# ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A.
# and subsidiaries

Consolidated Financial Statements at 31 December 2020

and Consolidated Directors' Report for 2020

(in thousands euro)

# Ortiz Construcciones y Proyectos, S.A.
# and subsidiaries

Audit report,
Consolidated Annual Accounts and
Consolidated Directors' Report
at 31 December 2020

# Consolidated audit report, on the consolidated annual accounts

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

## Opinion

We have audited the annual accounts of Ortiz Construcciones y Proyectos, S.A., (the Parent Group) and subsidiaries (the Group), which consist of the consolidated balance sheet at 31 December 2020, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the consolidated annual accounts for the year then ended.

In our opinion, the accompanying consolidated annual accounts express, in all material respects, a true and fair view of the Group's consolidated equity and consolidated financial situation at 31 December 2020, as well as the consolidated results and consolidated cash flows for the year then ended, in accordance with the framework of applicable financial reporting legislation (identified in Note 3.1 to the consolidated annual accounts) and, in particular, the accounting principles and policies established therein.

## Basis of the opinion

We have performed our audit in accordance with audit standards currently in force 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 of 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 audit and no situations or circumstances have arisen that compromised our necessary independence in accordance with that legislation.

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

## Most relevant aspects of the audit

The most relevant aspects of the audit are those which, in our professional opinion, have been considered to be the most significant risks of material misstatement during our audit of the consolidated annual accounts for 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 of these risks.

*PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España*
*Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400,* www.pwc.es



R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
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| Key audit matters | How the matters were handled during the course of the audit |
|---|---|
| **Recognition of revenue from construction contracts** | |
| Revenue recognition criteria followed by the Group are based on the percentage method based on the extent of completion in accordance with regulations applicable to Construction Contracts in Spain.<br><br>When applying the percentage method to determine the degree of completion, the Group uses significant estimates through the application of important judgments concerning the total costs that are necessary to execute the contract, as well as regarding the amount of any claims or changes in the scope of the project which is recorded, if appropriate, as an increase in the revenue from the contract.<br><br>The information relating to construction contracts is disclosed in Notes 3, 4.20 and 24 in the accompanying notes to the annual accounts.<br><br>The importance of the estimates used when recognizing these revenues and their quantitative importance, also taking into consideration the situation caused by the COVID-19 pandemic, mean that the recognition of revenue from construction contracts is considered to be a key audit matter. | The scope of our audit took into consideration our understanding of the controls over the process of estimating the margin on construction contracts. Our procedures include, among other things, the performance of tests on the design, implementation and the operating effectiveness of certain relevant controls that mitigate the risks associated with the process of recognizing revenue in these types of contracts.<br><br>In order to perform substantive tests we have first selected a sample by applying quantitative and qualitative criteria, such as the identification of relevant contracts, either based on the total contract sale price or the amount of the recognized revenue or margin during the year, or based on the risk associated with the costs that have yet to be incurred to fulfil the contract.<br><br>In additional selection was applied to all of the remaining projects.<br><br>We obtained the contracts relating to the selected projects so that we could read them and understand the most relevant clauses and their implications, as well as the budgets and execution oversight reports for those projects, and we performed the following procedures focusing on the key matters:<br><br>• We performed an analysis on the evolution of margins with respect to changes in both the sale price and the total budgeted costs, while taking into consideration the situation caused by the COVID-19 pandemic.<br><br>• We evaluated the consistency of the estimates made by the Group last year by comparing them against the actual data deriving from contracts in progress this year. |

| Key audit matters | How the matters were handled during the course of the audit |
|---|---|
| | • We recalculated the degree of completion of the projects and compared it against the results obtained from the Group's calculations.<br><br>• We obtained evidence of technical approvals regarding changes to the contract and/or claims made in negotiations with customers, as well as the status of financial negotiations.<br><br>• We obtained explanations regarding the reconciliation between the financial information and the follow-up reports for the projects provided by project management.<br><br>Finally, we took into consideration the sufficiency of the information disclosed in the accompanying consolidated annual accounts in this respect.<br><br>As a result of the procedures performed, we consider that the recognized revenue from construction contracts for the year applied by Management is reasonably supported. |

## Other information: Consolidated directors' report

The other information includes only the consolidated directors' report 2020, the preparation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated director's report. Our responsibility with respect to the consolidated directors' report consists of the following in accordance with audit regulations:

a) Only verify that the consolidated non-financial statement of information has been presented in the manner established by applicable regulations and if this is not the case, report this fact.

b) Assess and report on the concordance of the rest of the information set out in the consolidated directors' report with the consolidated annual accounts based on the knowledge of the Group obtained during the performance of the audit of those accounts, as well as assessing and reporting as to whether the content and presentation of this part of the directors' report is in line with applicable standards. If, based on our work, we conclude that there are material misstatements, we are required to report that fact.

On the basis of the work performed, as described in the previous paragraph, we have verified that the information mentioned in paragraph a) above has been presented in the manner established by applicable regulations and the rest of the information contained in the consolidated directors' report is consistent with that of the consolidated annual accounts for 2020 and its content and presentation are in accordance with applicable standards.

## Directors' responsibility with respect to the consolidated annual accounts

The Directors of the parent company are responsible for preparing the accompanying consolidated annual accounts such that they express a true and fair view of the Group's equity, financial situation and the results obtained in accordance with the financial reporting legislation applicable to the Group in Spain and the internal control that is considered necessary to allow consolidated annual accounts to be prepared free of material misstatement due to fraud or error.

In preparing 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 its status as a going concern and using the going concern basis of accounting unless the 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 that the consolidated annual accounts taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that contains 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 one 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. 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 or misrepresentations, or the override of internal control.

- We obtain an understanding of internal controls 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.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.

- We reach a conclusion as to the appropriateness of the Parent Group'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 amend our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue being a going concern.

- We assess 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 facts in a manner that expresses a true and fair view.

- We obtain sufficient and 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 management, supervision and performance of the audit of the Group. We are solely responsible for our audit opinion.

We communicate with the Parent Group'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 among the significant risks that have been reported to the directors of the Parent Group, we determined those matters that were most important within the context of the audit of the consolidated annual accounts of the current period and they are therefore considered to be the most significant risks.

We describe these risks in our audit report unless the law or regulations precludes the public disclosure of the matter.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Gonzalo Sanjurjo Pose (18610)

22 March 2021

# ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A.
# and subsidiaries

Consolidated Financial Statements at 31 December 2020

and Consolidated Directors' Report for 2020

(in thousands euro)

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## ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2020

(thousand euro)

| ASSETS | Notes | 2020 | 2019 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | **256,823** | **282,855** |
| **Intangible assets** | **7** | **38,020** | **41,441** |
| **Property, plant and equipment** | **8** | **12,696** | **14,280** |
| **Investment Property** | **9** | **28,832** | **28,759** |
| **Investments in Group companies and associates** | | **128,668** | **150,198** |
| Equity-consolidated shareholdings | 10 | 88,61 | 88,655 |
| Loans to companies consolidated using the equity method | 11, 13, 31 | 40,058 | 61,543 |
| **Non-current financial investments** | | **8,029** | **15,326** |
| Equity instruments | 11, 12 | 700 | 699 |
| Loans to third parties | 11, 13 | 6,294 | 13,564 |
| Other financial assets | 11, 13 | 1,035 | 1,063 |
| **Non-current trade receivables** | **11, 13** | **26,445** | **26,498** |
| **Deferred tax assets** | **23** | **14,133** | **6,353** |
| **CURRENT ASSETS** | | **446,255** | **559,184** |
| **Inventories** | **15** | **16,207** | **15,421** |
| **Trade and other receivables** | | **339,637** | **446,826** |
| Trade receivables for sales and services rendered | 11, 13 | 315,289 | 417,719 |
| Trade receivables, equity-consolidated companies | 11, 13, 31 | 1,497 | 6,758 |
| Other receivables | 11, 13 | 694 | 731 |
| Personnel | 11, 13 | 1,674 | 1,586 |
| Current tax assets | 25 | 2,904 | 3,957 |
| Other receivables from public administrations | 13, 25 | 17,579 | 16,075 |
| **Current investments in group companies and associates** | | **12,662** | **10,675** |
| Loans to companies consolidated using the equity method | 11, 13, 31 | 12,662 | 10,675 |
| **Current financial investments** | | **26,272** | **32,180** |
| Equity instruments | 11, 12 | 1,434 | 2,334 |
| Loans to third parties | 11, 13 | 10,225 | 10,100 |
| Derivatives | 11, 14 | 364 | 494 |
| Other financial assets | 11, 13 | 14,249 | 19,252 |
| **Prepayments and accrued income** | **11, 13** | **21,860** | **22,493** |
| **Cash and cash equivalents** | **11, 16** | **29,617** | **31,589** |
| **TOTAL ASSETS** | | **703,078** | **842,039** |

Notes 1 and 35 and Appendices I, II and III form part of these consolidated financial statements.

## ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2020

(thousand euro)

| EQUITY AND LIABILITIES | Notes | 2020 | 2019 |
|---|---|---|---|
| **EQUITY** | | **209,754** | **227,616** |
| **Capital and reserves** | | **235,232** | **249,913** |
| Share capital | 17 | 57,492 | 57,492 |
| Share premium | 17 | 9,327 | 9,327 |
| Parent company reserves | | 170,950 | 184,178 |
| Reserves in consolidated companies | | 10,552 | 6,553 |
| Reserves in companies consolidated using the equity method | | (16,333) | (30,762) |
| Shares and holdings in own equity | 17 | (2,111) | - |
| Profit/(loss) for the year attributable to the parent company | | 5,355 | 23,125 |
| **Measurement adjustments** | **18** | **(27,480)** | **(24,774)** |
| Hedging transactions | | (6,906) | (21,083) |
| Difference on exchange - Consolidated companies | | (20,199) | (4,326) |
| Difference on exchange - equity consolidated companies | | (375) | 635 |
| **Subsidies, donations and bequests received** | **20** | **1,108** | **1,296** |
| **Non-controlling interests** | **19** | **894** | **1,181** |
| **NON-CURRENT LIABILITIES** | | **179,634** | **138,134** |
| **Non-current provisions** | **22** | **7,937** | **8,850** |
| **Non-current borrowings** | | **144,174** | **103,116** |
| Debentures and other marketable securities | 11, 21 | 32,339 | 33,045 |
| Bank borrowings | 11, 21 | 103,954 | 61,425 |
| Finance lease payables | 11, 21 | 893 | 1,731 |
| Derivatives | 14, 21 | 1,463 | 1,299 |
| Other financial liabilities | 21 | 5,525 | 5,616 |
| **Non-current payables to group companies and associates** | **11, 21, 31** | **5,907** | **4,594** |
| **Deferred tax liabilities** | **21, 23** | **5,008** | **4,218** |
| **Accruals and deferred income** | **11, 21** | **16,608** | **17,356** |
| **CURRENT LIABILITIES** | | **313,690** | **476,289** |
| **Current provisions** | **22** | **679** | **604** |
| **Current borrowings** | | **38,836** | **96,619** |
| Debentures and other marketable securities | 11, 21 | 393 | 399 |
| Bank borrowings | 11, 21 | 29,946 | 53,141 |
| Finance lease payables | 11, 21 | 880 | 857 |
| Derivatives | 14, 21 | 1,181 | 3,912 |
| Other financial liabilities | 21 | 6,436 | 38,31 |
| **Current payables to Group companies and associates** | **11, 21, 31** | **34** | **13** |
| **Trade and other payables** | | **274,125** | **379,048** |
| Trade payables | 11, 21 | 235,598 | 338,231 |
| Trade payables to Group companies and associates | 11, 21, 31 | 177 | 9 |
| Other payables | 11, 21 | 264 | 615 |
| Personnel | 11, 21 | 3,566 | 3,553 |
| Current tax liabilities | 25 | 3,205 | 886 |
| Other payables to public entities | 11, 25 | 15,109 | 10,127 |
| Prepayments from customers | 11, 21 | 16,206 | 25,627 |
| **Accruals and deferred income** | **11, 21** | **16** | **5** |
| **TOTAL EQUITY AND LIABILITIES** | | **703.078** | **842.039** |

Notes 1 and 35 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 2020

(thousand euro)

| CONSOLIDATED INCOME STATEMENT | Notes | 2020 | 2019 |
|---|---|---|---|
| **Revenues** | **24** | **450,252** | **640,201** |
| Sales | | 446,388 | 636,320 |
| Services rendered | | 2,461 | 2,477 |
| Financial income, concession arrangements | | 1,403 | 1,404 |
| **Changes in inventories of finished goods and work in progress** | | **(611)** | **-** |
| **Own work capitalised** | | **201** | **1,843** |
| **Supplies** | **24** | **(330,579)** | **(480,887)** |
| Consumption of goods purchased for resale | | (10) | 17 |
| Raw materials consumed and other consumables | | (211,575) | (310,716) |
| Subcontracted work | | (118,994) | (170,188) |
| **Other operating income** | | **293** | **513** |
| Sundry and other income | | 242 | 513 |
| Capital grants released to income during the year | | 51 | - |
| **Personnel expenses** | **24** | **(75,577)** | **(82,493)** |
| Wages, salaries and similar remuneration | | (59,535) | (65,507) |
| Employee benefit expenses | | (16,042) | (16,986) |
| **Other operating expenses** | **24** | **(13,925)** | **(38,260)** |
| External services | | (21,517) | (33,283) |
| Taxes | | (2,253) | (4,079) |
| Losses, impairment and changes in trade provisions | | 9,845 | (898) |
| **Asset amortisation/depreciation** | **7, 8, 9** | **(4,569)** | **(4,620)** |
| **Attribution of subsidies for non-financial assets** | | **6** | **14** |
| **Impairment and profit/(loss) on disposals of assets** | **7, 8, 9** | **(944)** | **(2,979)** |
| **Results due to the loss of control over consolidated companies** | **6** | **-** | **5,618** |
| **Other results** | | **(385)** | **(811)** |
| OPERATING PROFIT/(LOSS) | | 24,162 | 38,139 |
| **Financial income** | **26** | **5,026** | **4,424** |
| **Financial expenses** | **26** | **(16,252)** | **(17,408)** |
| **Change in the fair value of financial instruments** | **12, 26** | **(932)** | **(116)** |
| **Differences on exchange** | **26** | **(996)** | **(186)** |
| **Impairment and gain/(loss) on disposal of financial instruments** | **26** | **101** | **(857)** |
| FINANCIAL INCOME | 26 | (13,053) | (14,143) |
| **Share in profits/(losses) at companies consolidated using the equity method** | **10** | **419** | **5,021** |
| **Impairment and results on the loss of significant influence over PPE** | **10** | **(2,040)** | **-** |
| PROFIT/(LOSS) BEFORE TAXES | | 9,488 | 29,017 |
| **Corporate income tax** | **25** | **(4,099)** | **(5,545)** |
| Profit/(loss) for year from continuing operations | | 5,389 | 23,472 |
| CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR | | 5,389 | 23,472 |
| Profit attributed to parent company | | 5,355 | 23,125 |
| Profit/(loss) attributable to non-controlling interests | | 34 | 347 |

Notes 1 and 35 and Appendices I, II and III form part of these consolidated financial statements.

GRUP ORTIZ

**ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES**

**STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020**

(thousand euro)

### A) STATEMENT OF CONSOLIDATED INCOME AND EXPENSE

| STATEMENT OF CONSOLIDATED INCOME AND EXPENSE | Notes | 2020 | 2019 |
|---|---|---|---|
| **Consolidated profit/(loss) for the year** | | **5,389** | **23,472** |
| **Income and expense attributed directly in equity** | | | |
| Cash flow hedges | | (8,997) | (11,669) |
| *Subsidiaries* | **14** | *(1,536)* | *(3,988)* |
| *Equity consolidated companies* | | *(7,461)* | *(7,681)* |
| Subsidies, donations and bequests received | **20** | - | - |
| Differences on exchange | | (22,939) | 3,098 |
| Tax effect | | 8,582 | 2,683 |
| **Total income and expenses taken directly to consolidated equity** | | **(23,354)** | **(5,888)** |
| **Transfers to the consolidated income statement** | | | |
| Cash flow hedges | | 11,759 | 8,480 |
| *Subsidiaries* | **14** | *3,972* | *3,201* |
| *Equity consolidated companies* | | *7,787* | *5,279* |
| Subsidies, donations and bequests received | **20** | (250) | (69) |
| Tax effect | | (2,885) | (2,504) |
| **Total transfers to the consolidated income statement** | | **8,624** | **5,907** |
| **TOTAL CONSOLIDATED RECOGNISED INCOME AND EXPENSE** | | **(9,341)** | **23,491** |
| Total income and expenses attributable to the parent company | | (9,054) | 23,502 |
| Total income and expenses attributable to non-controlling interests | | (287) | (11) |

Notes 1 and 35 and Appendices I, II and III form part of these consolidated financial statements.

**ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. Y SOCIEDADES DEPENDIENTES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020**

(thousand euro)

**B) STATEMENT OF TOTAL CHANGES IN CONSOLIDATED EQUITY**

| | Authorised capital (Note 17) | Share premium (Note 17) | Prior-year reserves and profit/(loss) (*) (Note 17) | Shares and participations from the parent company (Note 17) | Parent company profit/(loss) for the year (Note 17) | Measurement adjustments (Note 18) | Subsidies (Note 20) | Non-controlling interests (Note 19) | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| **A) Ending balance 2018** | 57,492 | 9,327 | 159,605 | - | 14,763 | (25,952) | 1,348 | 1,233 | 217,816 |
| **B) 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) |
| **III. Other changes in equity** | - | - | 364 | - | (9,700) | 749 | - | (41) | (8,628) |
| **C) Ending balance 2019** | 57,492 | 9,327 | 159,969 | - | 23,125 | (24,774) | 1,296 | 1,181 | 227,616 |
| **D) Beginning balance 2020** | 57,492 | 9,327 | 159,969 | - | 23,125 | (24,774) | 1,296 | 1,181 | 227,616 |
| **I. Total recognised income and expense** | - | - | - | - | 5,355 | (14,221) | (188) | (287) | (9,341) |
| **II. Transactions with shareholders or owners** | - | - | - | - | (5,063) | - | - | - | (5,063) |
| *Dividend distribution* | - | - | - | - | (5,063) | - | - | - | *(5,063)* |
| *Other operations with shareholders or owners* | - | - | - | (2,211) | - | - | - | - | *(2,111)* |
| **III. Other changes in equity** | - | - | 5,200 | - | (18,062) | 11,515 | - | - | (1,347) |
| **E) Ending balance 2020** | 57,492 | 9,327 | 165,169 | (2,211) | 5,355 | (27,480) | 1,108 | 894 | 209,754 |

*(*) Includes reserves in consolidated companies and reserves in equity-consolidated companies. The movement experimented during 2020, in this heading corresponds mainly to the application of the results achieved in 2019 and to the sale of the subsidiary Afriana Energúa,S.L.*

Notes 1 and 35 and Appendices I, II and III form part of these consolidated financial statements.

## ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

(thousand euro)

| CASH FLOW STATEMENT | Notes | 2020 | 2019 |
|---|---|---|---|
| **A) Cash flows from operating activities** | | | |
| **1. Profit/ (loss) for the year before taxes** | | **9,488** | **29,017** |
| **2. Adjustments** | | **10,135** | **10,144** |
| Asset amortisation/depreciation | 7, 8, 9 | 4,569 | 4,620 |
| Change in provisions | | (9,845) | 898 |
| Application of grants | | (6) | (14) |
| Own work capitalised | | (201) | (1,843) |
| Profit/(loss) on write-off and disposal of assets | 7, 8, 9 | 944 | 2,979 |
| Profit/loss on write-offs and disposals of financial instruments | 26 | (101) | 857 |
| Results due to the loss of control over consolidated companies | | - | (5,618) |
| Financial income | 26 | (5,026) | (4,424) |
| Financial expenses | 26 | 16,252 | 17,408 |
| Change in the fair value of financial instruments | 26 | 932 | 116 |
| Differences on exchange | 26 | 996 | 186 |
| Share in profit of companies consolidated using equity method | | (419) | (5,021) |
| Impairment and profit/(loss) of shareholdings consolidated using the equity method | | 2,040 | - |
| **3. Changes in working capital** | | **(16,175)** | **(52,105)** |
| Inventories | | 187 | (1,255) |
| Trade and other receivables | | 94,662 | (90,736) |
| Other current assets | | 1,533 | (827) |
| Trade and other payables | | (112,596) | 42,151 |
| Other current liabilities | | 11 | (487) |
| Other non-current assets and liabilities | | 28 | (951) |
| **4. Other cash flows from operating activities** | | **(17,623)** | **(18,426)** |
| Interest paid | | (15,315) | (16,217) |
| Dividends received | | 1,33 | 978 |
| Interest received | | 910 | 1,368 |
| Corporate income tax income/(expense) | | (4,548) | (4,555) |
| **5. Cash flows from operating activities** | | **(14,175)** | **(31,370)** |
| **B) Cash flows from investing activities** | | | |
| **6. Payments for investments** | | **(17,546)** | **(31,929)** |
| Group companies and associates | | (13,542) | (27,529) |
| Intangible assets | 7 | (436) | (593) |
| Property, plant and equipment | 8 | (322) | (1,231) |
| Investment properties | 9 | - | (1,175) |
| Loans to third parties | | - | (1,401) |
| Other financial assets | | (3,246) | - |
| **7. Cobros por desinversiones** | | **50,426** | **18,859** |
| Inventories | 15 | 654 | - |
| Group companies and associates | | 42,122 | 10,072 |
| Property, plant and equipment | 8 | - | 35 |
| Investment properties | 9 | 170 | - |
| Loans to third parties | | 300 | 5,895 |
| Other financial assets | | 7,180 | 2,857 |
| **8. Cash flows from investing activities** | | **32,880** | **(13,070)** |
| **C) Cash flows from financing activities** | | | |
| **9. Payments made and received for financial equity instruments** | | **(2,111)** | **-** |
| Acquisition of own equity instruments | 17 | (2,111) | - |
| **10. Payments made and received for financial liability instruments** | | **(13,503)** | **11,763** |
| **a) Issue** | | **65,366** | **57,227** |
| Debentures and other marketable securities | 21 | 2,141 | 6,477 |
| Bank borrowings | 21 | 63,225 | 42,186 |
| Payables to Group companies and associates | | - | 275 |
| Other liabilities | | - | 8,289 |
| **b) Return and repayment of** | | **(78,869)** | **(44,111)** |
| Debentures and other marketable securities | 21 | (2,886) | (25,052) |
| Bank borrowings | 21 | (44,834) | (19,059) |
| Other payables | | (31,149) | - |
| **11. Dividend payments** | | **(5,063)** | **(5,063)** |
| Dividends | 17 | (5,063) | (5,063) |
| **12. Cash flows from financing activities** | | **(20,677)** | **8,053** |
| **D) Cash flows from discontinued operations** | | **(1,972)** | **(36,387)** |
| Cash and cash equivalents at the beginning of the year | 16 | 31,589 | 67,976 |
| Cash and cash equivalents at the end of the year | 16 | 29,617 | 31,589 |

Notes 1 and 35 and Appendices I, II and III form part of these consolidated financial statements.

GRUPORTIZ

## 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.
- Performance of legal, economic, accounting and financial studies for all types of companies.
- Promotion and development of commercial, industrial and service companies.
- Administration, management, organization and control of any type of equity and business.
- Promotion of newly created, industrial, agricultural, commercial and service companies and acquisition interests in existing companies, or which are created either the management body, either through the subscription of shares equity stakes or at the time of incorporation or leader share capital increase, or the acquisition of those companies by any means. Such transactions may be carried out by the company directly or indirectly.
- The performance of any construction, installation and work, whether public or private, intended for tunnels..
- Operation, design, engineering, construction, management, operation, administration, integral maintenance and conservation, rehabilitation and adaptation of all types of concessions and infrastructures and/or real estate assets through public-private collaboration formulas.
- Construction and operation of hospitals and health centers granted under concessions by any public or private entity.
- Acquisition and sale of any type of medical team, subcontracting of medical services and contracting and subcontracting of non-medical services.
- Rendering of integral health care and social and health assistance services using qualified personnel.
- Cleaning work in general, sterilization, disinfection, insect and rodent control at hospitals and any health center.
- Subcontracting of the services necessary to comply with its corporate purposes.
- The handling, packaging and distribution of food or other products, the preparation, seasoning and distribution of food for self-consumption or supply to third parties.
- Integral as best as removal service, including all labour and activities that are required, identification of materials with asbestos in facilities, risk assessment, with removal of asbestos materials from any type of facility or property.
- Management of hazardous waste

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 2020. The consolidated financial statements for 2019 were drawn up by the Board of Directors on 19 March 2020 and were approved by the Shareholders' General Meeting on 28 May 2020. These financial statements were filed with the Mercantile Registry of

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 2020 the group's parent company carried out a merger of several group subsidiaries. On 24th September 2020 shareholders at a Universal Extraordinary Meeting of de Ortiz Construcciones y Proyectos, S.A. (acquiring company) approved a merger of the companies Prorax, S.A.U. y Agueda Educatis, S.L.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 2020 by virtue of the merger project signed on 10th November 2020 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 27 November 2020 in Volume 39560, Sheet 131, Entry 209, 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 2019 continue to be recognised in 2020 although within the figures for the parent company.

