaries Ortiz Colombia, S.A.S. and Ortiz Construcciones Colombia, S.A.S. (Note 6).
- Incorporation of the company Constructora Obrascol, S.A.S.
- Incorporation of the associate Constructora Hospitalaria TEPIC, S.A.P.I. de C.V.
- The interest in the jointly-controlled companies Grupo Ortiz Properties SOCIMI, S.A., Aldigavia Oficinas, S.L.U., Aldigavia, S.A. and Ortega y Gasset Park, S.L.U. Increased by 1.06%.
- Decrease of 0.36% in the interest in the associate Alten Renewable Energy Developments, B.V.
- Incorporation of the associate Alten Kenya Solarfarms, B.V.
- Incorporation of the associate Alten Kenya Solarfarms 2, B.V.

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).

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 7).

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 2019 the Group lost control over the subsidiary El Arce de Villalba, S.L.U. (Note 6).

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 2019 and 2018 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.

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.

(thousand euro)

The depreciation rates applied to property, plant and equipment in 2019 and 2018 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 2019 and 2018.

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.

(thousand euro)

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.

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 2019 and 2018 is as follows:

	Thousand euro	
Referenciado a Euribor	**2019**	**2018**
Variable rate borrowings not hedged by financial derivatives (A)	37,043	13,205
Fixed rate borrowings or hedged by financial derivatives	110,967	129,062
Group borrowings (*) (B)	148,010	142,267
Borrowings exposed to interest rate risk (%) (A)/(B)	**25%**	**9%**

(*) 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.

(thousand euro)

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 2019 (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.

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 2020.

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

On 11 June 2019 the subsidiary Agrícola El Casar, S.L.U. signed an agreement with the associate Grupo Ortiz Properties SOCIMI, S.A. through which it sold the latter 100% of its interest in the company El Arce de Villalba, S.L.U. The price of the transaction was €17,100 thousand and paid by Grupo Ortiz Properties SOCIMI, S.A. when the agreement was signed.

As a result of that transaction, the Group lost control over that company and at 31 December 2019 it held a 49.87% interest and it is now consolidated using the equity method.

Details of the loss of control are as follows:

	Thousand euro
(A) Total consideration received	8,572
(B) Carrying amount of the net assets sold in proportion to the	5,670
Results due to the loss of control over subsidiaries (A- B)	**2,902**

The consideration received (A) relates to the amount collected by the subsidiary Agrícola El Casar, S.L.U., net of the amount paid by the associate Grupo Ortiz Properties SOCIMI, S.A., with respect to the portion concerning the % held by the group in the latter.

Furthermore, as is established by the Rules on the Preparation of Consolidated Annual Accounts, the group has recognised the retained interest at fair value which was calculated based on the selling price of the shares which gave rise to the following figures:

	Thousand euro
(A) Fair value of the interest maintained	8,528
(B) Carrying amount of the interest maintained	5,641
Results due to the loss of control over subsidiaries (A- B)	**2,887**

(thousand euro)

This transaction therefore gave rise to a total profit of €5,789 thousand, which has been recorded under the heading "Profit/(loss) on the loss of control over consolidated shareholdings" in the consolidated balance sheet.

Furthermore, in 2019 the subsidiaries Ortiz Colombia, S.A.S. and Ortiz Construcciones Colombia, S.A.S. were liquidated, which gave rise to a €171 thousand loss recorded under this same heading.

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 sold 38.37% of the shares in Grupo Ortiz Properties SOCIMI, S.A. during 2018 which, together with the 12.81% sold in 2017, led to the loss of control over this sub- group. At 31 December 2018 Ortiz Construcciones y Proyectos, S.A. maintained a 48.81% interest and therefore it is now consolidated using the equity method since the Group exercises 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 the 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 Annual Accounts, the Group 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 was recorded under the heading "Profit/(loss) on the loss of control over consolidated shareholdings" in the 2018 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 annual accounts.

7. INTANGIBLE ASSETS

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

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(thousand euro)

2019	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 2018									
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**
Cost:									
Additions	-	-	-	51	592	-	-	29	**672**
Disposals	-	-	-	-	-	-	-	-	**-**
31 December 2019	**-**	**-**	**-**	**51**	**592**	**-**	**-**	**29**	**672**
Accumulated Amortisation:									
Additions	(224)	-	(1,909)	(16)	(5)	-	(679)	-	**(2,833)**
Disposals	-	-	-	12	-	-	-	-	**12**
31 December 2019	**(224)**	**-**	**(1,909)**	**(4)**	**(5)**	**-**	**(679)**	**-**	**(2,821)**
Impairment:									**-**
Additions	-	-	(2,956)	-	-	-	-	-	**(2,956)**
Disposals	-	-	-	-	-	-	-	-	**-**
31 December 2019	**-**	**-**	**(2,956)**	**-**	**-**	**-**	**-**	**-**	**(2,956)**
Cost	4,888	43	23,300	363	2,902	4,635	25,267	567	61,965
Impairment	(298)	-	(2,956)	-	-	-	-	-	(3,254)
Accumulated Amortisation	(1,543)	-	(8,899)	(269)	(31)	-	(6,528)	-	(17,270)
Carrying amount at 31.12.2019	**3,047**	**43**	**11,445**	**94**	**2,871**	**4,635**	**18,739**	**567**	**41,441**

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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)	-	**(3,311)**
Disposals	-	-	-	-		-	563	-	**563**
31 December 2018	**(223)**	**-**	**(2,331)**	**(7)**	**(8)**	**-**	**(179)**	**-**	**(2,748)**
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**

(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	
UGE	2019	2018
Asteisa Tratamiento de Aguas, S.A.U.	15	18
Construcciones Icma-Proakis, S.A.U.	-	2,956
Contratas y Servicios Ferroviarios, S.A.U.	7,774	9,071
Área de energía	3,629	4,234
Impulsa Grup Ortiz, S.L.	8	9
Grupo Ortiz Construcciones México, S.A.	17	20
Águeda Educatis, S.L.	2	2
Total	**11,445**	**16,310**

The goodwill on consolidation assigned to the CGU called “Área de energía” includes part of the goodwill that until 2018 was assigned to the GCUs Elecor, S.A.U., Juan Galindo S.L.U. and Ortiz Energía S.A.U. The CGUs pertained to these three subsidiaries that were merged into the parent company in the process described in Note 1.

The merger transaction also included the company Construcciones Icma-Proakis, S.A.U., whose goodwill was impaired by the Group in 2019 given the existing doubts as to its recovery and which gave rise to the recognition of an impairment loss amounting to €2,956 thousand under the heading “Impairment and profit/(loss) on the disposal of assets” in the consolidated income statement.

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% (2018: between -5% and 15%), which are margins that are coherent with the reality observed over the past few years and a 7% discount rate (2018: 7%), and a residual value growth rate of 0% (2018: 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 2019 amounted to €2,330 thousand (2018: €2,330 thousand), as recorded in the consolidated income statement under the heading “Asset depreciation/amortisation”.

(thousand euro)

Administrative Concessions, Concession Arrangements, Patents, licenses and trademarks

The most significant items that are included under these headings are as follows at 31 December 2019 and 2018:

Thousand euro

2019	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	(1,612)	-	6,217
Aparcamiento Iliada	22/08/2046	40 years	(105)	3,957	(1,138)	-	2,819
Aparcamiento Juan R. Jiménez	02/02/2046	40 years	(159)	6,026	(1,674)	-	4,352
Aparcamiento Pamplona	29/01/2047	40 years	(105)	3,999	(1,137)	-	2,862
Aparcamiento Andorra II	16/07/2047	40 years	(90)	3,454	(959)	-	2,495
Fotovoltaico Universidad Málaga	10/11/2036	25 years	(115)	3,197	(975)	(298)	1,924
Pabellón “Andrés Torrejón” Móstoles	11/02/2045	30 years	-	4,635	-	-	4,635
			(789)	**33,097**	**(7,495)**	**(298)**	**25,304**

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	10/11/2036	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**

Impairment losses affecting individual intangible assets

In 2019 and 2018 the Group did not recognise or reverse any impairment of intangible assets.

Intangible assets located abroad

At 31 December 2019 and 2018 the Group recorded the following investments in property, plant and equipment located abroad:

Thousand euro

2019	Carrying amount	Accumulated amortisation	Impairment loss
Software	93	(19)	-
	93	**(19)**	**-**

Thousand euro

2018	Carrying amount	Accumulated amortisation	Impairment loss
Software	25	(11)	-
	25	**(11)**	**-**

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 2019 and 2018 no interest was capitalised.

Intangible assets not used in operations

At 31 December 2019 and 2018 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 2019 amounts to €243 thousand (€239 thousand in 2018).

Intangible assets pledged to guarantees

Intangible assets with a value of €6,217 thousand secure bank borrowings in the amount of €4,466 thousand at 31 December 2019.

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

Intangible assets subject to reversal

Intangible assets subject to reversal at 31 December 2019 and 2018 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 2019 and 2018 are as follows:

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(thousand euro)

Thousand Euros

2019	Land	Buildings	Machinery	Plant	Other installations	Furnishings	Tooling and auxiliary resources	Computer equipment	Vehicles	Other Property, plant and	Work in progress and prepayments	Total
31 December 2018												
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**
Cost:												
Additions	-	-	772	-	4	46	-	56	37	23	1,849	2,787
Disposals	-	-	(20)	(1)	(3)	(13)	-	-	(106)		-	(143)
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Differences on exchange	-	-	(98)	-	-	1	-	(3)	(3)	2	-	(101)
Transfers	-	3,499	-	-	-	-	-	-	-	-	(3,499)	-
31 December 2019	**-**	**3,499**	**654**	**(1)**	**1**	**34**	**-**	**53**	**(72)**	**25**	**(1,650)**	**2,543**
Accumulated Depreciation:												
Additions	-	(139)	(1,313)	(1)	(7)	(37)	-	(42)	(88)	(48)	-	(1,675)
Disposals	-	-	20	1	-	-	-	-	38	-	-	59
Differences on exchange	-	-	66	-	-	5	-	6	7	-	-	84
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
31 December 2019	**-**	**(139)**	**(1,227)**	**-**	**(7)**	**(32)**	**-**	**(36)**	**(43)**	**(48)**	**-**	**(1,532)**
Cost	1,474	5,378	37,253	20	106	698	37	400	2,701	502	377	48,946
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	(735)	(30,478)	(11)	(78)	(558)	(36)	(258)	(2,289)	(223)	-	(34,666)
Carrying amount at 31.12.2019	**1,474**	**4,643**	**6,775**	**9**	**28**	**140**	**1**	**142**	**412**	**279**	**377**	**14,280**

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(thousand euro)

Thousand euros

2018	Land	Buildings	Machinery	Plant	Other installations	Furnishings	Tooling and auxiliary resources	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**

Additions in 2019 and 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. The works ended in February 2019 and the parking facility started operations. It was transferred to the heading “Buildings” in the amount of €3,499 thousand.

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

Impairment of individual items of property, plant and equipment

During 2019 and 2018, no impairment adjustments to individual property, plant and equipment were recognised or reversed.

Property, plant and equipment located abroad

At 31 December 2019 and 2018 the Group recorded the following investments in property, plant and equipment located abroad:

	Thousand Euros		
2019	**Carrying amount**	**Accumulated depreciation**	**Impairment losses**
Machinery	2,168	(1,134)	-
Furnishings	161	(60)	-
Computer processing equipment	254	(140)	-
Vehicles	260	(160)	-
Other property, plant and equipment	275	(127)	-
	3,118	**(1,621)**	**-**

	Miles de Euros		
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)**	**-**

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 2019 and 2018 no interest was capitalised.

Property, plant and equipment not used in operations

At 31 December 2019 and 2018 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 €23,667 thousand (€23,794 thousand at 31 December 2018).

(thousand euro)

Property, plant and equipment pledged to guarantees

At 31 December 2019 and 2018 there is no property, plant and equipment pledged to guarantees.

Property, plant or equipment subject to reversal

At 31 December 2019 and 2018 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	
	2019	2018
Cost - capitalised finance leases	5,835	5,342
Accumulated depreciation	(1,043)	(1,225)
Carrying amount	**4,792**	**4,117**

The Group maintains vehicles and machinery under irrevocable finance leases. These leases end in between 1 and 4 years and the assets are owned by the Group.

Assets under operating leases

The consolidated income statement includes €12,616 thousand for operating lease expenses relating to the rental of machinery and buildings (2018: €12,212 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 31.12.2018			
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**
Cost:			
Additions	1,176	-	1,176
Bussines Combinations (note 6)	-	(15,638)	(15,638)
31 December 2019	**28,751**	**16**	**28,767**
Accumulated depreciation:			
Additions	-	(113)	(113)
Bussines Combinations (note 6)	-	1,901	1,901
31 December 2019	**-**	**(8)**	**(8)**
Cost	28,751	16	28,767
Accumulated depreciation	-	(8)	(8)
Impairment	-	-	-
Carrying amount at 31.12.2019	**28,751**	**8**	**28,759**

(thousand euro)

	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)
Carrying amount at 31.12.2018	**27,575**	**13,858**	**41,433**

Disposals in 2019 mainly relate to the loss of control over the company El Arce de Villalba, S.L.U. (Note 6).

Impairment losses on investment properties

In 2019 and 2018 the Group did not recognise or reverse any impairment adjustments with respect to investment properties.

Investment properties located abroad

At 31 December 2019 and 2018 the Group did not have foreign investment properties.

Investment properties not used in operations

At 31 December 2019 and 2018 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 2019 and 2018.

Investment properties pledged to guarantees

Investment properties securing bank borrowings total €0 thousand at 31 December 2019 (2018: €14,503 thousand).

In addition, there are €8,641 thousand in investment properties securing the contingent liabilities described in Note 28 at 31 December 2019 (2018: €8,641 thousand)

Investment properties subject to reversal

At 31 December 2019 and 2018 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.

Income and expense relating to investment properties

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

	Thousand Euros	
	2019	**2018**
Lease revenues	250	638
Direct operating expenses	(40)	(390)
Total	**210**	**248**

(thousand euro)

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	
	2019	**2018**
Accesos de Ibiza, S.A.	4,252	4,218
Africana Energia, S.L.	-	-
Aldigavia oficinas, S.L.U.	11,493	9,936
Aldigavia, S.A.U.	7,230	6,829
Alten El Casar, S.L.	-	153
Alten Energias Renovables, S.L.	1,018	1,239
Alten Gestion de Proyectos, S.L.	9	-
Alten Kenya Solarfarms 2, B.V.	-	-
Alten Kenya Solarfarms, B.V.	-	-
Alten RE Developments Iberia, S.A.	1,990	1,984
Alten Renewable Energy Developments	4,930	2,263
Alten Renewable Energy Developments Africa, B.V.	-	-
Alten Renewable Energy Developments America	2,771	2,541
Alten Renewable Energy Investments	-	-
Alten Solar Power (Hardap) (pty) Ltd	-	331
Autopistas del Nordeste, S.A.S.	-	-
Bulevar del Arte y la Cultura, S.A.	341	299
Concesión Transversal del Sisga, S.A.S	620	330
Construcciones Inca-Ortiz	-	-
Cubico Alten Aguascalientes Dos	504	397
Cubico Alten Aguascalientes Uno	362	311
Dumar Ingenieros, S.L.	449	449
El Arce de Villalba, S.L.U.	8,544	-
Fortem Integral, S.L.	68	65
Grupo Ortiz Properties SOCIMI, S.A.	15,125	16,255
Inmuebles Gade, S.L.	15,267	15,345
MedSolar SPV10, S.R.L.	22	18
Móstoles Factory 2019, S.L.	77	-
Ola Ortiz Construccion SPA	-	-
Operadora Hospitalaria TEPIC, S.A.P.I. de C.V.	-	-
Ormats Mantenimiento Integral, S.L.	27	104
Ortega y Gasset Park, S.A.U.	4,701	4,672
Ortiz Sport Factory, S.L.U.	126	-
Promotora Hospitalaria Tepic, S.A.P.I. DE C.V.	5,747	5,349
SPC 20 Infra e Saneamento Marabá	-	-
Superficie Cartera de Inversiones, S.A.U.	84	99
Urbanizadora Gade S.A	-	-
Vending La Gavia S.L.	36	25
Viario A-31,S.A.	2,862	2,816
Total	**88,655**	**76,028**

(thousand euro)

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

	Thousand Euro	
	2019	**2018**
Balance at 1 January	**76,028**	**43,884**
Share of results	5,021	3,582
Additions to the scope of consolidation	1	356
Additions due to loss of control	8,513	37,692
Additions due to capital increases	2,310	-
Disposals due to the sale of shares	-	(4,252)
Disposals due to capital reductions	(24)	(4,502)
Disposals due to distributed dividends	(1,890)	(977)
Other movements in equity	(1,304)	245
Balance at 31 December	**88,655**	**76,028**

Additions in 2019 mainly relate to the loss of control over the company El Arce de Villalba, S.L.U. (Note 6), which was then consolidated using the equity method.

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.

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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 2019 and 2018, (thousand euro):

2019	Assets	Liabilities	Operating income	Profit/(loss)
Accesos de Ibiza, S.A.	63,930	49,698	8,812	1,245
Africana Energia, S.L.	308,722	323,900	40,064	1,928
Aldigavia oficinas, S.L.U.	75,543	56,030	3,199	2,966
Aldigavia, S.A.U.	26,881	22,547	1,827	534
Alten El Casar, S.L.	11,422	11,745	25	(304)
Alten Energias Renovables, S.L.	5,794	339	-	9
Alten Gestion de Proyectos, S.L.	1,303	1,275	1,770	135
Alten Kenya Solarfarms 2, B.V.	(7)	22	-	(3)
Alten Kenya Solarfarms, B.V.	936	1,479	-	191
Alten RE Developments Iberia, S.A.	7,421	1,227	70	24
Alten Renewable Energy Developments	37,166	6,543	4,223	1,192
Alten Renewable Energy Developments Africa, B.V.	23,496	30,039	-	(3,440)
Alten Renewable Energy Developments America	31,953	724	-	1,353
Alten Renewable Energy Investments	3,907	2,004	100	(589)
Alten Solar Power (Hardap) (pty) Ltd	60,517	63,190	5,503	(5,303)
Autopistas del Nordeste, S.A.S.	422,082	428,168	124,577	3,738
Bulevar del Arte y la Cultura, S.A.	11,374	10,403	2,742	113
Concesión del Sisga, S.A.S.	214,942	212,693	76,957	1,058
Construcciones INCA-Ortiz, S.A.	857	2,029	-	(3)
Cubico Alten Aguascalientes Dos	150,733	135,158	20,379	5,666
Cubico Alten Aguascalientes Uno	181,062	169,826	20,010	4,192
Dumar Ingenieros, S.L.	525	633	-	-
El Arce de Villalba, S.L.U.	14,809	2,739	606	(164)
Fortem Integral, S.L.	399	267	731	3
Grupo Ortiz Properties SOCIMI, S.A.	101,338	11,101	1,445	1,016
Inmuebles Gade, S.L.	33,355	14,081	-	(96)
MedSolar SPV10, S.R.L.	2,117	2,073	7	7
Móstoles Factory 2019, S.L.	194	41	600	151
Ola Ortiz Construcción SPA	651	1,034	-	-
Operadora Hospitalaria TEPIC, S.A.P.I. de C.V.	1	2	-	(1)
Ormats Mantenimiento Integral, S.L.	982	903	5,567	59
Ortega y Gasset Park, S.A.U.	12,050	10,521	1,153	48
Ortiz Cocomex, S.A.P.I. de C.V.	-	-	-	-
Ortiz Sport Factory, S.L.U.	5,244	4,991	1,009	433
Promotora Hospitalaria Tepic, S.A.P.I. DE C.V.	84,716	72,617	35,179	112
SPC 20 Infra e Saneamento Marabá	0	124	-	-
Superficie Cartera de Inversiones, S.A.U.	15,658	7,319	8,011	2,505
Urbanizadora Gade S.A	8,496	8,251	-	(447)
Vending La Gavia S.L.	105	34	63	23
Viario A-31,S.A.	96,754	85,746	16,404	1,575
Total	**2,017,428**	**1,751,516**	**381,033**	**19,926**

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	Thousand euro			
2018	**Assets**	**Liabilities**	**Operating income**	**Profit/(loss)**
Accesos de Ibiza, S.A.	68,799	54,494	8,452	1,859
Africana Energia, S.L.	316,498	332,298	40,078	546
Aldigavia Oficinas, S.L.U.	73,784	57,002	3,147	2,478
Aldigavia, S.A.U.	27,391	23,591	1,632	482
Alten 2010 Renovables, S.L.	7,725	1,555	-	11
Alten El Casar, S.L.	2,153	2,172	-	(3)
Alten Energias Renovables, S.L.	6,798	365	-	(856)
Alten Gestion de Proyectos, S.L.	916	1,023	4,679	341
Alten Renewable Energy Developments	31,638	9,168	6,983	3,525
Alten Renewable Energy Developments Africa, B.V.	20,320	23,527	2,153	(4,640)
Alten Renewable Energy Developments América, S.A.P.I. de	29,602	295	1,459	1,071
Alten Renewable Energy Investments	37,463	20,756	-	(580)
Alten Solar Power (Hardap) (pty) Ltd	60,794	57,538	1,171	622
Autopistas del Nordeste, S.A.S.	288,875	290,844	103,658	(4,724)
Bulevar del Arte y la Cultura, S.A.	12,584	11,739	2,931	160
Concesión del Sisga, S.A.S.	107,445	106,333	43,165	530
Construcciones INCA-Ortiz, S.A.	909	2,144	-	(4)
Cubico Alten Aguascalientes Dos, S.A.P.I. de C.V.	127,750	115,652	3,769	3,528
Cubico Alten Aguascalientes Uno, S.A.P.I. de C.V.	160,465	151,014	4,680	4,496
Dumar Ingenieros, S.L.	505	769	-	(1)
Fortem Integral, S.L.	454	326	833	2
Grupo Ortiz Properties SOCIMI, S.A.	78,286	3,274	1,363	3,850
Inmuebles Gade, S.L.	33,360	13,988	-	-
MedSolar SPV10, S.R.L.	2,451	2,379	440	5
Ola Ortiz Construcción SPA	651	1,034	-	-
Ormats Mantenimiento Integral, S.L.	2,184	1,874	5,308	1,064
Ortega y Gasset Park, S.A.U.	11,994	10,336	1,179	12
Ortiz Cocomex, S.A.P.I. de C.V.	-	-	-	-
Ortiz Sport Factory, S.L.	5,917	6,782	1,293	(139)
Promotora Hospitalaria Tepic, S.A.P.I. de C.V.	61,236	49,975	16,875	1,069
SPC 20 Infra e Saneamento Marabá	-	124	-	-
Superficie Cartera de Inversiones, S.A.U.	20,520	10,752	9,257	1,665
Urbanizadora Gade S.A	9,361	26,934	-	(436)
Viario A-31,S.A.	95,599	84,054	17,463	1,573
	1,704,42	**1,474,111**	**281,968**	**17,506**

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 €852 thousand (2018: 1,347 thousand) from associates. In 2019 the Group recognised accumulated losses totalling €646 thousand (2018: €124 thousand). Unrecognised accumulated losses total €8,879 thousand (2018: €8,673 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 2019 the investment commitments total €16,570 thousand that are to be executed over the coming 2 years (2018: €23,440 thousand).

(thousand euro)

During 2017 the Group acquired investment commitments relating to its interest in the company Promotora Hospitalaria Tepic, S.A.P.I. de C.V. At 31 December 2019 the investment commitments total €1,300 thousand that are to be executed in 2020 (2018: €4,846 thousand).

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	
	2019	2018	2019	2018	2019	2018	2019	2018
Investments held to maturity (Note 13)	-	-	-	-	1,063	1,081	**1,063**	**1,081**
Loans and receivables (Note 13)	-	-	-	-	101,605	101,250	**101,605**	**101,250**
Derivatives					-	48	**-**	**48**
Available-for-sale financial assets (Note 13):								
- Measured at fair value	699	699	-	-	-	-	**699**	**699**
TOTAL	**699**	**699**	**-**	**-**	**102,668**	**102,379**	**103,367**	**103,078**

Current financial assets

Thousand euro

	Equity instruments		Debt securities		Loans, derivatives, other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Assets at fair value through profit or loss:	2,334	2,437	-	1	-	-	**2,334**	**2,438**
Derivatives	-	-	-	-	494	1,022	**494**	**1,022**
Loans and receivables (Note 13)	-	-	-	-	489,314	399,825	**489,314**	**399,825**
Cash and cash equivalents (Note 17)	-	-	-	-	31,589	67,976	**31,589**	**67,976**
TOTAL	**2,334**	**2,437**	**-**	**1**	**521,397**	**468,823**	**523,731**	**471,261**

Non-current financial liabilities

Thousand euro

	Bank borrowings		Debentures and other marketable securities		Derivatives and other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Borrowings and payables (Note 22)	63,156	74,298	33,045	26,651	27,566	33,524	**123,767**	**134,473**
Derivative financial instruments (Note 14)	-	-	-	-	1,299	1,962	**1,299**	**1,962**
TOTAL	**63,156**	**74,298**	**33,045**	**26,651**	**28,865**	**35,486**	**125,066**	**136,435**

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(thousand euro)

Current financial liabilities

Thousand euro

	Bank borrowings		Debentures and other marketable securities		Derivatives and other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Borrowings and payables (Note 22)	53,998	19,504	-	-	406,363	354,813	**460,361**	**374,317**
Derivative financial instruments (Note 14)	-	-	399	24,829	3,912	3,036	**4,311**	**27,865**
TOTAL	**53,998**	**19,504**	**399**	**24,829**	**410,275**	**357,849**	**464,672**	**402,182**

10.1. Classification by maturity

At 31 December 2019 the amounts of financial instruments with a maturity date that is certain or can be determined classified by year of maturity are as follows:

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(thousand euro)

Financial assets

Thaousand Euro

	2020	2021	2022	2023	2024	Subsequent Years	Total
Investments in Group companies and associates:							
- Loans to companies	10,675	2,541	-	-	6,001	53,001	**72,218**
Financial investments:							
- Loans to companies	10,100	1,482	1,482	1,482	9,118	-	**23,664**
- Derivatives	494	-	-	-	-	-	**494**
- Other financial assets	19,252	-	-	-	-	1,063	**20,315**
- Debt sacurities	-	-	-	-	-	-	-
Trade and other receivables:							
- Trade receivables for sales and services rendered	417,719	-	-	-	-	26,498	**444,217**
- Trade receivables from group companies and associates	6,758	-	-	-	-	-	**6,758**
- Sundry receivables	731	-	-	-	-	-	**731**
- Personnel	1,586	-	-	-	-	-	**1,586**
Prepayments and accrued income	**22,493**	-	-	-	-	-	**22,493**
TOTAL	**489,808**	**4,023**	**1,482**	**1,482**	**15,119**	**80,562**	**592,476**

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(thousand euro)

Financial liabilities

Thousand Euro

	2020	2021	2022	2023	2024	Subsequent Years	Total
Payables:							
- Debentures and other marketable securities	399	-	-	33,045	-	-	**33,444**
- Bank borrowings	53,141	14,891	20,258	22,028	436	3,812	**114,566**
- Finance leases	857	858	660	213	-	-	**2,588**
- Other financial liabilities	38,310	2,214	1,118	806	285	1,193	**43,926**
Derivatives	**3,912**	**186**	**-**	**1,113**	**-**	**-**	**5,211**
Accruals	**5**	**8,388**	**-**	**-**	**-**	**8,968**	**17,361**
Payables to group companies and associates	**13**	**-**	**-**	**-**	**-**	**4,594**	**4,607**
Trade and other payables:							
- Suppliers	338,231	-	-	-	-	-	**338,231**
- Trade payables, Group and associated companies	9	-	-	-	-	-	**9**
- Sundry Payables	615	-	-	-	-	-	**615**
- Personnel	3,553	-	-	-	-	-	**3,553**
- Prepayments from customers	25,627	-	-	-	-	-	**25,627**
TOTAL	**464,672**	**26,537**	**22,036**	**57,205**	**721**	**18,567**	**589,738**

(thousand euro)

12. FINANCIAL ASSETS AT FAIR VALUE THORUGH PROFIT OR LOSS

This heading includes the following items and amounts:

			Thousand euro
2019	Non Current	Current	Total
Equities	699	2,334	**3,033**
Debentures	-	-	**-**
Total	**699**	**2,334**	**3,033**

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

	Thousand euro	
	2019	2018
Listed securities:		
- Equities – Euro zone	2,334	2,437
Unlisted securities:		
- Equities – Euro zone	699	699
- Other debt securities	-	1
Total	**3,033**	**3,137**

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 €(116) thousand (2018: €(1,010) 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	
	2019	**2018**
Non-current loans and receivables:		
- Loans to associates (Note 32)	61,543	60,501
- Loans to third parties	13,564	14,234
- Derivatives	-	48
- Other financial assets	1,063	1,081
- Non-current trade receivables: concession arrangement, debt claim	26,498	26,515
Total	**102,668**	**102,379**
Current loans and receivables:		
- Completed work pending certification	261,791	194,406
- Works certification and invoices	108,793	84,236
- Trade bills receivable	24,479	27,834
- Warranty withholdings	22,656	16,465
- Trade receivables, associates (Note 32)	6,758	6,058
- Sundry receivables	731	574
- Personnel	1,586	2,575
- Taxes refundable	20,032	12,073
- Called share capital not paid	-	40
- Current loans to associates	10,675	9,937
- Loans to third parties	10,100	15,835
- Derivatives	494	1,022
- Other financial assets	19,252	20,179
Total	**487,347**	**391,234**
Current prepayments and accrued income	22,493	21,686
Total loans and receivables	**612,508**	**515,299**

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 2019 the amount of invoices discounted through factoring facilities amounted to €72,383 thousand (2018:€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 31.12.2017	**20,034**
Impairment adjustments	644
Impairment reversals	(14)
Write-offs and reductions (definitive write-off of defaults)	-
Transfers and other variances	-
Impairment of loans at 31.12.2018	**20,664**
Impairment adjustments	773
Impairment reversals	(39)
Write-offs and reductions (definitive write-off of defaults)	(1,306)
Transfers and other variances	-
Impairment of loans at 31.12.2019	**20,092**

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

	Thousand euro	
	2019	2018
Euro	293,704	274,419
Bolivianos- Bolivia	2,224	945
Colon - El Salvador	44	69
American Dollar	197,780	93,302
Lempira - Honduras	901	2,118
Leu - Romania	1,006	637
New Sol - Peru	42,295	44,849
Peso - Chile	153	2,015
Peso - Colombia	49,741	48,210
Peso - Mexico	7,235	17,119
Quetzal - Guatemala	342	11,473
Real - Brazil	851	867
Yen – Japan	15,976	16,497
Zloty – Polonia	256	2,611
Other currencies	-	168
Non-current loans and receivables	**612,508**	**515,299**

Other financial assets

This heading records €18,577 thousand (2018: €20,179) relating to:

- €7,223 thousand in bank deposits (2018: €10,908). Mainly deriving from short-term deposits with Banco Sabadell.
- €413 thousand in prepayments made to professionals (2018: 285)
- €7,634 thousand in guarantees and deposits (2018: 7,217).
- €2,602 thousand in excess contributions to UTEs (2018: 1,768).
- Dividend pending payment in the amount of €659 thousand (2018: €0).

- 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.

14. DERIVATIVE FINANCIAL INSTRUMENTS

	Miles de euros	
	2019	2018
Interest rate swaps – cash flow hedges	1,299	1,543
Exchange rate swaps – cash flow hedges	3,912	3,455
Total Derivatives - Liabilities	**5,211**	**4,998**
Menos parte no corriente:		
Interest rate swaps – cash flow hedges	1,299	1,352
Exchange rate swaps – cash flow hedges	-	610
Non-current portion - Liabilities	**1,299**	**1,962**
Interest rate swaps – cash flow hedges	-	-
Exchange rate swaps – cash flow hedges	3,912	3,036
Current portion - Liabilities	**3,912**	**3,036**

(thousand euro)

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 3.665% (2018: between 0.375% 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 €63,484 thousand (€78,507 thousand at 31 December 2018).

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

At the end of 2019 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 2019 the notional principal amount of the euro-dollar exchange rate hedge contracts totals €63,167 thousand (2018: €79,504 thousand), €16,865 thousand with respect to the euro-yen exchange rate hedge (2018: €16,445 thousand) and €1,042 thousand with respect to the euro-mexican peso exchange rate hedge (2018: €0 thousand).

The effective portion of cash flow hedges recognised in equity in 2019 due to cash flow hedges totals €(3,988) thousand (2018: €(3,417) thousand) and generates a tax effect totalling €977 thousand that is also taken to equity (2018: €854 thousand) recorded as deferred taxes. The settlement of these derivatives gave rise to a negative gross effect of €3,201thousand during the year (2018: €1,064 thousand).

15. DISCONTINUED OPERATIONS

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 6). 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 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.

“Profit/(loss) for the year from discontinued operations” in the 2018 consolidated income statement therefore included the profit/(loss) 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	
	2019	**2018**
Goods purchased for resale	106	89
Raw materials and other supplies	1,296	1,107
Work in progress	7	7
Finished goods	3,990	3,990
Prepayments to suppliers	10,022	8,973
Total	**15,421**	**14,166**

(thousand euro)

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 2019 and 2018.

Impairment losses on inventories

During 2019 and 2018, the Group did not recognise or reverse any impairment adjustments.

Inventories located abroad

At 31 December 2019 and 2018 the Group does not have any inventories located abroad.

Capitalised financial expense

In 2019 and 2018 no interest was capitalised.

Inventories pledged as security

Loans from credit institutions are secured by inventories valued at €3,875 thousand (2018: €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	
	2019	2018
Cash	31,589	67,976
Total	**31,589**	**67,976**

At 31 December 2019 there was no restricted cash. The value of restricted cash 31 December 2018 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	
	2019	2018
Authorised capital	57,492	57,492
Total	**57,492**	**57,492**

At 31 December 2019 and 2018 companies with a shareholding of 10% or more are as follows:

2019

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

2018

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

(thousand euro)

Share premium

This reserve is freely available.

Reserves

	Thousand euro	
	2019	**2018**
Reserves in consolidated companies		
- Legal reserve	11,934	11,934
- Other reserves	172,244	110,254
- Reserves in fully consolidated companies	6,553	68,205
- Reserves in equity consolidated companies	(30,762)	(31,215)
Reserves in consolidated companies	**159,969**	**159,605**

Changes in “Other reserves” and “Reserves in fully consolidated companies” arising in 2019 are mainly due to the merger of several companies carried out by the parent company in 2019 and described in Note 1.1.

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 2019 results and reserves to be presented to shareholders at a general meeting, and that for 2018 which was approved on 30 May 2019, are as follows:

	Thousand euro	
	2019	**2018**
Available for Distribution		
Profit/loss for the year	14,581	6,619
Total	**14,581**	**6,619**

	Thousand euro	
	2019	**2018**
Application of profit/(loss)		
To dividends	5,063	5,063
To voluntary reserve	9,518	1,556
Total	**14,581**	**6,619**

19. MEASUREMENT ADJUSTMENTS

Differences on exchange

Movements in the heading “Differences on exchange” is as follows for the years ended 31 December 2019 and 2018:

	Thousand euro	
	2019	**2018**
Beginning balance	**(7,121)**	**(2,073)**
- At consolidated companies	2,970	(5,369)
- At equity-consolidated companies	460	321
Ending balance	**(3,691)**	**(7,121)**

(thousand euro)

Hedging transactions

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

	Thousand euro	
	2019	2018
- Parent company	(3,346)	(2,507)
- Consolidated companies	(191)	(440)
- Equity-consolidated companies	(17,546)	(15,884)
Total hedging transactions	**(21,083)**	**(18,831)**

Movements in this heading during 2019 and 2018 are set out below:

	Thousand euro	
	2019	2018
Beginning balance	**(18,831)**	**(27,921)**
Movement in hedging transactions:	**(2,252)**	**9,090**
- Parent company	(839)	(2,176)
- Fully and equity consolidated companies	(1,413)	11,266
Ending balance	**(21,083)**	**(18,831)**

20. NON-CONTROLLING INTERESTS

The breakdown of this item by company in 2019 and 2018 is as follows:

	Thousand euro		
2019	Reserves for non-controlling interests	Profit/(loss) non-controlling interests	Total non-controlling interests
Impulsa Grup Ortiz, S.L.	(36)	(1)	(37)
Arquitectura Industrializada Andaluza, S.L.	268	-	268
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.	602	348	950
Total	**834**	**347**	**1,181**

	Thousand euro		
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)

21. CAPITAL AND GRANTS RECEIVED

Movements in these subsidies are as follows:

	Thousand euro	
	2019	2018
Beginning balance	**1,348**	**1,823**
Received during the year	-	3
Disposals during the year	-	(332)
Taken to profit/(loss)	(69)	(194)
Tax effect	17	48
Ending balance	**1,296**	**1,348**

The breakdown of grants by origin is as follows:

	Thousand euro	
	2019	2018
-Parent company	-	-
-Consolidated companies	34	42
- Equity consolidated companies	1,262	1,306
Ending balance	**1,296**	**1,348**

22. BORROWINGS AND PAYABLES

	Thousand euro	
	2019	2018
Non-current:		
Debentures and other marketable securities (Note 22.3)	33,045	26,651
Bank borrowings (Note 22.4)	61,425	72,051
Finance leases (Note 22.5)	1,731	2,247
Derivatives	1,299	1,962
Other financial liabilities (Note 22.8)	5,616	6,586
Payables to related parties (note 32)	4,594	13,196
Non-current accruals and deferred income	**17,356**	**13,742**
Non-current provisions	**8,850**	**8,787**
Total	**133,916**	**145,223**
Current:		
Debentures and other marketable securities	399	24,829
Bank borrowings	53,141	18,736
Finance leases	857	768
Derivatives	3,912	3,036
Other financial liabilities	38,310	30,499
Payables to related parties	13	61
Trade payables	338,231	284,066
Trade payables to related parties	9	6
Sundry payables	615	463
Personnel	3,553	3,635
Taxes payable	10,127	11,633
Prepayments from customers	25,627	36,022
Current accruals and deferred income	**5**	**61**
Current provisions	**604**	**720**
Total	**475,403**	**414,535**

(thousand euro)

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

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	
	2019	**2018**
Euro	419,438	390,846
Bolivianos- Bolivia	4,378	3,449
American Dollar	105,770	70,931
Lempiras-Honduras	740	3,070
Leu - Romania	333	1,625
New Sol – Peru	10,039	19,414
Peso – Chile	510	3,654
Peso - Colombia	32,889	25,187
Peso - Mexico	12,583	14,391
Quetzal-Guatemala	1,211	9,322
Yen-Japan	20,765	23,349
Zloty – Poland	661	2,060
Other currencies	-	2
Total	**609,318**	**567,300**

21.1 Available lines of credit

The Group has the following unused credit lines:

	Thousand euro	
	2019	**2019**
Variable rate:		
- maturing in less than one year	15,459	25,950
- maturing in more than 1 year (*)	63,125	67,125
Fixed rate:		
- maturing in less than one year	-	-
Total	**78,584**	**93,075**

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

22.2 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 have been fully amortized on their maturity last July 2019.