In Addition, 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 2020 were as follows:

- Sale of the shares in the associates Africana Energía, S.L. and Ormats Mantenimiento Integral, S.L. (Note 10).
- Incorporation of the company Promotora Hospital Bosa, S.A.S.
- Incorporation of the company Energia de Colombia STR, S.A.S. E.S.P.
- Decrease of 2% in the interest in the jointly-controlled companies Grupo Ortiz Properties SOCIMI, S.A., Aldigavia Oficinas, S.L.U., Aldigavia, S.A.U., Ortega y Gasset Park, S.L.U, El Arce de Villalba, S.A.U. and Ortiz Sport Factory, S.L.U.
- Decrease of 4.33% in the interest in the associate Alten Renewable Energy Developments América, B.V.
- Decrease of 2.49% in the interest in the associate Alten Kenya Solarfarms, B.V.
- Incorporation of the associate Alten Management Africa, S.L.
- Incorporation of the associate Alten Renewable Energy Developments America 3, B.V.
- Incorporation of the associate Alten Renewable Mexico 7 (Puebla).

The main changes in the scope of consolidation that took place in in 2019 were as follows:

- Decrease of 50.13% in the interest in the company El Arce de Villalba, S.L. which was reclassified from a subsidiary to an associate (Note 6).
- Decrease of 14.44% in the interest in the company Ortiz Sport Factory, S.L. (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.
- Increase of 1.06% in 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.
- 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.

### 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.

### 3.2 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.

### 3.3 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.

### 3.4 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 2020 and 2019 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 2020 and 2019 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 2020 and 2019.

#### *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 2020 and 2019 is as follows:

| | Thousand Euro | |
|---|---|---|
| **Referenced to Euribor** | **2020** | **2019** |
| Variable rate borrowings not hedged by financial derivatives (A) | 35,559 | 37,043 |
| Fixed rate borrowings or hedged by financial derivatives | 140,146 | 152,197 |
| Group borrowings (B) | 175,705 | 189,24 |
| **Borrowings exposed to interest rate risk (%) (A)/(B)** | **20%** | **20%** |

"Group Debt" includes "Debentures and other marketable liabilities", "Bank borrowings", "Finance leases", and CDTI loans and the balances in factoring arrangements being returned to financial institutions that form part of "Other financial liabilities" and which at 31 December 2020 totalled €7,300 thousand (31 December 2019: €38,642 thousand).

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

**b) Price risk**

The Group is not significantly exposed to price risk for capital securities, since it has no significant investments, or to commodity price risk since, in general, any changes in prices are efficiently transferred to selling prices by all similar contractors that operate in the same industry. The Group reduces and mitigates price risk with policies established by the Management, guaranteeing the production or obtaining at a fixed price of several raw materials with framework agreements.

**c) Credit risk**

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

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

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

**d) Liquidity risk**

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

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

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 2021.

**e) Other Risks**

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 Company's operations and financial results.

The Company's Directors and Management has applied available information to assess the main impacts that the pandemic has on these financial statements, as described below

- **Operating risk:**

  The Company has maintained the tender portfolio over the past few years, although the COVID-19 pandemic have given rise to delays in the execution of projects to the stoppage of works, primarily in countries such as Panama, Colombia and Peru, as well as delays affecting the start of EPC photovoltaic projects such as Samoussy (France) and la Cruz (Chile).

  No additional rescheduling is currently expected.The geographical diversification of our businesses and the contractual clauses that foresee the impact from force majeure events have allowed the Company to mitigate the risks deriving from the current crisis situation.
  However, the margin for the year has been reduced since similar fixed costs have been incurred as the Company has chosen to maintain employment and did not carry out any restructuring in this connection.

- **Liquidity risk:**

  Obtaining new financing guaranteed by ICO in the amount of €61,725 thousand (Note 21) has allowed the financial structure to be optimized with a substantial improvement in the Group's liquidity status.
  However, Group management exhaustively monitors liquidity requirements in order to ensure that it has the financial resources that are necessary to cover its operating needs.

(thousand euro)

- **Measurement risk involving balance sheet assets and liabilities**

  The COVID-19 pandemic has not caused any cancellations of portfolio projects and it has not substantially affected the financial position of our customers and therefore there has been no relevant increase in default risk.
  The Company has assessed the recoverability of balances for executed work pending certification and there is no expectation that this item will be affected.
  The Company has evaluated the impact on the valuation of its concession and real estate assets, which gave rise to the recognition of the impairment of a single asset totalling €1,000 thousand (Note 7).

  It has also not detected any significant changes in the value of its other balance sheet assets and liabilities as a result of possible effects of COVID-19.

Management and the Directors of the Company have therefore concluded that the Group's financial resources allow the ongoing application of the going concern principal when preparing these annual accounts.

Due to the speed with which events are changing and the potential evolution of the pandemic over the coming months (potential impacts and mitigating actions), the significant estimates and judgements applied by Directors and Management could be affected.
Accordingly, developing a reasonable estimate of the potential impact of COVID-19 in these circumstances regarding operations and future cash flows is difficult, due to the fact that the markets and economic agents may have unexpected reactions in the event of unforeseen pandemic events.

Finally, we note that the Company's Directors and management continually monitor the development of the situation in order to successfully manage any future financial or non-financial impacts that may arise.

### 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

In 2020 there was no loss of control of any subsidiary.

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 indirectly through Grupo Ortiz Properties SOCIMI, S.A. 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** |

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 Income Statement on 31 December 2019.

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.

### 7. INTANGIBLE ASSETS

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

**ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(thousand euro)

| 2020 | 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 2019** | | | | | | | | | |
| 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** |
| **Cost** | | | | | | | | | |
| Additions | - | - | - | - | 412 | - | - | 24 | **436** |
| Disposals | - | - | - | - | - | - | - | - | **-** |
| Differences on exchange | - | - | - | (13) | - | - | - | - | **(13)** |
| **31 December 2019** | **-** | **-** | **-** | **(13)** | **412** | **-** | **-** | **24** | **423** |
| **Accumulated Amortisation:** | | | | | | | | | |
| Additions | (224) | - | (1,907) | (22) | (8) | - | (681) | - | **(2,842)** |
| Disposals | - | - | - | - | | - | - | - | **-** |
| Differences on exchange | - | - | - | (2) | - | - | - | - | **(2)** |
| **31 December 2020** | **(224)** | **-** | **(1,907)** | **(24)** | **(8)** | **-** | **(681)** | **-** | **(2,844)** |
| **Impairment:** | | | | | | | | | |
| Additions | - | - | | - | - | | (1,000) | - | **(1,000)** |
| Disposals | - | - | - | - | - | - | - | - | **-** |
| **31 December 2020** | **-** | **-** | **-** | **-** | **-** | **-** | **(1,000)** | **-** | **(1,000)** |
| Cost | 4,888 | 43 | 23,300 | 350 | 3,314 | 4,635 | 25,267 | 591 | 62,388 |
| Impairment | (298) | - | (2,956) | - | - | | (1,000) | - | (4,254) |
| Accumulated Amortisation | (1,767) | - | (10,806) | (293) | (39) | - | (7,209) | - | (20,114) |
| **Carrying amount at 31.12.2020** | **2,823** | **43** | **9,538** | **57** | **3,275** | **4,635** | **17,058** | **591** | **38,020** |

**ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(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** |

(thousand euro)

**Goodwill on consolidation**

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

| | Thousand Euro | |
|---|---|---|
| **CGU** | **2020** | **2019** |
| Asteisa Tratamiento de Aguas, S.A.U. | 13 | 15 |
| Contratas y Servicios Ferroviarios, S.A.U. | 6,479 | 7,774 |
| Área de energía | 3,025 | 3,629 |
| Impulsa Grup Ortiz, S.L. | 7 | 8 |
| Grupo Ortiz Construcciones México, S.A. | 14 | 17 |
| Águeda Educatis, S.L. | - | 2 |
| **Total** | **9,538** | **11,445** |

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 at 31 December 2019

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% (2019: between -5% and 15%), which are margins that are coherent with the reality observed over the past few years and a 7% discount rate (2019: 7%), and a residual value growth rate of 0% (2019: 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 2020 amounted to €1,907 thousand (2019: €1,909 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 2020 and 2019:

Thousand Euro

| 2020 | Maturity date | Operating period | Amortisation for the year | Cost | Accumulated amortisation | Impairment losses | Carrying amount |
|---|---|---|---|---|---|---|---|
| Aparcamiento Reyes Católicos | 25/07/2048 | 40 años | (220) | 7,829 | (1,832) | (1,000) | 4,997 |
| Aparcamiento Iliada | 22/08/2046 | 40 años | (105) | 3,957 | (1,243) | - | 2,714 |
| Aparcamiento Juan R. Jiménez | 02/02/2046 | 40 años | (163) | 6,026 | (1,837) | - | 4,189 |
| Aparcamiento Pamplona | 29/01/2047 | 40 años | (106) | 3,999 | (1,243) | - | 2,756 |
| Aparcamiento Andorra II | 16/07/2047 | 40 años | (91) | 3,454 | (1,050) | - | 2,404 |
| Fotovoltaico Universidad Málaga | 10/11/2036 | 25 años | (111) | 3,197 | (1,086) | (298) | 1,813 |
| Pabellón “Andrés Torrejón” Móstoles | 11/02/2045 | 30 años | - | 4,635 | - | - | 4,635 |
| | | | **(796)** | **33,097** | **(8,291)** | **(1,298)** | **23,508** |

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** |

**Impairment losses affecting individual intangible assets**

During 2020 the Group recognized the impairment of the Reyes Católicos parking facility in the amount of €1,000.

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

**Intangible assets located abroad**

At 31 December 2020 and 2019 the Group recorded the following investments in intangible assets located abroad:

Thousand Euro

| 2020 | Carrying amount | Accumulated amortisation | Impairment loss |
|---|---|---|---|
| Software | 78 | (21) | - |
| | **78** | **(21)** | **-** |

Thousand Euro

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

**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 2020 and 2019 no interest was capitalised.

**Intangible assets not used in operations**

At 31 December 2020 and 2019 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 2020 amounts to €243 thousand (€243 thousand in 2019).

**Intangible assets pledged to guarantees**

Intangible assets with a value of €4,997 thousand secure bank borrowings in the amount of €4,224 thousand at 31 December 2020

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

**Intangible assets subject to reversal**

Intangible assets subject to reversal at 31 December 2020 and 2019 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 2020 and 2019 are as follows:

**ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Thousand euro)

**Thousand Euros**

| 2020 | 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 2019** | | | | | | | | | | | | |
| Cost | 1,474 | 5,378 | 37,253 | 20 | 106 | 698 | 37 | 400 | 2,701 | 502 | 377 | 48,946 |
| 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** |
| **Cost:** | | | | | | | | | | | | |
| Additions | 35 | - | 197 | - | 2 | 12 | - | 6 | - | 50 | 19 | 321 |
| Disposals | - | - | (192) | (10) | | (14) | (1) | (64) | (215) | (56) | - | (552) |
| Differences on exchange | - | - | (155) | - | - | (6) | - | (6) | (6) | (2) | - | (175) |
| **31 December 2020** | **35** | **-** | **(150)** | **(10)** | **2** | **(8)** | **(1)** | **(64)** | **(221)** | **(8)** | **19** | **(406)** |
| **Accumulated Depreciation:** | | | | | | | | | | | | |
| Additions | - | (140) | (1,326) | - | (9) | (18) | - | (42) | (171) | (21) | - | (1,727) |
| Disposals | - | - | 110 | 8 | - | - | 1 | 64 | 188 | 12 | - | 383 |
| Differences on exchange | - | - | 166 | - | - | 2 | - | 2 | (6) | 2 | - | 166 |
| **31 December 2020** | **-** | **(140)** | **(1,050)** | **8** | **(9)** | **(16)** | **1** | **24** | **11** | **(7)** | **-** | **(1,178)** |
| Cost | 1,509 | 5,378 | 37,103 | 10 | 108 | 690 | 36 | 336 | 2,480 | 494 | 396 | 48,540 |
| Accumulated Depreciation | - | (875) | (31,528) | (3) | (87) | (574) | (35) | (234) | (2,278) | (230) | - | (35,844) |
| **Carrying amount at 31.12.2020** | **1,509** | **4,503** | **5,575** | **7** | **21** | **116** | **1** | **102** | **202** | **264** | **396** | **12,696** |

**ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(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** |

(Thousand euro)

Additions in 2019 under the heading "Work in progress" were elated 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.

**Impairment of individual items of property, plant and equipment**

During 2020 and 2019, no impairment adjustments to individual property, plant and equipment were recognised or reversed.

**Property, plant and equipment located abroad**

At 31 December 2020 and 2019 the Group recorded the following investments in property, plant and equipment located abroad:

| | | Thousand Euros | |
|---|---|---|---|
| **2020** | **Carrying amount** | **Carrying amount** | **Carrying amount** |
| Machinery | 1,954 | (1,067) | - |
| Furnishings | 162 | (62) | - |
| Computer processing equipment | 226 | (126) | - |
| Vehicles | 275 | (172) | - |
| Other property, plant and equipment | 220 | (113) | - |
| | **2,837** | **(1,540)** | **-** |

| | | 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)** | **-** |

**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 2020 and 2019 no interest was capitalised.

**Property, plant and equipment not used in operations**

At 31 December 2020 and 2019 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 €23,547 thousand (€23,667 thousand at 31 December 2019).

(Thousand euro)

**Property, plant and equipment pledged to guarantees**

At 31 December 2020 and 2019 there is no property, plant and equipment pledged to guarantees.

**Property, plant or equipment subject to reversal**

At 31 December 2020 and 2019 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 | |
|---|---|---|
| | **2020** | **2019** |
| Cost - capitalised finance leases | 4,365 | 4,549 |
| Accumulated depreciation | (1,376) | (928) |
| **Carrying amount** | **2,989** | **3,621** |

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 €9,464 thousand for operating lease expenses relating to the rental of machinery and buildings (2019: €12,616 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** | **Land** |
| **Balance at 31.12.2019** | | | |
| Cost | 28,751 | 16 | 28,767 |
| Accumulated depreciation | - | (8) | (8) |
| Impairment | - | - | - |
| **Carrying amount at 31.12.2019** | **28,751** | **8** | **28,759** |
| **Cost:** | | | |
| Additions | 98 | - | 98 |
| Bussines Combinations (note 6) | (25) | - | (25) |
| **31 December 2020** | **28,824** | **16** | **28,840** |
| **Accumulated depreciation:** | | | |
| Additions | - | - | - |
| Bussines Combinations (note 6) | - | - | - |
| **31 December 2020** | **-** | **(8)** | **(8)** |
| Cost | 28,824 | 16 | 28,840 |
| Accumulated depreciation | - | (8) | (8) |
| Impairment | - | - | - |
| **Carrying amount at 31.12.2020** | **28,824** | **8** | **28,832** |

(Thousand euro)

| | | | 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** |

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

**Impairment losses on investment properties**

In 2020 and 2019 the Group did not recognise or reverse any impairment adjustments with respect to investment properties.

**Investment properties located abroad**

At 31 December 2020 and 2019 the Group did not have foreign investment properties.

**Investment properties not used in operations**

At 31 December 2020 and 2019 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 2020 and 2019.

**Investment properties pledged to guarantees**

At 31 December 2020 y 2019 there are no real estate investments securing bank borrowings.

In addition, there are €8,641 thousand in investment properties securing the contingent liabilities described in Note 27 at 31 December 2020 (2019: €8,641 thousand)

**Investment properties subject to reversal**

At 31 December 2020 and 2019 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 | |
|---|---|---|
| | **2020** | **2019** |
| Lease revenues | 18 | 250 |
| Direct operating expenses | (3) | (40) |
| **Total** | **15** | **210** |

## 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:

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(Thousand euro)

| | Thousand euros | |
|---|---|---|
| | **2020** | **2019** |
| Accesos de Ibiza, S.A. | 6,590 | 4,252 |
| Africana Energia, S.L. | - | - |
| Aldigavia oficinas, S.L.U. | 9,791 | 11,493 |
| Aldigavia, S.A.U. | 6,881 | 7,230 |
| Alten El Casar, S.L. | - | - |
| Alten Energias Renovables, S.L. | 1,020 | 1,018 |
| Alten Gestion de Proyectos, S.L. | 28 | 9 |
| Alten Kenya Solarfarms, B.V | 2,347 | - |
| Alten Kenya Solarfarms 2, B.V | - | - |
| Alten RE Developments Iberia, S.A. | 1,984 | 1,990 |
| Alten Energias Renovables México 7 (Puebla),S.A.DE C.V. | - | - |
| Alten Management Africa,S.L. | 64 | - |
| Alten Renewable Energy Developments | 5,639 | 4,930 |
| Alten Renewable Energy Developments Africa, B.V. | - | - |
| Alten Renewable Energy Developments America, B.V. | 1,391 | 2,771 |
| Alten Renewable Energy Developments America 3, B.V. | - | - |
| Alten Renewable Energy Investments | - | - |
| Alten Solar Power Hardap, Ltd | - | - |
| Autopistas del Nordeste, S.A.S. | - | - |
| Bulevar del Arte y la Cultura, S.A. | 406 | 341 |
| Concesión Transversal del Sisga, S.A.S. | 293 | 620 |
| Construcciones INCA-Ortiz, S.A. | - | - |
| Cubico Alten Aguascalientes Uno | - | 362 |
| Cubico Alten Aguascalientes Dos | 29 | 504 |
| Dumar Ingenieros, S.L. | 449 | 449 |
| El Arce de Villalba, S.L.U. | 8,302 | 8,544 |
| Fortem Integral, S.L. | - | 68 |
| Grupo Ortiz Properties SOCIMI, S.A. | 14,527 | 15,125 |
| Inmuebles Gade, S.L. | 15,279 | 15,267 |
| MedSolar SPV10, S.R.L. | 23 | 22 |
| Móstoles Factory 2019, S.L. | - | 77 |
| Ola Ortiz Construccion SPA | - | - |
| Operadora Hospitalaria Tepic, S.A.P.I. DE C.V. | 622 | - |
| Ormats Mantenimiento Integral, S.L. | - | 27 |
| Ortega y Gasset Park, S.A.U. | 4,312 | 4,701 |
| Ortiz Sport Factory, S.L.U. | 29 | 126 |
| Promotora Hospitalaria Tepic, S.A.P.I. DE C.V. | 6,332 | 5,747 |
| SPC 20 Infra e Saneamento Marabá | - | - |
| Superficie Cartera de Inversiones, S.A.U. | 65 | 84 |
| Urbanizadora Gade S.A | - | - |
| Vending La Gavia S.L. | 22 | 36 |
| Viario A-31,S.A. | 2,185 | 2,862 |
| **Total** | **88,610** | **88,655** |

(Thousand euro)

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

| | Thousand Euro | |
|---|---|---|
| | 2020 | 2019 |
| **Balance at 1 January** | **88,655** | **76,028** |
| Share of results | 428 | 5,021 |
| Additions to the scope of consolidation | - | 1 |
| Additions due to loss of control | - | 8,513 |
| Additions due to capital increases | 806 | 2,310 |
| Additions due to transfers | 13,875 | - |
| Disposals due to the sale of shares | (2,225) | - |
| Disposals due to capital reductions | (24) | (24) |
| Disposals due to distributed dividends | (1,746) | (1,890) |
| Disposals due to impairment | (13,875) | - |
| Other movements in equity | 2,722 | (1,304) |
| **Balance at 31 December** | **88,611** | **88,655** |

During 2020 the Company sold the interests it held in the companies Africana Energía, S.L. and Ormats mantenimiento Integral, S.L. These transactions gave rise to €11,862 thousand recorded under the heading “Impairment and profit/(loss) on the loss of significant influence in equity consolidated shareholdings” in the consolidated income statement

This same heading records the 2020 impact of the impairment of the Group’s investment in Algeria totalling €13,875 thousand. That investment was based on an agreement between the Parent Company and the Algerian government which serve the purpose of transferring technology and implementing a construction system training plan for Indagsa homes, which was officially authorized in Algeria through an “Avis Technique”. This gave rise to the construction of a prefabricated structural concrete panel factory and a construction plan covering more than 5,000 homes. Given the repeated failure of the Algerian Housing Ministry to comply with the relevant agreements, in 2018 the Group took the dispute to international arbitration at the CIADI. The proceedings were carried out with the advisory services of Herbert Smith and KPMG. The claimed amount totalled €48 million of which there was a solid basis for estimating the recognition of at least 50% and a purchase offer was received within the proceedings for approximately that amount. In 2020, against all forecasts, the CIADI issued a denial of the entire claim, which is unprecedented in this type of arbitration, demonstrated by the fact that Ortiz Construcciones y Proyectos, S.A. was not ordered to pay costs

Additions in 2019 were mainly related 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

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(Thousand euro)

Assets, liabilities, revenues and profit/(loss) for the year, as appearing in the individual financial statements for the equity-consolidated companies are as follows at 31 December 2020 and 2019, (thousand euro):

| | Thousand Euros | | | |
|---|---|---|---|---|
| **2020** | **Assets** | **Liabilities** | **Operating income** | **Profit/(loss)** |
| Accesos de Ibiza, S.A. | 56,264 | 43,085 | 5,413 | (372) |
| Aldigavia oficinas, S.L.U. | 80,025 | 64,384 | 3,252 | (4,630) |
| Aldigavia, S.A.U. | 34,257 | 30,045 | 2,054 | 377 |
| Alten El Casar, S.L. | 11,333 | 12,344 | - | (626) |
| Alten Energias Renovables, S.L. | 5,691 | 226 | - | 10 |
| Alten Gestion de Proyectos, S.L. | 2,946 | 2,861 | 2,095 | 45 |
| Alten Kenya Solarfarms, B.V. | 16,282 | - | 553 | 560 |
| Alten Kenya Solarfarms 2, B.V. | - | 7 | - | 20 |
| Alten RE Developments Iberia, S.A. | 6,789 | 548 | - | 47 |
| Alten Management Africa,S.L. | 1,232 | 845 | 2,318 | 130 |
| Alten Energias Renovables México 7 (Puebla),S.A.DE C.V. | 1,627 | 1,835 | - | (116) |
| Alten Renewable Energy Developments | 42,979 | 4,481 | 579 | 6,172 |
| Alten Renewable Energy Developments Africa, B.V. | 42,067 | 26,793 | 5,197 | 3,354 |
| Alten Renewable Energy Developments America | 27,268 | 774 | - | 1,393 |
| Alten Renewable Energy Developments America 3 | 13 | 15 | - | (1) |
| Alten Renewable Energy Investments | 3,664 | 1,762 | - | (87) |
| Alten Solar Power (Hardap) (pty) Ltd | 62,297 | 68,399 | 11,122 | (2,168) |
| Autopistas del Nordeste, S.A.S. | 476,286 | 482,438 | 56,454 | 6,687 |
| Bulevar del Arte y la Cultura, S.A. | 11,234 | 10,071 | 2,132 | 126 |
| Concesión del Sisga, S.A.S. | 237,553 | 236,575 | 62,354 | (1,043) |
| Construcciones INCA-Ortiz, S.A. | 822 | 1,951 | - | (2) |
| Cubico Alten Aguascalientes Dos | 124,586 | 122,918 | 25,405 | (6,201) |
| Cubico Alten Aguascalientes Uno | 144,92 | 150,957 | 29,316 | (8,259) |
| Dumar Ingenieros, S.L. | 543 | 652 | - | - |
| El Arce de Villalba, S.L.U. | 23,570 | 11,273 | 760 | 219 |
| Fortem Integral, S.L. | 326 | 369 | 239 | (175) |
| Grupo Ortiz Properties SOCIMI, S.A. | 114,991 | 30,910 | 1,429 | 2,512 |
| Inmuebles Gade, S.L. | 33,378 | 14,089 | - | (9) |
| MedSolar SPV10, S.R.L. | 1,850 | 1,804 | 500 | 3 |
| Móstoles Factory 2019, S.L. | 142 | 188 | 777 | (49) |
| Ola Ortiz Construcción SPA | 651 | 1,034 | - | - |
| Operadora Hospitalaria TEPIC, S.A.P.I. de C.V. | 4,769 | 3,460 | 5,480 | 1,309 |
| Ortega y Gasset Park, S.A.U. | 7,362 | 6,263 | 736 | (657) |
| Ortiz Cocomex, S.A.P.I. de C.V. | - | - | - | - |
| Ortiz Sport Factory, S.L.U. | 5,062 | 5,001 | 224 | (193) |
| Promotora Hospitalaria Tepic, S.A.P.I. DE C.V. | 82,842 | 69,788 | 80,366 | 2,091 |
| SPC 20 Infra e Saneamento Marabá | - | 86 | - | - |
| Superficie Cartera de Inversiones, S.A.U. | 11,475 | 5,018 | 15,994 | 3,033 |
| Urbanizadora Gade S.A | 7,828 | 7,803 | - | (563) |
| Vending La Gavia S.L. | 90 | 46 | 42 | (5) |
| Viario A-31,S.A. | 80,878 | 72,473 | 12,712 | (2,721) |
| **Total** | **1,765,892** | **1,493,571** | **327,503** | **211** |