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.

  2014 issue

  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.

In 2019 and 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 2019 and 2018 are as follows:

	Thousand euro	
	2019	**2018**
Debentures and bonds (nominal value) - 2018 Issue	50,000	50,000
Amortised cost effect (due to fees) - 2018 Issue	(355)	(449)
Bonds in the possession of the Group - 2018 Issue	(16,600)	(22,900)
Accrued interest payable	399	279
Total – 2018 Issue	33,444	26,930
Debentures and bonds (nominal value) - 2014 Issue	-	23,800
Amortised cost effect (due to fees) - 2014 Issue	-	(76)
Accrued interest payable	-	826
Total – 2014 Issue	-	24,550
Total	33,444	51,480

The fair value of the liability component of the convertible bond at 31 December 2019 and 2018 does not differ from its carrying amount.

During 2019 the group sold 63 bonds valued at €6,477 thousand to third parties that were in the group's possession at 31 December 2018. This transaction gave rise to a loss of €13 thousand under the heading "Impairment and profit/(loss) on the disposal of financial instruments" in the consolidated income statement.

Details of the maturity of the issued bonds (which also includes those acquired by the Group) at 31 December 2019 is as follows:

	Thousand euro				
	2020	**2021**	**2022**	**2023**	**Total**
Nominal value	-	-	-	50,000	50,000
Interest	2,625	2,625	2,625	2,625	10,500
Total	**2,625**	**2,625**	**2,625**	**52,625**	**60,500**

(thousand euro)

22.3 Bank borrowings

Bank borrowings are as follows in 2019 and 2018:

Thousand euro

2019					
Instrument	Interest Rate Range	Drawn down at 31.12.2019	Maturing in 1 year	Maturing in 2-5 years	Maturity - other
Syndicated loan	2,75%	64,472	12,883	51,589	-
Loan facilities	0,80%-3,50%	25,368	25,368	-	-
Mortgage loans	0,55% - 2%	11,620	1,784	5,548	4,288
Receivables for discounted bills		12,522	12,522	-	-
Accrued unpaid interest		583	583	-	-
Total		**114,565**	**53,140**	**57,137**	**4,288**

Thousand euro

2018					
Instrument	Interest Rate Range	Drawn down at 31.12.2018	Maturing in 1 year	Maturing in 2-5 years	Maturity - other
Syndicated loan	2,75%	65,525	5,013	60,512	-
Loan facilities	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**

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 amounts drawn down from this loan accrue interest at Euribor plus a variable spread between 2% and 3.25%, based on the value of certain ratios. The initial rate applied up until 16 July 2019 for Tranche A and 27 May 2019 for Tranche B was 2.75%, falling to 2% in both cases after those dates.

Tranche A was drawn down by €61,755 thousand at 31 December 2019 (2018: €65,525 thousand) and falls due on 17 July 2023. Tranche B has been drawn down by €4,000 thousand at 31 December 2019 (2018: €0), and falls due on 17 October 2022.

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 2019 an 2018.

(thousand euro)

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

Maturity date	Thousand euro
17-jan-20	5,370
30-jan-20	1,671
17-jul-20	5,370
30-sep-20	835
17-jan-21	5,705
30-jan-21	835
17-jul-21	5,706
30-sep-21	835
17-jan-22	6,377
30-jan-22	835
17-jul-22	6,378
30-sep-22	836
17-jan-23	13,425
30-jan-23	835
17-jul-23	6,742
Total	**61,755**

Available lines of credit and factoring facilities at 31 December 2019 amount to €86,188 thousand (2018: €108,668 thousand).

22.4 Finance leases

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

	Thousand euro	
	2019	**2018**
Total amount of the minimum future payments at the year-end:		
- Up to one year	857	768
- Between 1 and 5 years	1,731	2,246
- More than 5 years	-	-
Present value at the year end	**2,588**	**3,015**

The present value of finance lease liabilities is as follows:

	Thousand euro	
	2019	**2018**
- Up to one year	857	768
- Between 1 and 5 years	1,731	2,246
- More than 5 years	-	-
Total	**2,588**	**3,015**

22.5 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:

	2019	2018
Average deferral of payments to suppliers	144	126
Ratio of transactions paid	144	120
Ratio of payments pending	95	135

	Amount (thousand euro)	Amount (thousand euro)
Total payments made	221,184	302,853
Total payments pending	37,606	175,141

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.

(thousand euro)

23. OTHER PROVISIONS

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

Thousand euro

Non-current	Provision for works settlements	Provision for other liabilities	Provision for taxes	Other provisions	Total
Balance at 01.01.2018	**-**	**-**	**8,607**	**-**	**8,607**
Allocations	-	-	-	-	**-**
Applications	-	-	-	-	**-**
Excesses	-	-	-	-	**-**
Other adjustments	-	-	181	-	**181**
Ending balance at 31.12.2018	**-**	**-**	**8,788**	**-**	**8,788**
Allocations	-	-	-	-	**-**
Applications	-	-	-	-	**-**
Excesses	-	-	-	-	**-**
Other adjustments	-	-	62	-	**62**
Ending balance at 31.12.2019	**-**	**-**	**8,850**	**-**	**8,850**

Thousand euro

Current	Provision for works settlements	Provision for other liabilities	Provision for taxes	Other provisions	Total
Balance at 01.01.2018	**507**	**-**	**182**	**410**	**1,099**
Allocations	-	-	-	-	-
Applications	(318)	-	-	-	(318)
Excesses	-	-	-	-	-
Other adjustments	-	-	(182)	121	(61)
Ending balance at 31.12.2018	**189**	**-**	**-**	**531**	**720**
Allocations	-	-	2	-	2
Applications	(13)	-	-	(85)	(98)
Excesses	(20)	-	-	-	(20)
Other adjustments	-	-	-	-	-
Ending balance at 31.12.2019	**156**	**-**	**2**	**446**	**604**

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

	2019	2018
Tax effect of differences on exchange	1,754	2,503
Derivatives	1,303	1,250
Non-deductible depreciation/amortisation	213	267
Deductions and credits pending application	1,242	1,261
Tax-loss carryforwards for the year	1,841	1,981
Total deferred tax assets	**6,353**	**7,262**

(thousand euro)

	Thousand euro	
	2019	2018
Tax effect of differences on exchange	545	403
Derivatives	124	268
Unrestricted depreciation	3,218	5,998
Finance lease	323	232
Subsidies	8	14
Total deferred tax liabilities	**4,218**	**6,915**

Changes in deferred tax assets and liabilities during 2019 and 2018 were as follows:

				Thousand euro
Deferred tax assets:	Tax credits	Derivatives	Other	Total
Balance at 1 January 2019	**3,242**	**1,250**	**2,770**	**7,262**
Charged against/(credited to) profit or loss	(159)	(1,068)	(54)	(1,281)
Charged against/(credited to) equity	-	1,121	(249)	372
Balance at 31 December 2019	**3,083**	**1,303**	**1,967**	**6,353**

				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 2018	**3,242**	**1,250**	**2,770**	**7,262**

					Thousand euro
Deferred tax liabilities:	Unrestricted depreciation	Differences on exchange	Derivatives	Other	Total
Balance at 1 January 2019	**5,998**	**403**	**268**	**246**	**6,915**
Charged against/(credited to) profit or	(125)	-	(268)	85	(308)
Charged against/(credited to) equity	-	142	124	-	266
Other movements	(2,655)	-	-	-	(2,655)
Balance at 31 December 2019	**3,218**	**545**	**124**	**331**	**4,218**

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

Movements in deferred tax liabilities on business combinations in 2019 derive from the exit of El Arce de Villalba, S.L.U. from the scope of consolidation (Note 1 and 6).

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 €11 million (2018: €15 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	
	2019	2018	2019	2018
Peso - Colombia	51,782	37,278	(48,498)	(37,116)
Peso - Mexico	36,150	20,802	(34,590)	(21,127)
New Sol – Peru	10,295	12,244	(6,911)	(13,022)
Peso – Chile	673	758	(571)	(879)
Zloty – Poland	-	-	-	(9)
Leu - Romania	800	(92)	(6)	(388)
American Dollar	273,669	295,083	(258,939)	(256,358)
Yen – Japan	28,068	23,488	(24,660)	(21,384)
Lempiras - Honduras	498	4,005	(459)	(3,753)
Colon - El Salvador	157	(1,323)	(82)	(168)
Quetzal-Guatemala	1,423	3,673	207	(2,762)
Peso- Bolivia	5,065	2,844	(4,320)	(3,034)
Other currencies	-	-	-	(20)
Total	**408,580**	**398,760**	**(378,829)**	**(360,020)**

Revenues

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

Thousand euro

Market	2019	%	2018	%
National	231,621	36%	206,325	34%
International	408,580	64%	398,980	66%
Total	**640,201**		**605,305**	

Revenue can also be analysed by business category as follows:

Thousand euro

Business	2019	%	2018	%
Construction and Services	308,640	48%	270,340	45%
Energy	318,501	50%	322,275	53%
Concessions	11,010	2%	9,920	2%
Real Estate	2,050	0%	2,770	0%
Total	**640,201**	**100%**	**605,305**	**100%**

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousand euro)

Raw materials, goods consumed and other consumables

	Thousand euro	
	2019	**2018**
a) Consumption of goods purchase for resale	**(17)**	**89**
Change in the inventory of goods purchased for resale	(17)	89
b) Raw materials consumed and other consumables	**310,716**	**316,928**
Purchases of storable goods and materials	90	159
Purchases of other supplies	311,008	316,600
Volume discounts for other supplies acquired	(76)	(26)
Change in inventories of raw materials/Land	(248)	211
Change in inventories of other supplies	(58)	(16)
c) Subcontracted work	**170,188**	**147,954**
Construction work certification and expenses for developments in progress	-	
Work-Services pending receipt or formal arrangement	41,346	81,593
Utilities and outside services	38	54
Subcontracted work	128,804	66,307
d) Impairment of goods to be resold, raw materials and other materials	-	-
Total	**480,887**	**464,971**

Personnel expenses

	Thousand euro	
	2019	**2018**
Wages, salaries and similar remuneration	65,507	61,883
Employee benefit expenses	16,918	16,078
Non-current remuneration through defined contribution systems	68	36
Total	**82,493**	**77,997**

Salaries and wages includes employee termination benefits amounting to €1.170 thousand in 2019 (€498 thousand in 2018).

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	**2019**	**2018**
Senior management	5	5
Administrative and technical managers and construction foremen	587	493
Middle management	215	299
Administrative staff	231	257
Workers	1,044	1,174
Total	**2,082**	**2,228**

(thousand euro)

The distribution of the Group's employees by category and gender was as follows in the years ended 31 December 2019 and 2018:

2019	Male	Female	Total
Senior management	4	1	5
Administrative and technical managers and construction foremen	442	143	585
Middle management	206	16	222
Administrative staff	94	133	227
Workers	794	174	968
Total	**1,540**	**467**	**2,007**

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**

The average number of employees in the course of the year by the companies included in the consolidation, with a disability greater than or equal to 33% by category is 23 employees as of 31 December 2019 and 22 employees as of 31 December 2018.

Impairment and gains/(loss) on asset disposals

In 2019 the heading mainly records the impairment of the goodwill relating to Icma-Proakis (Note 7). In 2018, the heading records the profit obtained on the sale of investment properties (Note 9) and the termination of the Alameda parking facility agreement (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 2019			29,017			**(160)**
	Increases	**Decreases**	**Total**	**Increases**	**Decreases**	**Total**
Corporate income tax						
Permanent differences	**4,335**	**(7,750)**	**(3,415)**	**-**	**-**	**-**
Temporary differences	**616**	**(648)**	**(32)**	**8,640**	**(8,480)**	**160**
- Arising during the year		(478)	(478)	8,571	-	8,571
- Arising in prior years	616	(170)	446	69	(8,480)	(8,411)
Exemption of income from permanent establishments	**-**	**(15,097)**	**(15,097)**			
Consolidation adjustments	**-**	**-**	**(5,637)**			
Gross taxable income	**-**	**-**	**4,836**	**-**	**-**	**-**
Tax-loss carryforwards			(1,209)			
Net taxable income	**-**	**-**	**3,627**	**-**	**-**	**-**

(thousand euro)

Income tax expense is analysed below:

	Thousand euro	
	2019	2018
Current corporate income tax	3,619	2,095
Deferred tax liability	1,926	58
Other	-	743
Total	**5,545**	**2,896**

The main nominal tax rates used in the calculation of corporate income tax for group companies in 2019 and 2018 are as follows:

Country	2019	2018
Spain	25%	25%
Poland	19%	19%
Colombia	33%	33%
Mexico	30%	30%
Brazil	24%	24%
Peru	29.5%	29.5%
Chile	27%	27%
Honduras	25%	25%
Italy	24%	24%
France	31%	33.33%
Guatemala	25%	25%
El Salvador	30%	30%
Japan	30.62%	38.2%

Deductions to tax payable totalling €602 thousand were applied in 2019 (2018: €0 thousand) and withholdings and interim payments totalled €298 thousand (2018: €493 thousand). The amount payable by the tax authorities totals €7 thousand (2018: €106 thousand refundable). 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 2018 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 made 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 amount to be repaid reduced the amount refundable by the tax authorities as a result of the 2018 corporate income tax return which totalled €106 thousand after that reduction.

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		
	2019	2018	Past year
Double taxation relief	250	250	Sin límite
Deduction for double taxation of capital gains	1	1	Sin límite
Deduction for international double taxation	305	305	Sin límite
Investment deductions	686	680	2037
Deduction of donations	-	16	-
Non-deductible depreciation	-	9	-
Total	**1,242**	**1,261**	

(thousand euro)

27. NET FINANCIAL INCOME/EXPENSE

	Thousand euro	
	2019	**2018**
Financial income	**4,424**	**3,548**
From equity instruments	**108**	**138**
Dividends	108	138
From marketable securities and other financial instruments	**4,316**	**3,410**
Group companies and associates	**2,993**	**2,311**
From third parties	**1,323**	**1,099**
Other financial income	925	410
Income from other company debt securities	398	689
Financial expenses	**17,408**	**19,010**
On payables to group companies and associates	**277**	**183**
Payables to third parties	**17,131**	**18,827**
Interest of debentures and bonds	2,586	3,387
Interest on bank borrowings	2,405	3,765
Interest on bank borrowings	3,650	4,368
Interest on loans from other companies	133	127
Interest on loans from other companies	232	44
Interest for the discounting of bills and similar transactions	548	245
Interest on factoring transactions without recourse	1,777	1,417
Interest on factoring transactions with recourse	375	299
Other financial expenses	5,425	5,175
Change in the fair value of financial instruments	**(116)**	**(1,010)**
Trading portfolio and other	(116)	(1,010)
Differences on exchange	**(186)**	**(7,945)**
Impairment and gain/(loss) on disposal of financial instruments	**(857)**	**(246)**
Profit/(loss) on disposals and other items	**(857)**	**(246)**
Losses on long term loans to associates	(844)	-
Profits from equities and current debt securities-other companies	3	294
Losses on equities and current debt securities-other companies	(16)	(540)

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 €415 million at 31 December 2019 (2018: €378 million), of which €390 million were provided to secure the good outcome of the execution of works for several customers (2018: €347 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 €24,100 thousand (2018: €29,641 thousand).

Other contingent liabilities

At the end of 2019 and 2018 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 2019 and 2018.

(thousand euro)

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 2019 the Group recognised the interest accrued with respect to these assessments in the amount of €62thousand (2018: €180 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 (2018: €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.

29. COMMITMENTS

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

	Thousand euro	
	2019	**2018**
< 1 year	29	55
1 - 5 years	1,400	1,300
> 5 years	74	76
Total	**1,503**	**1,431**

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 2019 group companies participate in 104 joint ventures (115 at 31 December 2018).

(thousand euro)

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 2019 and 2018, without adjusting the relationships with group companies, are indicated below:

	Thousand euro	
	2019	**2018**
Non-current assets	4,755	5,039
Current assets	37,736	33,823
Total Assets	**42,491**	**38,862**
Equity	2,356	2,536
Non-current liabilities	561	581
Current liabilities	39,574	35,745
Total Liabilities and Equity	**42,491**	**38,862**
Revenues	**38,160**	**29,940**
Reported profit	**104**	**498**

31. BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Directors' remuneration

In 2019, the amount accrued by the members of the Board of Directors totalled €1,973 thousand (€1,919 thousand in 2018) and is made up of the following items and amounts:

	Thousand euro	
	2019	**2018**
Wages, per diems and other remuneration	1,973	1,919
Termination benefits	-	-
Share-based payments	-	-
Total	**1,973**	**1,919**

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.

Senior Management compensation and loans

	Thousand euro	
	2019	**2018**
Wages, per diems and other remuneration	1,926	1,867
Pension obligations	-	-
Loans	7,932	8,973
Total	**9,858**	**10,840**

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, being amortized in 1,041 thousand in 2019.