(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** |

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 BME Growth market (formerly called 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 27.

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

The Group has not recognized losses from equity-consolidated companies during the year amounting to €811 thousand (2019: €852 thousand) that are expected to be recovered through future profits. In 2020 the Group recognized previously unrecognized accumulated losses totalling €1,296 thousand (2019: €646 thousand). It also ceased to have unrecognized losses totalling €5,815 thousand from the company Africana Energía, S.L., since the interest was sold during the year. Unrecognized accumulated losses from associates total €2,579 thousand at 31 December 2020 (2019: €8,879 thousand).

(Thousand euro)

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 2020 the investment commitments total €8,000 thousand that are to be executed over the coming 2 years (2019: €16,570 thousand).

During 2020 the Group was awarded to concession projects in Colombia that will be executed by the subsidiaries Hospital de Bosa, S.A.S and Energía de Colombia S.A.S. The Group therefore acquired an investment commitment totalling €40,000 thousand to be implemented over the coming 3 years

At 31 December 2020 the Group does not maintain any investment commitments relating to its interest in the company Promotora Hospitalaria Tepic, S.A.P.I de C.V., the concession company for a Hospital in Mexico, which entered into service during the year. (2019: €1,300 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 | | Equity instruments | | Equity instruments | | Equity instruments | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Investments held to maturity (Note 13)** | - | - | - | - | 1,035 | 1,063 | **1,035** | **1,063** |
| **Loans and receivables (Note 13)** | - | - | - | - | 72,797 | 101,605 | **72,797** | **101,605** |
| **Derivatives** | | | | | - | - | **-** | **-** |
| **Available-for-sale financial assets (Note 12):** | - | - | - | - | - | - | **-** | **-** |
| - Measured at fair value | 700 | 699 | - | - | - | - | **700** | **699** |
| **TOTAL** | **700** | **699** | **-** | **-** | **73,832** | **102,668** | **74.532** | **103,367** |

(Thousand euro)

**Current financial assets**

Thousand Euro

| | Equity instruments | | Equity instruments | | Equity instruments | | Equity instruments | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Assets at fair value through profit or loss:** | 1,434 | 2,334 | - | - | - | - | **1,434** | **2,334** |
| **Derivatives** | - | - | - | - | 364 | 494 | **364** | **494** |
| **Loans and receivables (Note 12)** | - | - | - | - | 378,150 | 489,314 | **378,150** | **489,314** |
| **Cash and cash equivalents (Note 16)** | - | - | - | - | 29,617 | 31,589 | **29,617** | **31,589** |
| **TOTAL** | **1,434** | **2,334** | **-** | **-** | **408,131** | **521,397** | **409,565** | **523,731** |

**Non-current financial liabilities**

Thousand Euro

| | Bank borrowings | | Debentures and other marketable securities | | Derivatives and other | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Borrowings and payables (Note 21)** | 104,847 | 63,156 | 32,339 | 33,045 | 28,040 | 27.566 | **165,226** | **123,767** |
| **Derivative financial instruments (Note 14)** | - | - | - | - | 1,,463 | 1.299 | **1,463** | **1,299** |
| **TOTAL** | **104,847** | **63,156** | **32,339** | **33,045** | **29,503** | **28.865** | **166,689** | **125,066** |

**Current financial liabilities**

Thousand Euro

| | Bank borrowings | | Debentures and other marketable securities | | Derivatives and other | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Borrowings and payables (Note 21)** | 30,826 | 53,998 | - | - | 262,297 | 406,363 | **293,123** | **460,361** |
| **Derivative financial instruments (Note 14)** | - | - | 393 | 399 | 1,181 | 3,912 | **1,574** | **4,311** |
| **TOTAL** | **30,826** | **53,998** | **393** | **399** | **263,478** | **410,275** | **294,697** | **464,672** |

### 11.2. Classification by maturity

At 31 December 2020 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 liabilities**

Thousand Euro

| | 2021 | 2022 | 2023 | 2024 | 2025 | Subsequent Years | Total |
|---|---|---|---|---|---|---|---|
| **Investments in Group companies and associates:** | | | | | | | |
| - Loans to companies | 12,662 | 5,187 | - | - | - | 34,871 | **52,720** |
| **Financial investments:** | | | | | | | |
| - Loans to companies | 10,225 | 1,482 | 1,482 | 3,330 | - | - | **16,519** |
| - Derivatives | 364 | - | - | - | - | - | **364** |
| - Other financial assets | 14,249 | - | - | - | - | 1,035 | **15,284** |
| **Trade and other receivables:** | | | | | | | |
| **-** Trade receivables for sales and services rendered | 315,289 | - | - | - | - | 26,445 | **341,734** |
| - Trade receivables from group companies and associates | 1,497 | - | - | - | - | - | **1,497** |
| - Sundry receivables | 694 | - | - | - | - | - | **694** |
| - Personnel | 1,674 | - | - | - | - | - | **1,674** |
| **Prepayments and accrued income** | **21,860** | - | - | - | - | - | **21,860** |
| **TOTAL** | **378,514** | **6,669** | **1,482** | **3,330** | **-** | **62,351** | **452,346** |

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(Thousand euro)

**Financial liabilities**

Thousand Euro

| | 2021 | 2022 | 2023 | 2024 | 2025 | Subsequent Years | Total |
|---|---|---|---|---|---|---|---|
| **Payables:** | | | | | | | |
| - Debentures and other marketable securities | 393 | - | 32,339 | - | - | - | **32,732** |
| - Bank borrowings | 29,946 | 24,134 | 36,92 | 15,803 | 16,181 | 10,916 | **133,900** |
| - Finance leases | 880 | 680 | 213 | | | - | **1,773** |
| - Other financial liabilities | 6,436 | 1,508 | 1,165 | 305 | 306 | 2,241 | **11,961** |
| **Derivatives** | **1,181** | **450** | **1,013** | **-** | **-** | **-** | **2,644** |
| **Accruals** | **16** | **8,284** | **332** | **332** | **332** | **7,328** | **16,624** |
| **Payables to group companies and associates** | **34** | **-** | **-** | **-** | **-** | **5,907** | **5,941** |
| **Trade and other payables:** | | | | | | | **-** |
| - Suppliers | 235,598 | - | - | - | - | - | **235,598** |
| - Trade payables, Group and associated companies | 177 | - | - | - | - | - | **177** |
| - Sundry Payables | 264 | - | - | - | - | - | **264** |
| - Personnel | 3,566 | - | - | - | - | - | **3,566** |
| - Prepayments from customers | 16,206 | | - | - | - | - | **16,206** |
| **TOTAL** | **294,697** | **35,056** | **71,982** | **16,440** | **16,819** | **26,392** | **461,386** |

(thousand euro)

## 12. FINANCIAL ASSETS AT FAIR VALUE THORUGH PROFIT OR LOSS

This heading includes the following items and amounts:

| 2020 | Thousand Euro | | |
|---|---|---|---|
| | Non Current | Current | Total |
| Equities | 700 | 1,434 | **2,134** |
| Debentures | - | - | **-** |
| **Total** | **700** | **1,434** | **2,134** |

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

| | Thousand Euro | |
|---|---|---|
| | 2020 | 2019 |
| **Listed securities:** | | |
| - Equities – Euro zone | 1,434 | 2,334 |
| **Unlisted securities:** | | |
| - Equities – Euro zone | 700 | 699 |
| - Other debt securities | - | - |
| **Total** | **2,134** | **3,033** |

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 €(932) thousand (2019: €(166) thousand) (Note 26)

In addition, during 2020 the Group obtained shares released through the distribution of dividends totalling €33 thousand.