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 2019 and 2018:

(thousand euro)

Thousand euro

2019	Current receivables	Current trade payables	Current credit facilities	Non-current credit facilities	Other current loans	Current loans
Accesos de Ibiza,S.A.	194	-	-	4,295	-	(4,594)
Africana Energia, S.L.	7	-	-	17,084	-	-
Aldigavia,S.A.U.	20	-	-	-	-	-
Aldigavia Oficinas, S.L.	195	-	-	-	-	-
Alten Gestion de Proyectos, S.L.U.	29	-	-	-	-	-
Alten El Casar, S.L.	835	-	-	2,051	-	-
Autopistas del Nordeste, S.A.S.	-	-	-	14,849	-	-
Bulevar del Arte y La Cultura,S.A.	-	-	-	986	-	-
Concesión del Sisga, S.A.S.	-	-	-	15,787	-	-
Consorcio Inca-Ortiz	121	-	-	-	-	-
Fortem Integral, S.L.	1	-	-	163	-	-
Grupo Ortiz Properties Socimi, S.A.	54	(9)	-	6,001	-	-
Inmuebles Gade, S.L.	-	-	8,827	-	(10)	-
Medsolar SPV	401	-	461	-	(3)	-
Mostoles Factory 2019,S.L.	3	-	-	-	-	-
Ola Ortiz Constructión,S.P.A.	4,713	-	-	9	-	-
Ormats Mantenimiento Integral, S.L.	-	-	-	-	-	-
Ortega y Gasset Park, S.A.U.	29	-	-	-	-	-
Ortiz Sport Factory, S.L.	12	-	-	-	-	-
Promotora Hospitalaria Tepic,S.A.P.I. de C.V.	91	-	1,370	-	-	-
Superficie Cartera Inversiones, S.A.	51	-	-	318	-	-
Urbanizadora Gade, S.A.	2	-	-	-	-	-
Vending La Gavia, S.L.	-	-	17	-	-	-
TOTAL	**6,758**	**(9)**	**10,675**	**61,543**	**(13)**	**(4,594)**

(thousand euro)

Thousand euro

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

Related-party transactions in 2019 and 2018 were as follows (thousand euro):

					Thousand euro
2019	**Sales**	**Purchases**	**Interest expense**	**Interest income**	**Other results**
Accesos de Ibiza,S.A.	160	-	204	140	-
Africana Energia,S.L.	22	2	-	249	-
Aldigavia,S.A.U.	67	-	-	-	-
Aldigavia Oficinas, S.L.	148	1,753	-	-	-
Alten El Casar, S.L.	7,441	-	-	96	-
Alten Renewable Energy Developments,B.V.	-	31	-	-	-
Autopistas del Nordeste, S.A.S.	-	-	-	1,208	-
Bulevar del Arte y La Cultura,S.A.	-	-	-	33	-
Concesión del Sisga, S.A.S.	-	-	-	1,019	-
El Arce de Villalba, S.L.U.	14	-	-	-	-
Fortem Integral, S.L.	2	1	-	6	-
Grupo Ortiz Properties Socimi, S.A.	407	419	24	40	751
Inmuebles Gade, S.L.	-	-	-	-	-
Medsolar, S.L.	-	-	-	-	-
Mostoles Factory 2019,S.L.	1	-	-	-	-
Ola Ortiz Construction, S.P.A.	-	-	-	-	-
Ormats Mantenimiento Integral, S.L.	-	-	-	-	8
Ortega y Gasset Park, S.A.U.	46	613	-	-	-
Ortiz Sport Factory, S.L.	15	-	-	200	-
Promotora Hospitalaria Tepic,S.A.P.I. de	227	-	-	-	-
Superficie Cartera de Invesiones,S.A.	219	-	49	2	15
Urbanizadora Gade, S.A.	-	-	-	-	-
Viario A-31, S.A.	-	-	-	-	386
TOTAL	**8,769**	**2,819**	**277**	**2,993**	**1,160**

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

(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 2019 and 2018 is indicated below:

Thousand euro

2019	Construction and Services	Energy	Real estate-Holding company	Concessions
Assets	399,636	274,855	125,526	42,022
Liabilities	366,242	199,375	31,973	16,833
Revenues	**308,640**	**318,501**	**11,010**	**2,050**
Profit/(loss) before tax	**13,939**	**9,719**	**1,483**	**3,877**

Thousand euro

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**	**9,920**	**2,770**
Profit/(loss) before tax	**(5,496)**	**10,985**	**2,820**	**8,952**

34. INFORMACIÓN SOBRE MEDIO AMBIENTE

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. Asteisa Tratamiento de Aguas, S.A.U. with certificate number E-199534 and an issue date of 26 January 2000. Contratas y Servicios Ferroviarios, S.A.U. with certificate number GA-2003/0021 and an issue date of 28 January 2003. Indag, S.A.U., in a study and implementation process.

35. EVENTS AFTER THE REPORTING PERIOD

Since December 2019, a new strain of COVID-19 has extended from China to other countries, including Spain. This event has significantly affected global business activity and, as a result, the companies' operations and financial results. The extent to which the coronavirus will impact our results will depend on future events that cannot be reliably predicted, including actions to contain or treat the disease and mitigate its impact on the economies of affected countries.

The group has sufficient tools to face this circumstance due to its liquidity status and the availability of additional credit facilities it maintains at the year-end, as well as contractual clauses that cover force majeure situations and the geographic diversification of our businesses. This allows us to manage the risks deriving from these circumstances and to continue with activities and the business in general, such that we currently do not foresee any consequence involving any failure to comply with contracts as a result of the pandemic.

At the date these accounts were prepared, the economic impacts of the general crisis situation that has arisen are unknown and, therefore, it is not possible to quantify them.

In the opinion of the parent company's directors, no other matter that could have a significant effect on the consolidated annual accounts after the year ended 31 December 2019 has been detected.

36. AUDIT FEES

The audit fees accrued during the year by PricewaterhouseCoopers Auditores, S.L. for audit services totalled €191thousand (2018: €215 thousand) and €14 thousand for other services (2018: €22 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 €0 euro (2018: 28).

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

APPENDIX I

SUBSIDIARIES

31 December 2019			Shareholding			
Name	**Domicile**	**Business**	**%**	**Thousand euro**	**Name**	**Domicile**
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 CYP	Not audited
Asteisa Tratamiento de Aguas, S.A.U.	Madrid	Construction	100	1,889	Ortiz CYP	PWC
Contratas y Servicios Ferroviarios, S.A.U.	Orense	Construction	100	25,545	Ortiz CYP	PWC
Arquitectura Industrializada Andaluza, S.L.	Sevilla	Construction	55	342	Indagsa	Not audited
Concesionaria Collado Villalba, S.A.U.	Madrid	Concession	100	6,050	Ortiz CYP	PWC
Impulsa Grup Ortiz, S.L.	Barcelona	Construction	92.5	-	Ortiz CYP	Not audited
Grupo Ortiz Polska, S.A.	Polonia	Construction	100	25	Ortiz CYP	POMORSKI Doradztwo Podatkowe Sp. z o.o.
Águeda Educatis, S.L.	Madrid	Real Estate	100	18	Ortiz CYP	Not audited
Grupo Ortiz Construcciones México, S.A.	México	Construction	99.99	709	Ortiz CYP	Not audited
Personal Management, S.A. de C.V.	México	Construction	100	3	Condisa	Not audited
Ortiz Brasil Contruçoes, Limitada	Brasil	Construction	100	902	Ortiz CYP	Not audited
Tecasol, S.A.	Uruguay	Construction	70	2	Ortiz CYP	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.	Japón	Energy	100	325	Ortiz CYP	SANSEI TrusT
GO Barajas 2017, S.A.	Madrid	Concession	100	60	Ortiz CYP	Not audited
Constructora Hospitalaria TEPIC, S.A.P.I. de C.V.	Madrid	Construction	47.5	-	Ortiz CyP	Not audited
Constructora Obrascol, S.A.S.	Madrid	Construction	100	8	Ortiz CyP/Asteisa	Not audited
Total Subsidiaries				**92,348**		

GRUP ORTIZ

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

APPENDIX I

31 December 2018			Shareholding			
Name	**Domicile**	**Business**	**%**	**Thousand euro**	**Name**	**Domicile**
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 Real Estate, S.L.U.	Madrid	Real Estate	100	6,665	Ortiz CYP	PWC
EMCA Sociedad Concession, 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.	Sevilla	Construction	55	342	Indagsa	Not audited
Elecor, S.A.U.	Guadalajara	Electricity	100	8,421	Ortiz CYP	PWC
Concession 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.	Almería	Electricity	100	3,484	Ortiz CYP	PWC
Tendidos y Redes del Sur, S.L.U.	Almería	Electricity	100	486	Ortiz CYP	Not audited
Ortiz Energía, S.A.U.	Madrid	Energy	100	1,000	Ortiz CYP	PWC
Grupo Ortiz Polska, S.A.	Polonia	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.	México	Construction	99.99	709	Ortiz Int. Inv.	Not audited
Personal Management, S.A. de C.V.	México	Construction	100	3	Condisa	Not audited
Ortiz Brasil Contruçoes, Limitada	Brasil	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.	Japón	Energy	100	325	Ortiz Energía	SANSEI TrusT
GO Barajas 2017, S.A.	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**		

GRUP ORTIZ

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

APPENDIX II

JOINTLY-CONTROLLED COMPANIES

31 December 2019			Shareholding			
Name	Domicile	Business	%	Thousand euro	Name	Domicile
Inmuebles Gade, S.L.	Madrid	Real Estate	79.21	14,802	Ortiz CYP	Not audited
Urbanizadora Gade, S.A. En liquidación	Madrid	Real Estate	50	-	Ortiz CYP	Not audited
Accesos de Ibiza, S.A.	Baleares	Concession	50	6,400	Ortiz CYP	Gabinete de auditoría Ribas
Medsolar SPV10, S.R.L.	Italia	Energy	50	5	Agricasa	Not audited
Alten El Casar, S.L.	Madrid	Energy	66.43875	220	Ortiz CyP y Alten 2010 Energ. Renov.	Not audited
Total jointly-controlled entities				**21,427**		

31 December 2018			Shareholding			
Name	Domicile	Business	%	Thousand euro	Name	Domicile
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.	Baleares	Concession	50	6,400	Ortiz CYP	Gabinete de auditoría Ribas
Medsolar SPV10, S.R.L.	Italia	Energy	50	5	Agricasa	Not audited
Ortiz Sport Factory	Madrid	Concession	64.31	5	Agricasa/Fortem	Not audited
Alten El Casar, S.L.	Madrid	Energy	66.44	220	Ortiz CyP y Alten 2010 Energ. Renov.	Not audited
Total jointly-controlled entities				**25,750**		

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

APPENDIX II

ASSOCIATES

31 December 2019			Shareholding			
Name	**Domicile**	**Business**	**%**	**Thousand euro**	**Name**	**Domicile**
Bulevar del Arte y la Cultura, S.A.	Valencia	Concession	33.34	466.7	Ortiz CyP	Not audited
Alten Energías Renovables, S.L.	Madrid	Energy	22.616	712	Alten Investments	PWC
Fortem Integral, S.L.	Madrid	Formación	51.32	51	Agricasa	Not audited
Viario A - 31, S.A.	Madrid	Concession	26	1,639	Ortiz CyP	Deloitte
Africana Energía, S.L.	Córdoba	Energy	39.36	1,495	Ortiz CyP	PWC
Alten Renewable Energy Investments, B.V.	Holanda	Energy	22.74	867	Ortiz CyP	Not audited
Superficie Cartera de Inversiones, S.A.	Madrid	Real Estate	1	81	Ortiz CyP	PWC
Ormats mantenimiento Integral, S.L.	Córdoba	Energy	33.33	1	Ortiz CyP	Not audited
Alten Renewable Energy Developments, B.V.	Holanda	Energy	32.52	6,781	Ortiz CyP	Not audited
Construcciones Inca-Ortiz, S.A.	Chile	Construction	50	1	Ortiz Sucursal Chile	Not audited
SCPA Marabá	Brasil	Construction	25	400	Ortiz Brasil	Not audited
Ola Ortiz Construction	Argelia	Construction	49	543	Ortiz CyP	Not audited
Alten RE Developments Iberia, S.A.	Madrid	Energy	32.52	1,888	Alten Developments	PWC
Dumar Ingenieros, S.L.	Madrid	Energy	22.616	459	Alten Energ. Renov.	Not audited
Alten Gestión de Proyectos, S.L.	Madrid	Energy	32.52	-	Alten 2010	Not audited
Autopistas del Nordeste	Colombia	Concession	25	33	Ortiz CyP	Deloitte
Concesión del Sisga, S.A.S.	Colombia	Concession	25.01	7	Ortiz CyP	EY
OrtizCocomex, S.A.P.I. de C.V.	México	Construction	50	1	Ortiz CyP	Not audited
Alten Renewable Energy Developments America, B.V.	Holanda	Energy	10.82916	981	Alten Developments	Activa Accountants & Belastingadviseurs
Cubico Alten Aguascalientes 1, S.A.P.I. de C.V.	México	Concession	3.2487	115	Alten Dev. America	PwC
Cubico Alten Aguascalientes 2, S.A.P.I. de C.V.	México	Concession	3.2487	126	Alten Dev. America	PwC
Promotora Hospitalaria TEPIC, S.A.P.I. de C.V.	México	Concession	47.5	5,039	Ortiz CyP	Deloitte
El Arce de Villalba, S.L.U.	Madrid	Real Estate	49.78	8,512	GOP SOCIMI, S.A.	PWC
Ortega y Gasset Park, S.L.	Madrid	Real Estate	49.78	4,623	GOP SOCIMI, S.A.	PWC
Ortiz Sport Factory, S.L.U	Madrid	Real Estate	49.78	204	GOP SOCIMI, S.A.	PWC
Aldigavia, S.A.U.	Madrid	Real Estate	49.78	9,766	GOP SOCIMI, S.A.	PWC
Aldigavia Oficinas, S.L.U	Madrid	Real Estate	49.78	8,061	GOP SOCIMI, S.A.	PWC
Grupo Ortiz Properties, S.A.U.	Madrid	Real Estate	49.78	44,591	Ortiz CYP	PWC
Vending La Gavia, S.L.	Madrid	Concession	50	25	Agricasa	Not audited
Alten Renewable Energy Developments Africa, B.V.	Holanda	Energy	16.5852	155	Alten Developments	Activa Accountants & Belastingadviseurs
Alten Solar Power (Hardap) (pty) Ltd	Holanda	Energy	8.4584	253	Alten Dev. Africa	PwC
Alten Kenya Solarfarms, B.V.	Holanda	Energy	16.5852	-	Alten Dev. Africa	Not audited
Alten Kenya Solarfarms 2, B.V.	Holanda	Energy	16.5852	-	Alten Dev. Africa	Not audited
Operadora Hospitalaria TEPIC, S.A.P.I. de C.V.	México	Concession	47.5	-	Ortiz CyP	Not audited
Total associates				**97.878**		

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

APPENDIX II

31 December 2018			Shareholding			
Name	Domicile	Business	%	Thousand euro	Name	Domicile
Bulevar del Arte y la Cultura, S.A.	Valencia	Concession	33.34	466.7	Ortiz CyP	Not audited
Alten Energías Renovables, S.L.	Madrid	Energy	22.62	2,909	Alten Investments	PWC
Fortem Integral, S.L.	Madrid	Formación	51.32	51	Agricasa	Not audited
Viario A - 31, S.A.	Madrid	Concession	26	1,639	Ortiz CyP	Deloitte
Africana Energía, S.L.	Córdoba	Energy	39.36	1,495	Ortiz CyP	PWC
Alten Renewable Energy Investments, B.V.	Holanda	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.	Córdoba	Energy	33.33	1	Ortiz CyP	Not audited
Alten Renewable Energy Developments, B.V.	Holanda	Energy	32.8775	4,438	Ortiz CyP	Not audited
Construcciones Inca-Ortiz, S.A.	Chile	Construction	50	1	Ortiz Sucursal Chile	Not audited
SCPA Marabá	Brasil	Construction	25	400	Ortiz Brasil	Not audited
Ola Ortiz Construction	Argelia	Construction	49	543	Ortiz CyP	Not audited
Alten 2010 Energys 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	-	Alten 2010	Not audited
Autopistas del Nordeste	Colombia	Concession	25	33	Ortiz CyP	Deloitte
Concesión del Sisga, S.A.S.	Colombia	Concession	25.01	7	Ortiz CyP	EY
OrtizCocomex, S.A.P.I. de C.V.	México	Construction	50	1	Ortiz CyP/JG	Not audited
Alten Renewable Energy Developments America, B.V.	Holanda	Energy	10.96	706	Alten Developments	Not audited
Cubico Alten Aguascalientes 1, S.A.P.I. de C.V.	México	Concession	3.29	117	Alten Dev. America	PwC
Cubico Alten Aguascalientes 2, S.A.P.I. de C.V.	México	Concession	3.29	128	Alten Dev. America	PwC
Promotora Hospitalaria TEPIC, S.A.P.I. de C.V.	México	Concession	47.5	5,039	Ortiz CyP	Not audited
Ortega y Gasset Park, S.A.U.	Madrid	Concession	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	50	25	Agricasa	Not audited
Alten Renewable Energy Developments Africa, B.V.	Holanda	Concession	16.7675	306	Alten Developments	Not audited
Alten Solar Power (Hardap) (pty) Ltd	Namibia	Concession	8.55143	256	Alten Dev. Africa	Not audited
Total associates				**79,930**		

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

APPENDIX III

JOINT VENTURES

			Thousand euro	
			2019	
ASTEISA, TRATAMIENTO DE AGUAS, S.A.U.	% Interest	Business	Revenues	Profit/(loss)
UTE BRETOÑA.	50%	Environmental Construction	-	-
UTE CANTON CASA DE CAMPO.	50%	Environmental Construction	1,451	(202)
UTE EDAR ARANJUEZ.	50%	Environmental Construction	802	225
UTE EDAR MIRAFLORES.	50%	Environmental Construction	-	-
UTE EDAR RIBADEO.	50%	Concession	135	26
UTE EDAR VEGA.	75%	Environmental Construction	-	-
UTE EDAR VILLANUEVA.	50%	Environmental Construction	198	-
UTE ETAP VALMAYOR.	80%	Environmental Construction	5	(2)
UTE EXTRACO-ASTEISA.ARCADE.	50%	Environmental Construction	175	(2)
UTE MOLAR SUR.	50%	Environmental Construction	-	-
UTE RED LOS OLIVOS.	50%	Environmental Construction	-	-
UTE SARDERA OSSO.	50%	Environmental Construction	-	-
Total ASTEISA, TRATAMIENTO DE AGUAS, S.A.U.			**2,765**	**44**

			Thousand euro	
			2019	
CIA.INTNAL.CONSTRUCCION Y DISEÑO,S.A.U.	% Interest	Business	Revenues	Profit/(loss)
UTE BIBLIOTECA BURGOS.	50%	Construction	-	80
UTE CASA ROMANA.	50%	Construction	-	-
UTE CERAMICA TRIANA.	100%	Construction	-	-
UTE CULTURA Y DEPORTE 2016.	50%	Construction	413	(2)
UTE DG.SEGURIDAD.	50%	Construction	-	-
UTE EDIFICIOS P-VALLECAS.	50%	Construction	-	(1)
UTE GESTION CARABANCHEL 2010.	50%	Construction	-	-
UTE GESTION CHAMARTIN 2010.	50%	Construction	-	-
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	-	-
UTE GESTION SAN BLAS 2010.	50%	Construction	-	-
Total CIA.INTNAL.CONSTRUCCION Y DISEÑO,S.A.U.			**413**	**77**

			Thousand euro	
			2019	
CONTRATAS Y SERVICIOS FERROVIARIOS,S.A.U.	% Interest	Business	Revenues	Profit/(loss)
UTE HENDAYA.	65%	Construction	515	515
UTE LA MEZQUITA.	25%	Construction	800	-
UTE MANTENIMIENTO L.A.V. MADRID-NORTE.	33%	Construction	973	(122)
UTE MANTENIMIENTO LOTE 2 NOROESTE.	25%	Construction	4,570	(205)
UTE MANTENIMIENTO OLMEDO PEDRALBA.	8%	Construction	537	198
UTE METRICO 2016.	33,33%	Construction	-	-
UTE METRICO 2017.	33,33%	Construction	-	(1)
UTE METRO MONTECARMELO.	30,00%	Construction	-	-
UTE OLMEDO PEDRALBA.	8%	Construction	427	(73)
UTE TABOADELA.	50%	Construction	4,198	(630)
Total CONTRATAS Y SERVICIOS FERROVIARIOS,S.A.U.			**12,019**	**(319)**

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

APPENDIX III

			Thousand euro	
			2019	
IMPULSA GRUP ORTIZ, S.L.	**% Interest**	**Business**	**Revenues**	**Profit/(loss)**
UTE AULARI BELLVITGE.	45%	Construction	-	-
UTE VALLES OCCIDENTAL.	80%	Construction	-	-
Total IMPULSA GRUP ORTIZ,S.L.			**-**	**-**

			Thousand euro	
			2019	
INDAG, S.A.U.	**% Interest**	**Business**	**Revenues**	**Profit/(loss)**
UTE LOTE 3	50%	Construction	-	-
Total EMCA SOCIEDAD CONCESIONARIA,S.L.U.			**-**	**-**

			Thousand euro	
			2019	
INGENIERIA Y DISEÑOS TECNICOS,S.A.U.	**% Interest**	**Business**	**Revenues**	**Profit/(loss)**
UTE CONEXION PARQUES.	90%	Environmental Construction	-	-
UTE CR MACETEROS.	80%	Environmental Construction	-	(7)
UTE EDIFICIOS XATIVA.	80%	Environmental Construction	527	(71)
UTE GESTION INTEGRAL VICALVARO.	20%	Environmental Construction	-	-
UTE INDITEC-SICE-PLAYAS CADIZ.	60%	Environmental Construction	1	1
UTE INDITEC-SICE-SAN FULGENCIO.	50%	Environmental Construction	-	-
UTE LA VAGUADA.	50%	Environmental Construction	-	-
UTE MOBILIARIO LA VAGUADA.	50%	Environmental Construction	-	-
UTE ORQUIDIARIO.	80%	Environmental Construction	-	-
UTE PARQUE JUAN DE AUSTRIA.	80%	Environmental Construction	976	(22)
UTE PARQUE MAGALLANES.	80%	Environmental Construction	745	(7)
UTE PARQUE ROMA.	80%	Environmental Construction	219	(2)
UTE PARQUES FORESTALES Y VIVEROS.	45%	Environmental Construction	4,368	311
UTE PARQUES RED REGENERADORA.	80%	Environmental Construction	243	(3)
UTE PLANTA RESIDUOS BADAJOZ.	60%	Environmental Construction	-	-
UTE SAPLAYA.	80%	Environmental Construction	(1)	(2)
UTE TAJO SALOR.	60%	Environmental Construction	-	-
UTE VILLA ESTEPONA.	80%	Environmental Construction	-	5
UTE ZONAS VERDES MARBELLA.	55%	Environmental Construction	401	37
Total INGENIERIA Y DISEÑOS TECNICOS,S.A.U.			**7,480**	**241**

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

APPENDIX III

			Thousand euro	
			2019	
ORTIZ CONSTRUCCIONES Y PROYECTOS,S.A.	% Interest	Business	Revenues	Profit/(loss)
CONSORCIO OSA VALLEDUPAR.	30%	Construction	804	29
UTE ACCESOS IBIZA.	50%	Construction	-	-
UTE AFINO ETAP SANTILLANA.	50%	Construction	-	(16)
UTE AFRICASOLAR.	50%	Energy	-	(8)
UTE ALCOVER.	50%	Construction	-	-
UTE AULARI BELLVITGE.	20%	Construction	-	-
UTE AUTOVIA ARGAMASILLA.	40%	Construction	-	-
UTE BIBLIOTECA BURGOS.	50%	Construction	-	80
UTE CAMPO GIBRALTAR.	100%	Energy	-	(0)
UTE CANTON CASA DE CAMPO.	50%	Environmental Construction	1,451	(202)
UTE CARIÑENA.	80%	Construction	-	-
UTE CASA DE LAS LETRAS.	50%	Construction	-	19
UTE CASA DEL CUENTO.	50%	Construction	-	-
UTE CENTRO ACUATICO 2012.	20%	Construction	-	-
UTE CLINICA FUENSANTA.	50%	Construction	1,151	(84)
UTE CLINICO MADRID.	30%	Construction	-	(1)
UTE CONEXION PARQUES.	10%	Environmental Construction	-	-
UTE CONSERVACIÓN CUENCA.	50%	Construction	670	9
UTE CR MACETEROS.	20%	Environmental Construction	-	(2)
UTE CUADROS ELECTRICOS AEROPUERTO BARAJAS	100%	Energy	459	(17)
UTE CUADROS PRINCIPALES BT AEROPUERTO BARAJAS	100%	Energy	494	(9)
UTE CULTURA Y DEPORTE 2016.	50%	Construction	413	(2)
UTE DG.SEGURIDAD.	50%	Construction	-	-
UTE EDAR VILLANUEVA.	50%	Environmental Construction	198	-
UTE EDIFICIOS P-VALLECAS.	50%	Construction	-	(1)
UTE EDIFICIOS XATIVA.	20%	Environmental Construction	132	(18)
UTE ELECTRICIDAD BT HZAMORA.	50%	Energy	-	(1)
UTE ELEJALDE.	40%	Energy	-	-
UTE ENERGIA MALAGA.	100%	Environmental Construction	252	73
UTE ETAP VALMAYOR.	20%	Environmental Construction	1	(1)
UTE FRONTERA FRANCESA.	50%	Energy	119	2
UTE GESTION CARABANCHEL 2010.	50%	Construction	-	-
UTE GESTION CHAMARTIN 2010.	50%	Construction	-	-
UTE GESTION CIUDAD LINEAL 2011-2012.	50%	Construction	-	-
UTE GESTION FUENCARRAL 2010.	50%	Construction	-	-
UTE GESTION INTEGRAL VICALVARO.	50%	Construction	-	-
UTE GESTION LATINA 2010.	50%	Construction	-	-
UTE GESTION PUENTE VALLECAS 2010.	50%	Construction	-	-
UTE GESTION SAN BLAS 2010.	50%	Construction	-	-
UTE HIDRO-CAJAL.	100%	Energy	-	2
UTE HOSPITAL ALBACETE.	38%	Construction	-	-
UTE ILUMINACION EFICIENTE LED METRO MADRID.	45%	Energy	23	(14)
UTE LA MEZQUITA.	75%	Construction	2,399	-
UTE LA PIZARRA.	80%	Construction	-	-
UTE LOTE 3	50%	Construction	-	-
UTE MANTENIMIENTO EMVS ORTIZ-FERNANDEZ MOLINA.	50%	Construction	84	(6)
UTE MECANICAS HZAMORA.	60%	Construction	-	-
UTE METRO MONTECARMELO.	70%	Construction	-	-
UTE MONTAJE CAJAL.	50%	Energy	(1)	(1)
UTE ORTIZ-SICE-ITUVAL GESTION ENERGETICA.	60%	Construction	-	-
UTE PABELLON MELIANA.	60%	Construction	-	-
UTE PALACIO FAISANERA.	50%	Construction	-	-
UTE PAR ANDORRA.	100%	Concesions	65	(101)

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

APPENDIX III

UTE PARKING VILLALBA.	50%	Construction	-	-
UTE PARQUE JUAN DE AUSTRIA.	20%	Environmental Construction	244	(6)
UTE PARQUE MAGALLANES.	20%	Environmental Construction	186	(2)
UTE PARQUE ROMA.	20%	Environmental Construction	55	-
UTE PARQUES FORESTALES Y VIVEROS.	10%	Environmental Construction	971	69
UTE PARQUES RED REGENERADORA.	20%	Environmental Construction	61	(1)
UTE PISCINA COLMENAR.	70%	Construction	-	-
UTE PLANTA EL MOLAR.	80%	Construction	-	-
UTE PLANTA RESIDUOS BADAJOZ.	20%	Construction	-	-
UTE PLANSTA SOLARES AEROPUERTOS CANARIOS.	65%	Energy	1,346	(81)
UTE PLAZA MEXICO.	50%	Construction	31	5
UTE POLIDEPORTIVO COLMENAR.	55%	Construction	-	-
UTE POSADAS.	50%	Energy	-	-
UTE PRESA ARBAS.	50%	Construction	-	-
UTE RAMOS CARRION.	80%	Construction	-	-
UTE RUTA DE LA PLATA 2015.	50%	Construction	728	30
UTE SALAS.	50%	Construction	-	-
UTE SAN CRISTOBAL-GETAFE.	50%	Construction	-	-
UTE SAPLAYA.	20%	Construction	-	-
UTE SARDERA OSSO.	20%	Construction	-	-
UTE SECTOR LA ESTACION.	55,00%	Construction	-	-
UTE SIMANCAS.	50,00%	Construction	-	-
UTE SOTANO TC.	50,00%	Construction	-	-
UTE SUSTITUCION REDES HOSPITAL GETAFE.	100,00%	Energy	391	-
UTE TORIL.	60,00%	Construction	-	(159)
TE TUNELES AV ZAMORA.	20,00%	Energy	320	64
UTE TUNELES NORTE.	50,00%	Energy	267	11
UTE VADO.	99,99%	Construction	-	-
UTE VALLES OCCIDENTAL.	20,00%	Obra Mediambiental	-	-
UTE VILLENA CV81.	33,75%	Concesiones	2,025	384
UTE ZONAS VERDES MARBELLA.	20,00%	Obra Mediambiental	146	13
Total ORTIZ CONSTRUCCIONES Y PROYECTOS,S.A.			**15,484**	**61**

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR 2019

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ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

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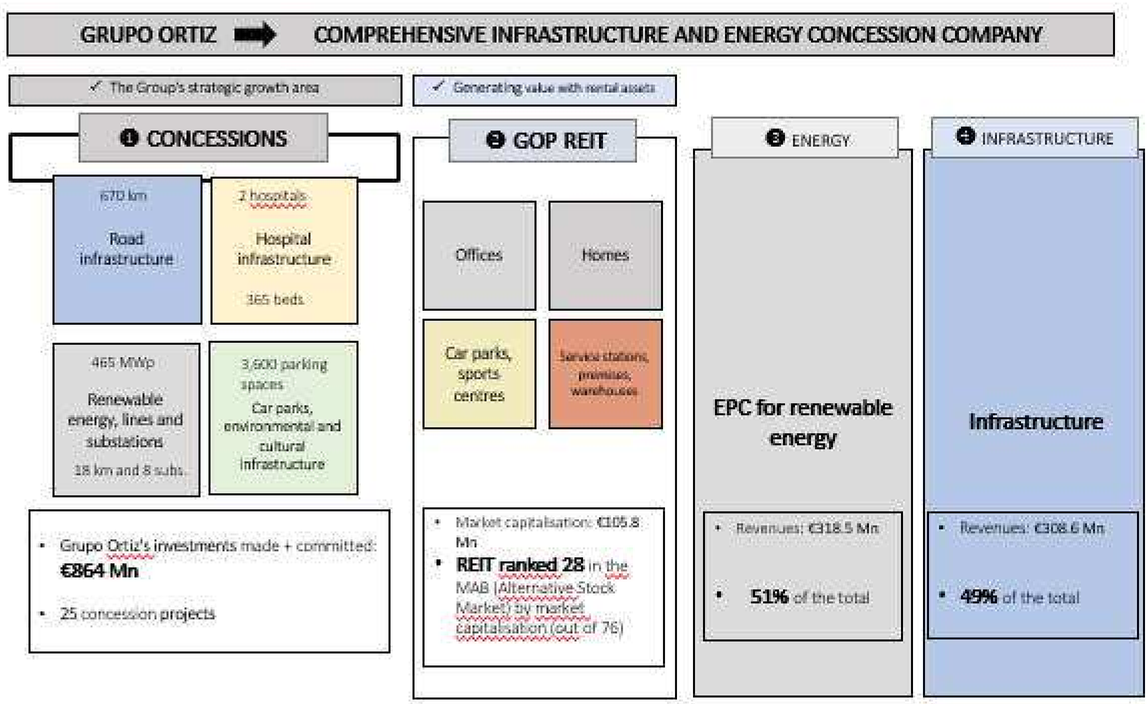
ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR 2019

1. BUSINESS DEVELOPMENT AND SITUATION OF THE GROUP

GRUPO ORTIZ is a **business group** whose parent is **ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A.**, and **subsidiaries specialising** in diverse activities.

- Its first and foremost **objective** is to obtain, on its own or with others, **basic services concessions** (road, energy and hospital infrastructure) with **multilateral financing** in different countries.
- **Development** of prime **real estate projects for rental**, which will continue to grow over time.
- **EPC** for **large energy projects** in all the areas: **energy generation, transmission and distribution** and its **operation and maintenance** in Spain and other countries, mainly in Latin America.
- **EPC** for large infrastructure: **roads, railways and hospitals** in Spain and especially **abroad**.



GRUPO ORTIZ is a group with 60 years of history.

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).
- **Infraestructure**. Transportation infrastructure (railway and roadway), water works, building, rehabilitation, environmental works, engineering, pre-fabricated and the Indagsa industrialised construction system. Conservation and Maintenance of transportation infrastructure (roadways and railways) complete building maintenance, waste collection, urban and environmental services.
- **Real Estate.** Real estate properties for rental and tertiary level products (offices and business premises, parking spots , sports centre, service station, parking facilities).

OUR BUSINESS AREAS:

Concessions

- Transportation
- Sanitary
- Renewable Energý
- Parkings
- Enviromental
- Cultural
- Electricity

Real Estate

- Offices
- Rental Homes
- Retail
- Parkings
- Ortega y Gasset Parking
- Gas Station
- Sports Center

Energy

- Photovoltaic
- Wind
- Thermosolar
- Cogeneration Plants
- Biomass
- Electric facilities
- Mechanic facilities
- Termic facilities
- Maintenance
- Energetic eficiency services
- Transportation & Distribution systems
- Network maitenance

Infraestructures

- Transport infraestructure
- Water Infraestructure
- Building construction
- Building renovation
- Engineering & Prefabricated
- Transport infraestructure conservation
- "Green areas" maitenance
- Waste collection
- Energetic eficiency services
- Building maitenance & conservation

Ortiz Group is one of the largest concession, energy and infrastructure companies in Spain. It has had a global presence since 2010 and bids on basic service concessions (roads, health, energy) using multi-party financing in emerging countries. It is also involved with the execution of energy infrastructure investments for several customers worldwide -Japan, Mexico, Chile, Honduras, Guatemala, El Salvador, France and Italy- and hospital infrastructure in Peru, Mexico and Bolivia.

Today is maintains a global geographic presence with projects in 14 countries and a stable presence in Spain, Colombia, México, Panamá and Peru.

Grupo Ortiz is firmly committed to attaining the Sustainable Development Goals (SDG) through all of its projects, particularly in those countries in which its business has a significant positive impact on the contribution to sustainable development at both the local and regional level.

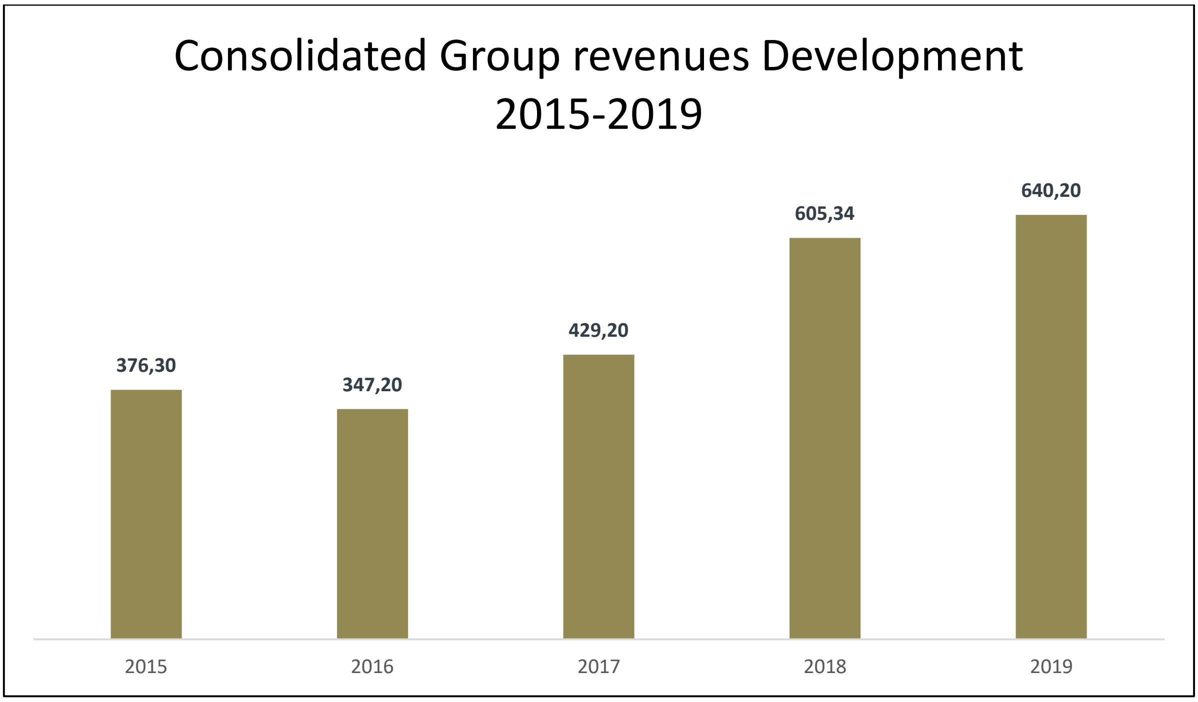
ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR 2019

During 2019, the company has continued its growth line and has achieved a significant increase in profitability. The Consolidated Group’s revenues totalled €640,20 million in 2019, 6% more than in 2018 in which revenues totalled €605.31 million, and EBITDA was €46,43 million, 18% more than last year.

Grupo Ortiz attained the highest level of consolidated revenues €640,20 million.

Below is a graph of the evolution of the Consolidated Group since 2015:



The Group’s robustness can be seen in the development of GRUPO ORTIZ’S main financial figures over the past few years, and in 2019. 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 37% in the International Construction area.

The breakdown of 2019 Revenues and EBITDA by business area is set out below:

		REVENUES	EBITDA	MARGIN
BUSINESS AREAS	DOMESTIC INFRASTRUCTURE	186.32	10.32	5.53%
	INTERNATIONAL INFRASTRUCTURE	122.29	9.20	7.52%
	DOMESTIC ENERGY	32.24	1.95	6.05%
	INTERNATIONAL ENERGY	286.29	18.76	6.55%
	RENTAL	2.05	5.15	251%
	DEPENDENT CONCESSIONS	11.01	1.07	9.72%
	CONSOLIDATED GROUP	640.20	46.45	7.25%

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

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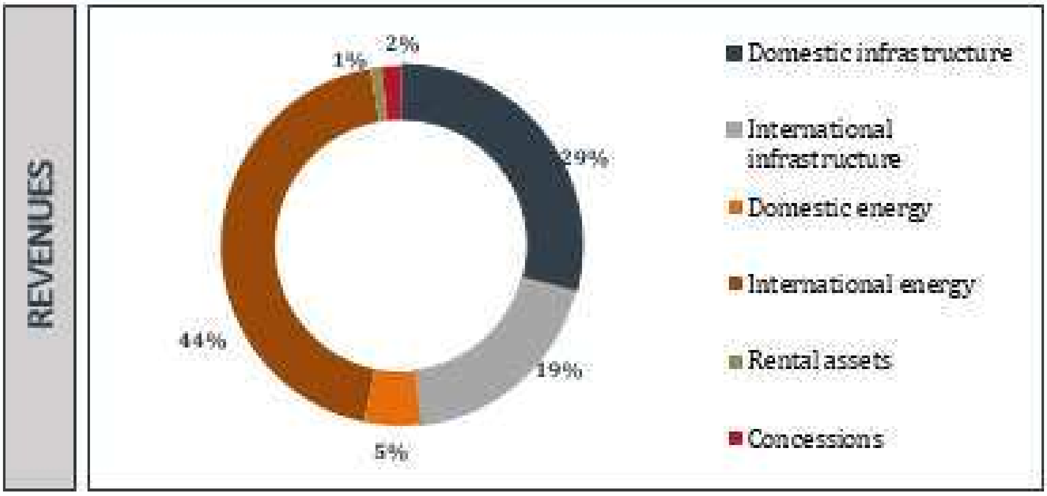
The weight of each of the areas in terms of revenues is shown below:



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

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

As a result of using the equity method when consolidating associates, the EBITDAs and revenues obtained by the concession companies and Grupo Ortiz Properties Socimi are not reflected in the consolidated annual accounts.

To better understand the scope of unconsolidated items and the EBITDA contributed by the Group's EBITDA (which is used in the calculation of the syndicated loan and bond ratios), we provide the following illustration:

EQUITY-ACCOUNTED CONCESSIONS	Revenues (% Ortiz)	EBITDA (% Ortiz)	Dividends/interest on subordinated debt
DOMESTIC	26.98	20.56	3.52
THERMOSOLAR PLANT	15.79	11.54	0.83
IBIZA TOLL ROAD	5.00	4.56	2.21
VIARIO TOLL ROAD	4.82	4.16	0.33
BULEVAR ARTE y CULTURA	1.17	0.30	0.15
ALTEN EL CASAR PV PLANT			
INTERNATIONAL	3.13	2.30	2.11
TEPIC HOSPITAL (MX)			0.08
CONEXIÓN NORTE ROAD (COL)			1.03
TRANSVERSAL DEL SISGA ROAD (COL)			1.00
ALTEN INTERNACIONAL	3.00	2.25	
MEDSOLAR (IT)	0.13	0.05	
TOTAL GROUP CONCESSIONS	30.11	22.86	5.63
EQUITY-ACCOUNTED RENTAL COMPANIES	**Revenues (% Ortiz)**	**EBITDA (% Ortiz)**	**Dividends/interest on subordinated debt**
GOP REIT	4.30	3.07	2.70
TOTAL RENTAL	4.30	3.07	2.70
	TOTAL REVENUES	**TOTAL EBITDA**	**Total dividends and interest on subordinated debt**
	34.41	**25.93**	**8.33**

GROUP EBITDA composition

RECURRING ADDITIONAL EBITDA €8.33 Mn

CONSOLIDATED EBITDA €46.45 Mn

GROUP EBITDA €54.78 Mn

We also provide a table with a breakdown of concesión and real estate holding assets, the amount of the investment made by Ortiz Group and their carrying amount:

❶ INVESTMENTS IN CONCESSION ASSETS

CONCESSION ASSETS	INVESTMENTS % Grupo Ortiz	CARRYING AMOUNT
IBIZA ACCESS ROAD	23.4	6.1
VIARIO A-31	19.1	1.6
LA AFRICANA THERMOSOLAR PLANT	111.4	18.5
CONEXIÓN NORTE ROAD (COLOMBIA)	55.4	13.7
TRANSVERSAL DEL SISGA ROAD (COLOMBIA)	41.0	17.2
TEPIC HOSPITAL (MEXICO)	30.8	7.5
ALTEN INTERNACIONAL (America Cubico and Africa)	28.5	7.3
ALTEN EL CASAR PHOTOVOLTAIC PLANT	5.1	2.1
MEDSOLAR (Italy)	0.4	0.4
BAC	3.1	1.4
COLLADO VILLALBA CONCESSION	19.2	15.7
GO BARAJAS	3.7	3.7
REYES CATOLICOS CAR PARK IN ZAMORA	11.2	6.7
PAR MADRID	8.4	8.4
JOINT VENTURE IN MALAGA	1.9	1.9
ENERGY EFFICIENCY	1.1	1.1
TOTAL CONCESSION ASSETS	€364.2 Mn	€113.8 Mn

❷ INVESTMENTS IN RENTAL ASSETS

RENTAL ASSETS	INVESTMENTS % Grupo Ortiz	CARRYING AMOUNT
REIT	87.3	52.3
ARROYO BUTARQUE	23.6	23.6
LA ATALAYUELA	13.3	13.3
ENSANCHE DE VALLECAS PLOT	1.1	1.1
MONTE ELVIRIA OJEN DEVELOPMENT (MALAGA)	3.7	1.3
TOTAL RENTAL ASSETS	129.20	91.82

OTHER LAND	INVESTMENTS % Grupo Ortiz	CARRYING AMOUNT
LAND IN VALDECARROS	3.2	3.2
LAND IN LOS CERROS	0.6	0.6
LAND IN EL CASAR	5.1	5.1
OTHER LAND	5.8	5.8
TOTAL OTHER LAND	**14.9**	**14.9**
TOTAL	**€143.9 Mn**	**€106.1 Mn**

TOTAL INVESTMENTS % GRUPO ORTIZ*	€508.2 Mn
TOTAL CARRYING AMOUNT	€220.4 Mn

* Investments = Equity + Debt % Grupo Ortiz

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

The scope of consolidation: Sales totalled €640 million and EBITDA 46.43 million, essentially originating from the following business areas: Energy, Construction and Services.

Concession and Real Estate Asset Interests: Sales totalled €34.41 million and EBITDA €25.93 million. Concession interests are valued at approximately €364.2 million and the real estate asset interests at €106.1 million. On the other hand, the book value of concessional investments is €113.8 million and €106.1 million in real estate asset interests.

Ortiz's total investment is €508.2 million and the carrying amount is €220.4 million.

These participations have generated to the Group in 2019, an EBITDA additional to the consolidated of €8.29 million euros.

National Concessions:

- Concesión Energía Termosolar La Africana
- Concesión Autovía Accesos de Ibiza
- Concesión Autovía Viario A31
- Concesión cultural: Bulevar Arte y Cultura
- Planta Fotovoltaica Alten El Casar
- Parking Go Barajas
- Concesionaria Collado Villalba
- Par Madrid
- Parking Reyes Católicos Zamora
- Eficiencia Energética
- UTE Málaga

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

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International Concessions:

- Hospital Tepic México
- Concesión autovía en Colombia: Conexión Norte.
- Concesión autovía en Colombia: Trasversal del SISGA.
- Alten Internacional
- Medsolar

Real estate assets: Valor contable

- Grupo Ortiz Properties SOCIMI

The preceding table also includes land and lots owned by Ortiz Group. They are debt free and housing or office buildings real estate projects will be built.

2. INTERNATIONALIZATION OF THE GROUP

In 2019 international revenues represent 64% of total revenues. In 2018 international revenues represented 66% of the Group's revenues.

International revenues in 2019 total €408.58 million, distributed among the following countries:

In the countries in which we are present: Mexico €273.65 million, Colombia €57.88 million, Panama €28.80 million and Peru €8.11 million,

Countries with Energy Projects based on customers throughout the world: Japan €27.30 million, Bolivia €6.51 million, Central America €2.3 million y O&M Phtovoltaic Plants €4.00 million.

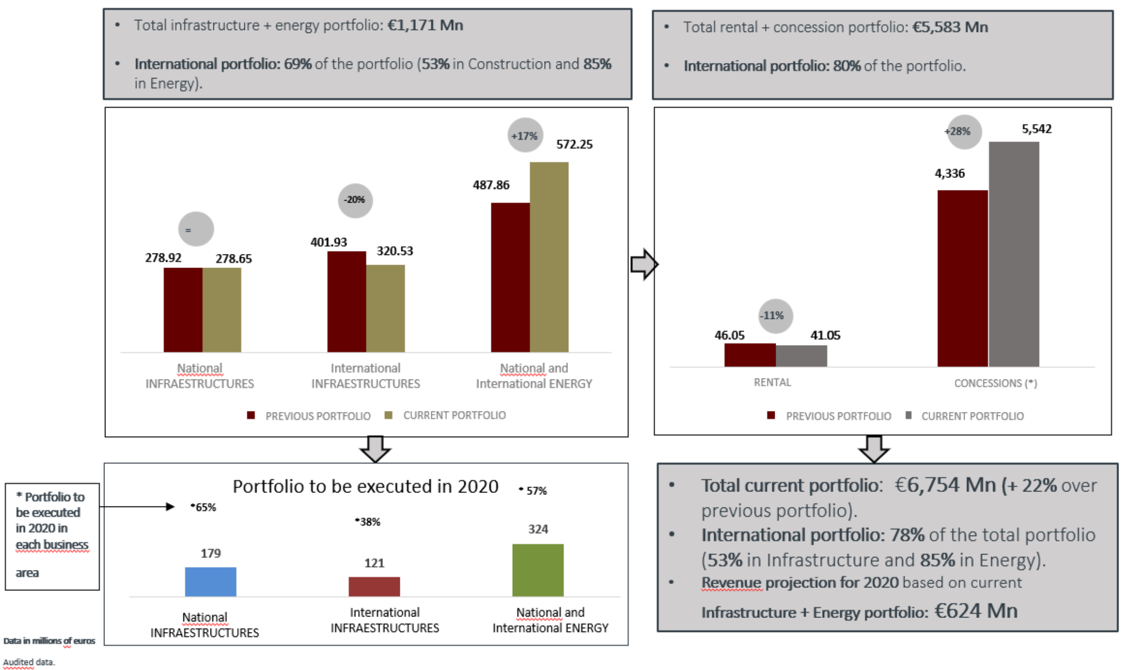
Of total revenues from the Energy area, 90% are international.

Of total revenues from the Construction area, 50% are international.

3. CURRENT PORTFOLIO

The current contracted portfolio pending execution by GRUPO ORTIZ amounts to €6,754 million. which represents a 22% increase compared to last year.

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



- The Concession portfolio totals €5,583 million, which is a 12% decline compared to last year as a result of the sale of several concessions during the year. and it increased by 28% compared to last year as a result of the recent awarding of the Bosa Hospital in Bogota and Lines and Substations in Barranquilla, both in Colombia. Eighty percent of that portfolio is International in nature.

- The Energy portfolio totals €572,25 million, 85% of which relates to international projects, which is a 17% increase compared to last year.

- The International Construction area portfolio totals €320.53 million and remains stable compared to the €401.93 million recorded last year, which is a 20% decline compared to last year. This is due to the good rate of development of the Conexión Norte and Transversal del Sisga concessions in Colombia, where 70% of both roadway infrastructures has been completed.

- The total portfolio corresponding to the National Construction and Services areas amounts to €271.69 million, which brings it to levels similar to last year.

- The portfolio corresponding to the Real Estate Asset area amounts to €41.05 million, practically the same as the 46.05 million recorded the previous year.

- The Group's portfolio has five concessions in Colombia, Conexión Norte, Trasversal del Sisga (Bogotá), and the Private Initiative Caribbean Route. The recently awarded concessions for the Bosa Hospital in Bogota, Lines and Substations in Barranquilla must be added to the above concessions. Furthermore, the construction of the first international hospital concession, Tepic Hospital in Mexico, ended in July 2019 and will start operations in 2020.

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. It should be noted that the internationalization of this portfolio in the energy areas is 85% and 53% in the construction area.

The portfolio to be executed in 2020 in the Construction, Services and Energy business areas, which totals €624 million, is set out below:

4. FINANCING AND BORROWINGS

The strategy of reducing debt is maintained with respect to financing, although in 2019 the Group’s total debt increased by 7% due to circumstances. This circumstantial increase was essentially due to the bigger investments, compared to divestment in 2019, and the transfer of the new financing for the SOCIMI at the start of 2020.

A significant debt repayment in the amount of €41.37 million was made in 2019, as follows:

- Repayment of project debt: €12.20 million.
- Repayment of Tranche A of the Syndicated Loan: €5.37 million.
- Redemption of the MARF Bonds: €23.8 million.

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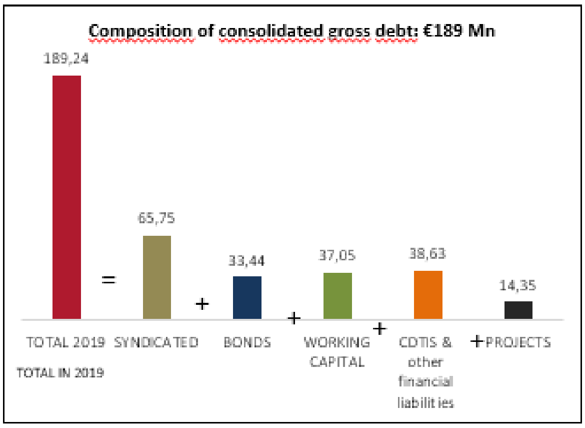
CONSOLIDATED DIRECTORS' REPORT FOR 2019

The following illustrations provide a breakdown of the gross consolidated debt details at 31 December 2019, involving the various financial instruments into which that debt was structured, net financial that and compliance with all syndicated financing and bond ratios.



DEBT REDEMPTION IN 2019

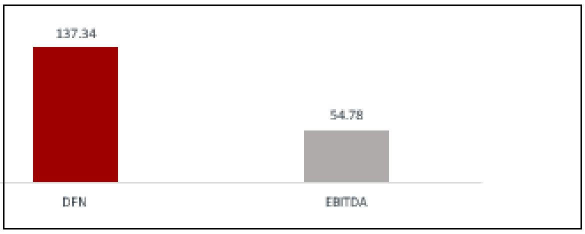
- Project debt redemption €12.20Mn:
- Redemption of the syndicated tranche A: €5.37 Mn
- Redemption of MARF bonds maturing in 2019: €23.8 Mn

TOTAL DEBT REDEEMED IN 2019: €41.37 Mn

DEBT IN 2019

Increase in gross debt + 7% on 2018:

- More investments than divestments: €10 Mn
- New REIT financing with DB UK envisaged in 2019 and delayed until February 2020: €13 Mn

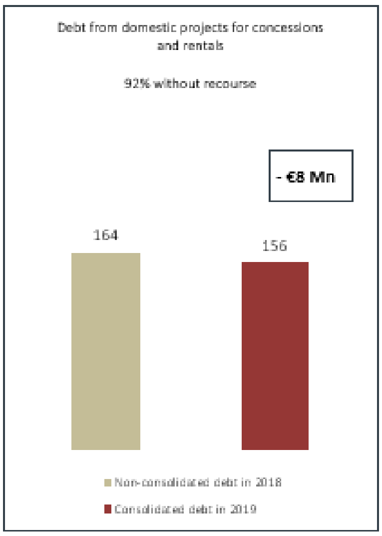


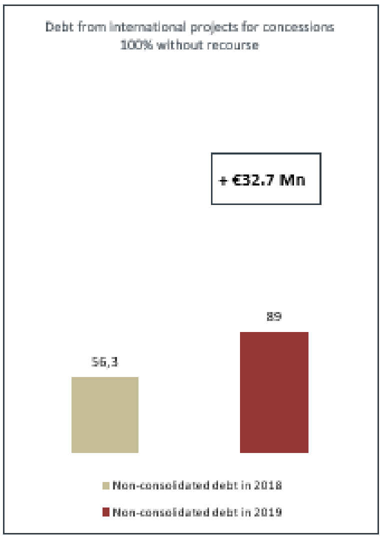
RATIO COMPLIANCE IN 2019

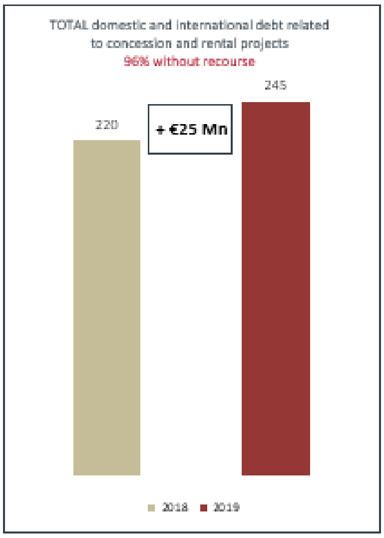
NFD/EBITDA RATIO (DEBT ONLY WITH RECOURSE)	2.51	≤2.75
NFD + INDIRECT DEBT/INDIRECT EBITDA RATIO	2.61	≤3.65
EBITDA/NET FINANCIAL EXPENSE RATIO	8.43	≥2.75

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 and the expansion of the International Banking Pool.

This all arises as a result of a diversified general bank pool, in which no financial institution represents more than 10% of the total.







- The domestic banking pool was reduced by €8Mn
- The banking pool increased diversification: no bank has more than 10% participation.

- The international banking pool increased by €32.7Mn.
- Main banks: **Sumitomo, Bank Of Korea, Bancolombia, FDN, CAF-Ashmore, Blackrock, Banobras, Davivienda, Banco de Crédito de Perú.**

5. MERGER PROJECT

During 2019 the Group's Parent Company carried out a merger of several Group subsidiaries. On 16 September 2019 Shareholders at a Universal and Extraordinary Meeting of Ortiz Construcciones y Proyectos, S.A. (acquiring company) approved the merger of the companies Ortiz Área Inmobiliaria, S.A.U., Construcciones Icma-Proakis, S.A.U., Emca Sociedad Concesionaria, S.L.U., Elecor, S.A.U., Juan Galindo, S.L.U., Tendidos y Redes del Sur, S.L.U., Ortiz International Investment, S.L.U. and Ortiz Energía, S.A.U. (target companies). Up until that date the acquiring company held all of the shares and/or participation units of the target companies and, therefore, shareholders at extraordinary meetings of the target companies approved the merger on that same date.

6. INTERNATIONAL ENERGY

Grupo Ortiz is a world leader in photovoltaic EPC and lines and substations, with more than 1,765 MWp installed and more than 600 km. of distribution lines, in 9 countries.

The Energy Area at GRUPO ORTIZ maintained the revenue level attained in the preceding year throughout 2019, and everything points to the fact that we will continue with more sustainable growth in the short and medium-term.

In 2019 the figure of 947 MW 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.

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 maintained the revenue levels attained in the preceding year, and the following projects by geographic area are notable:

Mexico: In Mexico the following projects are notable:

- Planta Fotovoltaica Navojoa, Sonora 257 Mwp
- Planta Fotovoltaica Terranova Conejos, Ciudad Juarez, 93 MWp.
- Planta Fotovoltaica Tepezalá II, Aguascalientes 133 MWp.
- Planta Fotovoltaica Northland Power en Torreón de 163 Mwp

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:

- Planta Fotovoltaica Mine Yamaguchi, 14 MWp.
- Planta Fotovoltaica Shirakawa, Fukushima, 15 MWp.
- Planta Fotovoltaica Yamagata 25 MWp
- Planta Fotovoltaica Susami de 10 MWp
- Planta Fotovoltaica Daisen Tottori de 14 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 Línea de Transmisión Aguaytía-Pucallpa, 138 KV y subestaciones asociadas.

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:

- Ampliación de la planta solar fotovoltaica en proyecto HORUS, Guatemala, 17 MWp.

7. INTERNATIONAL CONSTRUCTION

The Group's international construction activity shows revenues of €122.29 million, which represents a 37% increase compared to 2018.

The international construction area has a portfolio at 31 December 2019 totalling €320.53 million.

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

COLOMBIA. The following works continued to be executed during 2019:

- 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, the contractual milestone of finishing functional unit UF1 has been reached. Ortiz was the first of the partners to finish its portion.
The main difficulties relating to the execution of the works arose due to the cut-off that took place as a result of landslides affecting the Villavicencio-Yopal roadway, which caused the diversion of all of the traffic to our part of the road. This resulted in an almost 400% increase in the number of vehicles traveling over our road, which seriously affected the rate of the work. The ANI even granted us a liability waiver due to the circumstances.

Difficulty involving the execution of these works were the continuous landslides affecting adjoining land, which give rise to the road being cut off and losses of shoulder area (decrease in the asphalt area), and handling these issues slows the rate of the work.

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR 2019

To execute this work ORTIZ had approximately 560 employees (including subcontractors), on average in 2019.

In the concession **Conexión Norte**, during 2019 the Army was effectively present at the worksites. This allowed advances to be made with the execution of UF1. Only some criminal acts took place which were handled with the support of the police and the Army. The ANI also granted a waiver of liability for these events.

Ortiz was also the first partner to complete its commitment to finish its part of UF2, which was completely finished for definitive delivery. The other partners are also finishing their respective portions.

Under this concession the EPC awarded Ortiz the construction of bridge 6, which is the most significant bridge within the Concession works. It involves a structure with a length of 385 m and whose superstructure consists of a system of successive cantilevers and the foundation pothole length is 844 m. The total amount for this bridge is 30,000,170 2 million pesos.

In 2019 we were able to fully work with an in-house team of machinery that was acquired last year. This represents a very good adaptation to the characteristics of works execution in Colombia, consolidating the new operations that we must engage in moving forward.

The new SAS, Obrascol, was incorporated for Tenders an this has allowed us to participate in tenders that in prior years we could not do with the current SAS. This has resulted in the attainment of a new contract in the name of Obrascol, specifically a contract with the public entity Acueducto de Bogotá (EEAB) consisting of the relocation of networks in the streets through which the metro line will run. s This contract is for 27,000 million and we hold a 60% interest.

Another important milestone was being awarded the concession for the new Bosa Hospital in Bogota, for the Bogota Municipal Health Secretariat. Ortiz will participate in 90% of its design, construction, equipping and maintenance. It is the first private/public health arrangement in the country and the award totaled 493,388 million pesos. The construction value of this hospital is 228,400 million pesos.

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. The Administration is fully committed to moving the project forward. This leads us to be very optimistic and to think that the signing of this important concession will take place in 2020 The construction of this road will total 1.4 billion pesos. Ortiz has a 30% interest in the construction value, although it is possible that this will increase by between 7% to 10%.

All legal claims regarding the finished works or works in progress have been filed. Claims involving work in progress are being prepared with the intention of filing them before the contracts expire, regardless of whether or not they are subsequently extended.
We also note that there are 126 employees in Colombia distributed as follows: Expatriates: 12, Ortiz Sucursal Colombia: 75 and Obrascol: 39, two of which have in officially recognised disability.

MEXICO. In 2019 has been completed the construction 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, was built in 18 months, 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.

PANAMÁ.

In March 2019 the works contracted in 2015 with the Health Ministry and relating to the “Third phase of the sewer network in San Miguelito and Bahía de Panamá. Packages 1 and 3. In March 2019 the involvement of an arbitrator was requested to resolve contract disputes, as stipulated in the terms of that contract. In January 2020 a hearing was held, which officially marks the start of the arbitration process.

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 2019 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%). During 2019 the fieldwork started without any problems and revenues totaled $18.5 million. This contract is currently in the final part of the administrative process to obtain an addendum, which will increase the execution deadline due to causes not attributable to the contractor. The contract will provide potable water to nine sectors in the north 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.

In 2019 there was no new award for the Group companies in Panama.

It should be noted that 2019 was the 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.

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.

RUMANÍA. During 2019, the execution of the Sanitation Works and Pumping Stations for Wastewater in Breaza, Prahova, for the Public Company Hidroprahova continued. These repairs fall within the period that the Owner has to report defects before the end of the warranty, which ends in September 2020. Final receipt of the works will take place on that date and we can withdraw our warranties.

In 2019 we maintained one person since the municipality of Breaza is carrying out works near ours and we need to ensure that the defects that have been caused are attributable to that work and not to us with respect to the final settlement.

No bids have been presented for other tenders so that the branch office can be closed as soon as possible.

INDUSTRIALIZED SYSTEM AND PREFABRICATED.

During 2019, Indagsa continued with international technical assistance involving several projects in collaboration with the different works performed by the group of companies in Colombia, providing technical assistance to the construction solutions to be executed and creating prefabricated solutions for the 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. (COLOMBIA)
- Prefabrication of panels for the façade of a project. (SWITZERLAND)

8. INTERNATIONAL CONCESSIONS

INTERNATIONAL CONCESSIONS

Ortiz Group has experience with concesión assets in the fields of renewable energies, transportation infrastructure, healthcare infrastructure, parking facilities, the environment, cultural centres and sports facilities.

It has global experience with sustainable investments that covers all aspects of projects:

- Engineering, offering integral and innovative engineering, safety and environmental solutions that allow deadlines to be met with high quality and safety standards when executing complex projects.
- Financing, signing finance agreements, primarily under Project Finance contracts and the first issue of a Project Bond on the Alternative Bond Market (MARF).
- Construction, we have broad experience with the construction of transportation infrastructure under EPC contracts. More than 1,000 km in roads and motorways and more than 200 km in high-speed railways.
- Operation and maintenance, we maintain more than 630 km of roads, and more than 200 km of high-speed railways.

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.

We did not obtain the final award of a concession contract covering the APP RUTA CARIBE, which runs between Cartagena and Barranquilla, which was initially awarded to the consortium Ortiz KMA. The meetings with ANI and the Ministry of Transportation have been very fruitful. There is a will to move the project forward on the part of the Administration. This leads us to be very optimistic and to think that this important concession will be signed in 2020.

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.

AWARDING OF THE BOSA HOSPITAL IN BOGOTA AND LINES AND SUBSTATIONS IN BARRANQUILLA.

We started 2020 with the awarding of the concession for the new Bosa Hospital in Bogota for the Bogota Municipal Health Secretariat. Ortiz will handle 90% of its design, construction, equipping and maintenance. It is the first public-private arrangement in the health area in Colombia and it was awarded for 493,000 388 million pesos. In February 2020 we were awarded a concession covering two new substations, the expansion of a further six and more than 20 km of electrical lines in Barranquilla. The project was awarded by the Energy-Mining Planning Unit (UPME) and covers the supply of equipment, civil works, assembly, testing and launch of the service, as well as the administration, operation and maintenance of the facilities during 25 years. It represents an investment of nearly 470,000 million pesos (€130 million).

9. 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.: los otros 6 aparcamientos
- Elecor S.A.U.: proyectos de eficiencia y un parque fotovoltaico de 1 MW

- Asteisa Tratamiento de Aguas S.A.U.: la EDAR en Ribadeo

The revenues and EBITDA for each consolidated Concession in 2019 are as follows:

- Aparcamientos: 3,20 M€ / 2,80 M€
- Medio Ambiente (EDAR): 0,15 M€ / 0,10 M€
- Estación de Servicio: 5,60 M€ / 0,15 M€
- UTE Energía Málaga: 0,30 M€ / 0,20 M€
- Eficiencia Energética: 0,50 M€ y 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 2019: 12.90 M€

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.

10. 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.

Ortiz Group continues to make investments in renewable energies with a 13 MWp photovoltaic plant in Guadalajara. Ortiz Group reaffirms its commitment to renewable energies and, together with Alten Energías Renovables, has inaugurated the 13 MWp Alten El Casar photovoltaic plant in the province of Guadalajara.

Faithful to its strategy of continuing investment and commitment to renewable energies, Ortiz Group, together with Alten, inaugurated the photovoltaic plant executed in 2019 by Ortiz Group in Guadalajara, Spain.

The project was executed in 6 months, including the preparation of the land, the installation of panels and solar trackers and electrical facilities for the transmission of energy produced.

The plant consists of 34,513 photovoltaic modules with a capacity of 370 5W each and 108 photovoltaic inverters, each of which has a 3 Mw transformation center that sends the electricity to the nearby substation in the municipality of Galápagos. The facility also uses 479 solar trackers that orient the panels on an East to West track.

The use of this track technology increases the plant’s production by 20% compared to traditional fixed facilities.

This photovoltaic plant reveals Ortiz Group’s commitment to the environment and social issues, since it will prevent the emission of 11,873 tons of CO_2, equivalent to removing 7,000 vehicles from the road during one year and it will produce energy equivalent to the average annual consumption of 7,300 homes. The construction of the plant involved more than 40 local companies and more than 300 employees.

11. NATIONAL INFRASTRUCTURE

Turnover of national infrastructures has stood in 2019 at 186.32 M €

In the infrastructure area, we have activity in the public and private markets; and we are specialists in the execution of civil works, building, rehabilitation, railways, environmental works, integral water cycle and Indagsa industrialized construction system.

In the field of civil works, it builds all kinds of transport infrastructure (highway / roads, railways), hydraulic and environmental works.

Building

Building construction production declined throughout 2019 from €48.6 million in 2018 to €42.1 million in 2019, which is an 13.4% production decrease compared to 2018. This change in production was due to the decrease in the awards obtained by Ortiz Group in 2019 as a result of the decline in new works in the domestic market compared to 2018 and due to the change in strategy in Ortiz’s bids caused by the difficulty of projecting changes in direct costs during the execution of works.

The volume of completed housing in 2018 totals 410 homes, and 1,480 homes are being executed where a reduction compared to the 816 homes being executed last year may also be observed, a 34% decline compared to last year.

ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR 2019

In 2019 the number of tenders, primarily consisting of residential construction for cooperatives and/or small developershas been reduced due to the change in the Group’s strategy for residential housing works. The contracted portfolio has fallen from €63.2 million in December 2018 to €26 million in December 2019.

Rehabilitation and Building Services.

These increases have confirmed the growth in contracts that has been seen in recent years. This has been largely due to the confidence of private investors in hotel, shopping center, school and religious building sectors.

The public sector has also increased investments in facilities, particularly the Madrid city authorities with respect the end of 2019 and future works to be carried out in 2020. This maintains the upward trend for investments in integral maintenance services and investments in public buildings.

The main works carried out in 2019 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. Execution of construction of commercial premises in the former Roxy cinema building-
- **Public Rehabilitation:** Primary school in Arroyofresno; several projects for the Municipal Police, Santa Ponsa health centre and the projects still in progress conerning the Moratalaz music School and an industrial factory in Villaverde.

Civil Works.

There was an increase in bids for government civil works in 2019 compared to prior years, and a small increase in private tenders has also been detected.

During the period both the Maintenance and Operation Contract for a stretch of the Ruta de la Plata A-66 Motorway in Extremadura and the Maintenance and Operation Contract for several stretches of the N-420, N-301 and N-310 roadways in the province of Cuenca were renewed and continued. All of these projects are being supervised by the Roadway Department at the Ministry of Development. Furthermore, we are waiting to sign an execution contract for a stretch of the A-12 Motorway in Santo Domingo (La Rioja), which is also being supervised by the Roadway Department at the Ministry of Development.

The works involving the water treatment plant in Edrinal are being carried out for the public water company Canal de Isabel II.

Several development works were carried out for the municipality of Madrid in various districts of the city (Nelson Mandela, Valdezarza, etc), and the framework agreement with the Vallecas District Board has commenced, together with tunnel safety improvement actions

ADIF, a company pertaining to the Ministry of Public Works, Ortiz was awarded the high-speed stretch of the Madrid-Extremadura line, sub-stretch Toril- Río Tiétar, and it continues to execute the works involving the Mosque base assembly in a joint Venture with Cosfesa and bids continue to be made for the various railway stretches.

At the end of the year, the works concerning the remodelling of the Molins de Rei station started for RENFE.

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.

A joint venture, in which Cosfesa participates together with Sacyr and Copasa, was awarded a four-year contract to maintain the high-speed line Madrid-León, and rehabilitation work on the Seville- Huelva line and bridge rehabilitation on the Madrid-Ourense line.

Water Treatment.

In 2019 ASTEISA, our water treatment company, continued its operations by bidding on and executing the works awarded in Spain.

Among the awards obtained in 2019 we note the construction of the Consuegra wáter treatrment plant for ACUAES, and the EDAR works in Aranjuez have been completed 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 2019 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.

We also note the urgent works performed on the supply network through a joint Venture (two years) involving Canal de Isabel II and Ortiz.

Indagsa Industrial Construction System.

During 2019, Indagsa has worked in the domestic architectural reinforced concrete façade market focusing on the market in the north of Spain (Navarre and the Basque Country) in terms of customers (Abaigar, Amenábar, Garbayo Chivite, Victorino Vicente and VDR Mutilva) and executed works (Ripagaina, Lezkairu, Tudela, Sestao, Aldapeta, Arrosadía, Mugartea and Olabeaga).

- The habitual market sector seen in other years has been maintained:: Educational buildings and private building developments (Neinor). We also restarted executing public housing works and engaged in two developments promoted by the Madrid public housing agency (EMV).
- We executed a unique building for the Metro headquarters in Madrid and built structural reinforced concrete ribs in black, and we also obtained contracts for homes in Switzerland (Ilot Sud. Morges) with the same customer with which we have previously worked (Implenia).
- Indagsa Ingeniería has provided technical support to the various departments at the Group to both design projects and provide engineering assistance with their execution. We completed the rehabilitation work converting "Edificio España" into a hotel for RIU.

We also continued with important research efforts and carried out several R&D projects.

The main R&D Projects in which Indagsa collaborated in 2019 are:

- UHPCRAWMAT: Development of highly resistant thin reinforced concrete through the use of recycled materials. Completed in 2019
- INPHASE: PHASE CHANGE MATERIALS Use of phase change materials in prefabricated concrete enclosures. Performed with IECA, the Eduardo Torroja Institute among others.
- SENSOSMART PRJECT. Analysis of sensors embedded in reinforced concrete (fiber-optic), to provide real-time detection of structural movements in a building.

- FIJANCLAJE. Anchor plate support system for reinforced concrete panels.
- SOLUARQUIC This project is in an initial phase to improve finishes (tone uniformity), analyzing components, causes, etc.

During 2019 the production of the Rehabilitation and Services Department was margely maintained and revenue totalled €51.76 million. There has also been an increase in the contracted portfolio for 2020 and subsequent years compared to prior years, reaching a total of €38.79 million at 31 December 2019. There is also a positive outlook for bids presented that have yet to be awarded.

Private services: Maintenance of the Wizink Center in Madrid. Maintenance of the Sanitas building. Maintenance of 1,420 homes for SCI; Maintenance of buildings with more than 500 homes for the Group's REIT (Grupo Ortiz Properties).

Public services: Removal of abestos from METRO rolling stock equipment; Maintenance and adaptation of homes for the Housing Agency; Maintenance of buildings for the social assistance agency, City of Madrid: the contracts for maintaining municipal parking facailities, Investment works in buildings and other assets in the Las Artes area, safety area and the tender for support structures, demolition and consolidation of the urban development area. Maintenance of buildings in Las Rozas, Boadilla, Fuenlabrada and Leganés. Maintenance and investments in buildings used by the Municipal District offices in Ciudad Lineal, Fuencarral, Centro, Moncloa Aravaca, Salamanca, San Blas and Carabanchel.

Inditec Maintenance and conservation service:

Maintenance and conservation service contracts provide a recurring portfolio in the medium them and provide recurring cash flows.

The portfolio of contracted maintenance service works in parks, street cleaning and waste collection in the medium-term over the coming years has fallen by 31.5% to €33.20 million.

Despite the current uncertainty and the reduction of public tenders, the Company notably increased its revenues and business activity as a result of the execution of park maintenance and service works, street cleaning and waste collection over the medium-term.

The main contracts being executed in 2019 were: the maintenance of parks and urban furnishings in Ciudad Real, the conservation of parks, gardens and trees in Marbella (Málaga), the execution of the Juan de Austria Park in Alcalá de Henares (Madrid), the integral management of municipal parks and plant nurseries for the City of Madrid, lot 3: Forestry parks and tree nurseries, street cleaning and urban waste collection in Xátiva (Valencia).

The tenders for numerous maintenance contracts with several municipalities throughout the country have been delayed to 2020. Even so, advances have been made with the medium-term conservation and maintenance service contracts which provide stability to the Company, such as the renewals of the park conservation services in Alzira (Valencia), Marbella (Málaga) and Humanes (Madrid), beach cleaning and park maintenance services in Alboraya (Valencia) and the municipal building cleaning services in Enguera (Valencia).

Furthermore, important contracts have been obtained, such as the remodeling of the Magallanes and Roma parks in Alcalá de Henares (Madrid), the execution of the park located at c/Quevedo in Paracuellos del Jarama (Madrid), the planting and reorganization of spaces on Avenida de la Gavia in Madrid or the construction of urban gardens (lot 2) for the City of Madrid.

We also continued with the service contracts that existed last year, such as the maintenance of planted green areas in Marbella (Málaga), Humanes (Madrid), Ciudad Real, Alzira (Valencia) and Alboraya (Valencia), street cleaning and conservation of planted green areas in El Casar (Guadalajara), street cleaning and urban waste collection in Xátiva (Valencia), municipal building cleaning in Xátiva and Enguera (Valencia) and the integral municipal park and nursery management service for the City of Madrid, lot 3: Forestry Parks and tree nurseries.

This year we will maintain our strategy of consolidating in environmental service markets (conservation and maintenance of planted green areas, trees, urban furnishings, street cleaning services, management, operation and maintenance of waste treatment plants, waste collection services, beach cleaning services, etc.), while remaining committed to constant improvement. The Company's situation is expected to remain stable in 2020 thanks to the continuing contracts that currently exist and new ones due to the expected increase in tenders for numerous maintenance and conservation services that were analyzed in 2019.

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 2019 was one of consolidation for the company Grupo Ortiz Properties SOCIMI, S.A, which owns the Group's main real estate assets, adopted a resolution to increase share capital by €19,305 million to purchase two new assets; 132 rental homes in Collado Villalba, and an operating sports centre in Móstoles, for a total of €21,900 million.
This share capital increase ended with the subscription of 100% of the new shares (1,237,501 shares with a par value of €15.60 per share), and they started to be traded on the market on 24 June 2019 at €17 per share, which is a 9% increase compared to the share purchase price.

At 31 December 2019, the share capital of Grupo Ortiz Properties SOCIMI, S.A is distributed as follows: 49.78% is owned by Ortiz; 21.29% is held by 5 institutional investors and the remaining 28.93% is distributed among another 145 investors.

As regards the acquisition of new assets, we note that on 11 June 2019 Grupo Ortiz Properties SOCIMI, S.A purchased the company El Arce de Villalba S.L., and on 29 November it purchased the company Ortiz Sport Factory, S.L.

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 year-end, after these assets entered into the portfolio, the Company has a total of 44,791 m2 tertiary surface area, 484 rental homes, 14 homes that are for sale and 967 parking spots.

	% Type	Area No. Homes/No. of spaces	% Occupancy
Offices	55%	24.368	100%
Retail	20%	8.927	89%
Industrial	13%	5.996	100%
Sports Center	12%	5.500	100%
Tertiary	**100%**	**44.791**	**98%**
Homes in Monte Elviria (Málaga)	3%	14	0%
Homes in Paracuellos	35%	176	98%
Homes in Colmenar	19%	96	90%
Homes Alcalá	16%	80	100%
Homes in Chopera	17%	84	99%
Homes Huerta	10%	48	92%
Homes	**100%**	**498**	**96%**
Ortega y Gasset	84%	814	100%
Other spaces	16%	153	15%
Ortega y Gasset and Spaces	**100%**	**967**	**87%**

The continuation of the upward trend in the real estate market has been demonstrated in the Company's results for 2019.

- In the tertiary sector, this upward trend is reflected in higher rents, reaching 98%. The following should be noted:
    - The increase in office occupancy to 100% and the updating of several contracts to market rent, with increases of around 10%.
    - The increase in industrial premise occupancy to 100%, after the sale of two empty premises in Asturias.
    - The sale of residual assets (2 commercial premises and 9 parking spots), and the occupancy level for the premises remained at 89% and parking spots showed an occupancy level of 18%.
    - Higher sales of the freestanding Burger Kings, (19%), which represents higher revenues from variable rent for the Company.

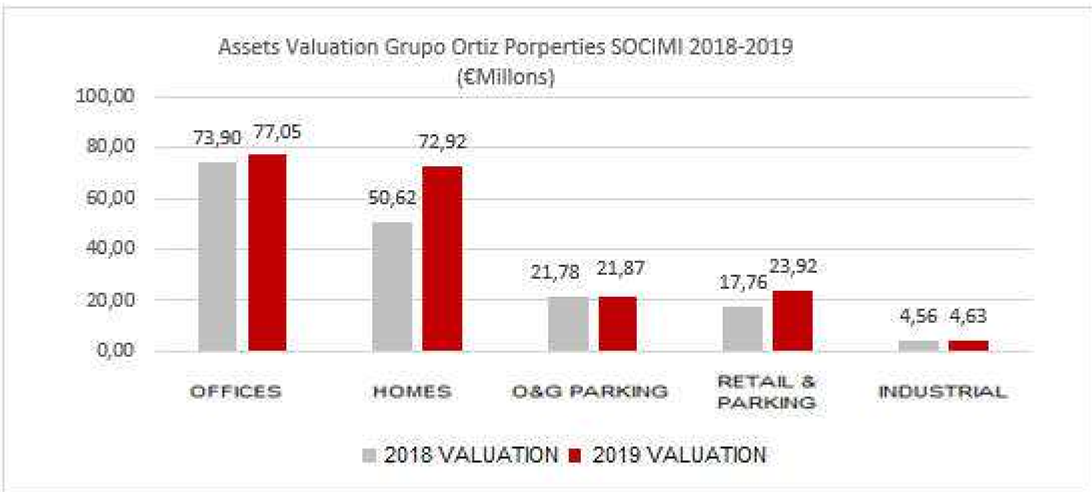
- Leased residential properties

    - Maintains occupancy levels above 95%, and the market absorbed the average 35% increase in rent applied in April 2019.
    - Increase in the average monthly net rent by 50%, and 70% of this increase relates to 2 new residential developments acquired by the Company and the remaining 30% relates to developments whose net rent increased by 12% compared to 2018.
    - The Huerta development protection deadline has expired and it is now a free-market development. Upon the expiration of the protection mechanism, all of the contracts falling due (50%) were renewed with a 30% increase in gross rent.

- The Ortega y Gasset parking facility:
    - During the 4 first months of the year, net operating results exceeded projections by 7% and 6 assignments were concluded.
    - On 1 May 2019 a renewable lease agreement for an initial term of 10 years was concluded.

This has all been reflected in an increase in the market value of the asset portfolio held by Grupo Ortiz Properties SOCIMI, S.A. in accordance with the appraisal performed at 31 December 2019 to the amount of €200.38 million, which represents an increase in this Company's portfolio value (taking into account the sales of residual assets) of €31.77 million (18.84%) compared to 2018;

- Increase due to the entry of new assets; €26.5 million (15.72%)
- Increase due to the restatement of assets; €5.26 million (3.12%)



The Company's long-term business strategy continues to focus on optimizing its solid and diversified asset portfolio, optimising the associated rent and containing asset operating expenses such that value and profitability is added to the entire portfolio.

13. 2019 RELEVANT EVENTS

The most relevant events in each of the Group's business areas in 2019 are:

In the CONCESSIONS area:

- ANI (Agencia Nacional de Infraestructuras de Colombia): The Northern Connection and the Transversal del Sisga concessions are under construction, and both projects have been 70% completed.
- Entry into operation of Functional Unit 2 of "Conexión Norte" (58%) and Functional Unit 1 of the Sisga motorway (30%) in October 2019.
- Concesion for the "Ruta del Caribe" motorway in Colombia: negotiations are being held to sign the contract, adapting the bid presented in 2016 to the actual development of traffic, Capex and O&M, as well as to tax matters.
- HOSPITAL TEPIC in Mexico: The construction of the 150-bed hospital for ISSSTE has been completed. It is expected to enter into operation in 2020.
- ALTEN-CÚBICO AGUASCALIENTES Mexico: Entry into operation of the photovoltaic plants "Solem I" and "Solem II in February 2019.
- ALTEN ESPAÑA: Photovoltaic plant Alten El Casar, plant construction was completed in September and it entered into operation in December 2019.
- PARKING FACILITIES: The number of contracts grew by 3.3% and the average occupancy rose by 4.5%.
- ENERGY: thermosolar and photovoltaic production grew by 1.6% and 4.3%, respectively.
- ROADWAY CONCESSIONS: slight growth in traffic.
- AWARDING OF THE BOSA HOSPITAL CONCESSION (Bogota, Colombia). Construction and operation of a hospital with 250 beds and a surface area of 30,000 m². Contract term: 18 years (3.5 for construction, 14 for operation and 0.54 reviews). The granting authority is the City of Bogota. The CAPEX is €78 million and projected revenues amount to €375 million.
- ELECTRICAL LINES AND SUBSTATIONS in Barranquilla, Colombia. Winning bid on 29 January. This project involves 3 new substations, 6 expansions of substations and 9 lines measuring 23 km. The granting authority is the Mining-Energy Planning Unit of the Ministry of Energy and Minds. The expected CAPEX is 100 million pesos.

Concession projects being analysed:

- OFFICE BUILDING IN "ENSANCHE DE VALLECAS" (MADRID). This project involves a 3500 m² office building. The land was acquired in November 2019.

In the ENERGY area:

MERGER OF the companies "ORTIZ ENERGÍA", "ELECOR", "JUAN GALINDO" and "TENDIDOS & REDES DEL SUR" into "ORTIZ CONSTRUCCIONES Y PROYECTOS". The Ortiz Group energy companies were merged into the parent Ortiz Construcciones y Proyectos, such that the Group's corporate structure is simplified and made more efficient.

Energy & Industry:

- 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.
- X-ELIO ENERGY: construction of the Navojoa photovoltaic plant in Sonora, Mexico (257 MWp). Currently being put into operation.
- ONYX GROUP: The expansion of the photovoltaic plant in Horus (Guatemala) is being executed (additional 16 MWp).
- ALTEN EL CASAR: the 13 MWp photovoltaic plant in El Casar (Guadalajara) was completed.
- PACIFIC SOLAR: the 35 MW photovoltaic plan in Choluteca, Honduras was completed.

Projects awarded in 2019:

- NORTHLAND POWER: “La Lucha” 163MWp photovoltaic plant in Chihuahua, Mexico.
- DHAMMA ENERGY: Samoussy photovoltaic plant in France, 5 plants of between 17-18 MWp each, for a total of 87.5 MWp.
- SOJITZ-ALTEN: Puebla 300 MWp photovoltaic plant in Mexico.
- TRINA SOLAR JAPAN ENERGY: Daisen Tottori 14MWp photovoltaic plant in Japan.
- EVERSTREAM/BLACKROCK: Susami 10 MW photovoltaic plant in Japan.
- X-ELIO ENERGY: “La Cruz” 58 MWp photovoltaic plant in Chile.

Industrial facilities (electrical and mechanical):

- Aeropuertos Canarios: execution of photovoltaic facilities for self-consumption at four airports in the Canary Islands.
- Contract with ADIF covering the integral management of civil protection facilities in the Madrid-Barcelona-French border AVE railway line and the maintenance of electrical facilities at the rail yards.

Transportation and Distribution:

- EPC contract in Peru with TERNA for the construction of an aerial line (130 km) and 2 substations (138 kV).
- Contract with ENDESA for energy recovery services (fraud detection) in Almería and Jaén.
- Execution of the MT-BT contracts with Naturgy in the provinces of Toledo and Guadalajara.
- Contract with ENDESA for high-voltage work in Granada.

Operations & Maintenance

- O&M contracts covering photovoltaic plants in Mexico, Guatemala, Honduras, El Salvador, Chile, Italy, Spain and Japan.

In the CONSTRUCTION area:

<u>National Construction:</u>

Building:

- A total of 539 homes contracted in 2019.

Rehabilitation:

- Completion of the structural reform works at “Edificio España” (Madrid).
- Reform of the emergency room facilities at Hospital 12 de Octubre, Madrid.
- Reform of the Roxy Cinema building in Madrid.
- Reform of industrial premises in Villaverde (Madrid).

Transportation infrastructures:

- Awarding of railway work Lav Madrid AVE Madrid-Extremadura.
- Awarding of AVE assembly base La Mezquita, in Orense.
- Awarding of a stretch of the A-12 motorway in La Rioja.

<u>International Construction:</u>

Panama:

- The drainage works in San Miguelito (Lots I and III) ceased and are in arbitration.
- 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.
- Awarding of the Bogotá aqueduct works for the Metro system.
- Awarding of the construction work for Bosa Hospital (work starts in 2021).

Perú:

- Andahuaylas Hospital being execution.

Mexico:

- Tepic Hospital (Nayarit) works completed.

Bolivia:

- Potosi Hospital works being executed.

SOCIMI OPERATIONS:

- Share capital increase of €19.3 million, 100% subscribed.
- Acquisition of 132 homes in El Arce de Villalba for €17.1 million.
- Acquisition of Ortiz Sport Factory for €4.8 million.

FINANCING:

- Redemption of the 2014 bond issue on the MARF that matured in July 2019 in the amount of €23.8 million.
- Syndicated credit facility in the amount of €10 million from EBN + Banco Caminos + Banco Mora.
- Documentary lines of credit in the amount of €37 million
- Guarantees for EPC energy projects (€77.6 million), concessions (€18 million) and domestic and international infrastructures (€22.9 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 2019 and 2018 is as follows:

	Thousand Euro	
Indexed to the Euribor	**2019**	**2018**
Variable rate borrowings not hedged by financial derivatives (A)	37,043	13,205
Fixed rate borrowings or hedged by financial derivatives	110,967	129,062
Group borrowings (*) (B)	148,010	142,267
Borrowings exposed to interest rate risk (%) (A)/(B)	**25%**	**9%**

(*) 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 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.

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.

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 2020.

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.

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:

	2019	2018
Average deferral of payments to suppliers	144	126
Ratio of transactions paid	144	120
Ratio of payments pending	95	135
	Amount (thousand euro)	**Amount (thousand euro)**
Total payments made	221,184	302,853
Total payments pending	37,606	175,141

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.

16. 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.

Ortiz Group’s strategy is to make sustainable investments through which the execution of projects and their subsequent operation and maintenance is performed in whole or in part by Ortiz Group. These investments créate significant synergies with other parts of the Group’s businesses, such as Infrastructure and Energy.
Diversification of the types of projects: roadway infrastructures, health, renewable energies such as photovoltaic and thermosolar, environmental, cultural and sports infrastructures and parking facilities

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.

In economic terms, the strategy for the coming years is focused on decreasing debt, increasing capitalisation and liquidity and applying resources to access concession projects involving infrastructure, the environment and energy in order to enter markets where the knowledge acquired over the years will allow us to increase our profitability and improve the return on investments.

It should be noted that in 2019 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 2019, achieving €640 million.
- Compliance with the syndicated loan and bond ratios.
- Rotate assets: Divestments in the concession and real estate areas.
- Sale of the REIT: involving 50.22% held by 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.
- Access sustainable concession projects.
- Consolidation of the health area, notably the construction of hospitals in Mexico, Peru and Bolivia.
- 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.

17. 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 69% 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 2019 the Group had nearly 2000 employees, which is a figure very similar to that seen last year. We note that approximately 1500 are Spanish and 441 relate to local employees involved with international projects in Colombia, Mexico, Panama, Peru, Japan, Guatemala, Honduras, Chile, Bolivia and Italy.

In the International Area, total local personnel in the various countries at 31 December 2019 consists of 441 employees. This number fluctuates throughout the year since it depends on the intensity of labor needs to handle certain projects, in addition to the impact of seasonal weather on construction work being executed in Latin America.

Taking into account GROUP employees, the average age at the group is 42.33 years. Men make up 76% of employees and 24% are women. In total, 70 employees have a Legal Guardian, 14 are men and the rest are women.

There are 90 Spanish expatriate employees in other countries that carried out work in the Energy and Construction areas in the various countries in which the Group operates and are acquiring high-value international experience for their future development. These employees from more than seven different group companies and several business areas, such as Energy, Construction, Rehabilitation, Concessions, Water and Environment, have been relocated to 12 different countries.

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.

18. QUALITY, ENVIRONMENT, OCCUPATIONAL HAZARD PREVENTION AND RESEARCH, DEVELOPMENT AND TECHNOLOGICAL INNOVATION ACTIVITIES

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 april 2019 through an audit performed by an ENAC certified rating agency, resulting in a SATISFACTORY EVALUATION.

That audit process involved visits to a total of 39 work centres distributed throughout Spain, Peru and Colombia and a total of 129 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 110 visits to inspect and control work centres operated by Grupo Ortiz and 140 Quality and Environmental reports were issued.

OCCUPATIONAL HAZARD PREVENTION.

In 2019 Grupo ORTIZ has audited the Occupational Risk Prevention Management System in accordance with the requirements of the OHSAS 18001:2007 standard implemented at GROUP companies. This process ended in April 2019 with an audit by an outside certifying entity accredited by ENAC with a SATISFACTORY EVALUATION report.

The audit process involved visits to a total of 22 work centres distributed throughout Spain, Peru and Mexico. and a total of 76 employees were interviewed.

The Prevention Service performed 721 visits to inspect and control various work centres and issued 277 Security/EPH/Permanent Centre reports and Internal Audit processes supplemented by 135 prevention actions taken with construction subcontractors.

ORTIZ has strengthened its system for supervising, monitoring and controlling the projects it is carrying out abroad in terms of Quality, Environment and Occupational Risk prevention.

It has performed "on-site" internal audits at operations in Colombia, Peru, Mexico and Panama through the corporate Prevention Service.

RESEARCH, DEVELOPMENT AND TECHNOLOGICAL INNOVATION

During 2019, the companies ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. and INDAG, S.A.U., incurred expenses and made investments for Research, Development and Technological Innovation, in projects relating to digitalization and information technologies, renewable energies and construction technology.

ORTIZ GROUP policy establishes the essential principle of strengthening basic research as a fundamental element to contributing to the generation of knowledge, particularly based on medium and long-term development and creating a favorable climate for the company to fully join the technology innovation culture in order to increase its competitiveness.

During 2019, several Research, Development and Technological Innovation projects have been developed for a total amount of €1,982 thousand, €1,242 thousand of which correspond to the expenses incurred in Research & Development projects and the remaining €740 thousand relates to expenses incurred in Technological Innovation projects.

This gave rise to a 14% increase in R&D+i at the company compared to 2018.

These are the R&D projects developed within the Quality Area regarding the Rehabilitation Department:

- Digitalization technology innovation project and reengineering of processes at Ortiz Group.
- 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.
- Construction technology R&D project regarding the rehabilitation of the Roxy Cinema.
- Sensosmart Project. Real-time Monitoring and Control System for the Assessment of the structural condition of buildings.
- Innovation project concerning the use of bifacial photovoltaic panels at solar plants.

19. EVENTS OCCURING AFTER THE REPORTING PERIOD

Since December 2019, a new strain of the coronavirus, COVID-19, has extended from China to other countries, including Spain. This event has significantly affected business activity worldwide and, consequently, the operations and financial results of companies. The extent to which the Coronavirus will impact our results will depend on future developments that cannot be reliably predicted, including actions to contain the illness or obtain a treatment and to mitigate its impact on the economies of affected countries.

The Group has sufficient tools to face this circumstance thanks to its liquidity status and the availability of additional lines of financing that it maintained at the year-end, contractual clauses that foresee impacts deriving from force majeure events as well as the geographic diversification of our businesses. This will allow us to manage the risks originating from the circumstances and to maintain the continuity of our activities and the business such that currently no consequences deriving from failures to comply with contracts due to the pandemic are projected .

At the date these accounts were prepared, the economic impacts of the general crisis situation that has arisen are not known and therefore it is not possible to quantify them.

In the opinion of the parent company's directors, no other matter that could have a significant effect on the consolidated annual accounts arising after the year ended 31 December 2019 has been revealed.

20. 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 FINANCIAL STATEMENTS FOR 2019

On the 19 March 2020, 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 Directors' Report corresponding to the year ended 31 December 2019, 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: Alejando Moreno Alonso