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 | |
|---|---|---|
| | **2020** | **2019** |
| **Non-current loans and receivables:** | | |
| - Loans to associates (Note 31) | **40,058** | **61,543** |
| - Loans to third parties | 6,294 | 13,564 |
| - Derivatives | 1,035 | 1,063 |
| - Other financial assets | 26,445 | 26,498 |
| **Total** | **73,832** | **102,668** |
| **Current loans and receivables:** | | |
| - Completed work pending certification | 210,438 | 261,791 |
| - Works certification and invoices | 63,141 | 108,793 |
| - Trade bills receivable | 22,277 | 24,479 |
| - Warranty withholdings | 19,433 | 22,656 |
| - Trade receivables, associates (Note 31) | 1,497 | 6,758 |
| - Sundry receivables | 694 | 731 |
| - Personnel | 1,674 | 1,586 |
| - Taxes refundable | 20,483 | 20,032 |
| - Current loans to associates | 12,662 | 10,675 |
| - Loans to third parties | 10,225 | 10,100 |
| - Derivatives | 364 | 494 |
| - Other financial assets | 14,249 | 19,252 |
| **Total** | **377,137** | **487,347** |
| Current prepayments and accrued income | 21,860 | 22,493 |
| **Total loans and receivables** | **472,829** | **612,508** |

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 2020 the amount of invoices discounted through factoring facilities amounted to €63,455 thousand (2019:€72,383 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 31.12.2018** | **20,664** |
| Impairment adjustments | 773 |
| Impairment reversals | (39) |
| Write-offs and reductions (definitive write-off of defaults) | (1,306) |
| **Impairment of loans at 31.12.2019** | **20,092** |
| Impairment adjustments | 90 |
| Impairment reversals | (9,735) |
| Write-offs and reductions (definitive write-off of defaults) | (631) |
| **Impairment of loans at 31.12.2020** | **9,816** |

The reversal of impairment in 2020 mainly relates to the recovery of the impairment allocated in 2013 in the amount of €9,581 thousand for the trade receivable on the execution of the construction work carried out in the plaza in San Fernando de Henares. That amount had been claimed in with the customer, and a court issued a final ruling that was favourable to the Group in 2020.

(thousand euro)

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

| | Thousand Euro | |
|---|---|---|
| | **2020** | **2019** |
| Euro | 242,845 | 293,705 |
| Bolivianos- Bolivia | 4,155 | 2,224 |
| Colon - El Salvador | 296 | 44 |
| Dólar- Chile, Mexico, Panama | 89,634 | 186,159 |
| Lempira - Honduras | 1,516 | 1,209 |
| Leu - Rumania | 1,183 | 1,006 |
| Nuevo Sol - Peru | 13,260 | 42,295 |
| Peso - Chile | 4,300 | 537 |
| Peso - Colombia | 74,995 | 49,741 |
| Peso - Mexico | 14,075 | 15,854 |
| Quetzal - Guatemala | 1,394 | 2,650 |
| Real - Brasil | 871 | 851 |
| Yen - Japan | 21,891 | 15,976 |
| Zloty - Polonia | 2,414 | 256 |
| **Non-current loans and receivables** | **472,829** | **612,508** |

**Other financial assets**

This heading records €14,249 thousand (2019: €19,252) relating to:

- €532 thousand in bank deposits (2019: €7,223 thousand). Bank deposits in 2019 mainly relate to current deposits at Sabadell Bank which were cancelled in 2020.
- €444 thousand in prepayments made to professionals (2019: 413)
- €7,625 thousand in guarantees and deposits (2019: 7,634).
- €4,5622 thousand in excess contributions to UTEs (2019: 3,276).
- Dividend pending payment in the amount of €471 thousand (2019: €659 thousand).

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

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

(thousand euro)

## 14. DERIVATIVE FINANCIAL INSTRUMENTS

| | Thousand Euros | |
|---|---|---|
| | 2020 | 2019 |
| Exchange rate swaps – cash flow hedges | 364 | 494 |
| **Total Derivatives - Assets** | **364** | **494** |
| Exchange rate swaps – cash flow hedges | 364 | 494 |
| **Current portion - Assets** | **364** | **494** |

| | Thousand Euro | |
|---|---|---|
| | 2020 | 2019 |
| Interest rate swaps – cash flow hedges | 1,463 | 1,299 |
| Exchange rate swaps – cash flow hedges | 1,631 | 3,912 |
| **Total Derivatives - Liabilities** | **3,094** | **5,211** |
| Interest rate swaps – cash flow hedges | 1,013 | 1,299 |
| Exchange rate swaps – cash flow hedges | 450 | - |
| **Non-current portion - Liabilities** | **1,463** | **1,299** |
| Interest rate swaps – cash flow hedges | - | - |
| Exchange rate swaps – cash flow hedges | 1,181 | 3,912 |
| **Current portion - Liabilities** | **1,181** | **3,912** |

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% (2019: between 0.375% and 3.665%).

The notional principal on interest rate hedges at 31 December 2020 amounted to €52,037 thousand (€63,484 thousand at 31 December 2019).

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

The notional principal on Euro-dollar interest rate hedge contracts at 31 December 2020 totals €62,040 thousand (2019: €63,167 thousand), to €11,050 thousand (2019: €16,865 thousand) with respect to the Euro-yen exchange rate hedge and at the end of 2020 there are no Euro-Mexican peso hedge agreements (2019: Notional amount of €1,042 thousand).

The effective portion of cash flow hedges recognised in equity in 2020 due to cash flow hedges totals €(1,536) thousand (2019: €(3,988) thousand) and generates a tax effect totalling €384 thousand that is also taken to equity (2019: €997 thousand) recorded as deferred taxes. The settlement of these derivatives gave rise to a negative gross effect of €3,972thousand during the year (2019: €3,201 thousand).

(thousand euro)

## 15. INVENTORIES

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

| | Thousand Euros | |
|---|---|---|
| | 2020 | 2019 |
| Goods purchased for resale | 97 | 106 |
| Raw materials and other supplies | 752 | 1,296 |
| Work in progress | 980 | 7 |
| Finished goods | 3,380 | 3,990 |
| Prepayments to suppliers | 10,998 | 10,022 |
| **Total** | **16,207** | **15,421** |

The heading "Finished goods" primarily records a housing development in Ojén (Malaga), which includes provisions for impairment total of €1,612 thousand at 31 December 2020 ( 2019: 1,925 thousand)

During 2020 the Group sold two homes in this development whose acquisition cost was €923 thousand and which had been impaired by €313 thousand. The amount of the sale was €621 thousand and gave rise to a profit of €11 thousand in the consolidated income statement.

### Impairment losses on inventories

During 2020 the Group derecognised impairment adjustments totalling €313 thousand as a result of the sale described above (2019: €0 thousand). During 2020 and 2019, the Group did not recognize or reverse any impairment adjustments.

### Inventories located abroad

At 31 December 2020 and 2019 the Group does not have any inventories located abroad.

### Capitalised financial expense

In 2020 and 2019 no interest was capitalised.

### Inventories pledged as security

Loans from credit institutions are secured by inventories valued at €3,265 thousand (2019: €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.

## 16. CASH AND CASH EQUIVALENTS

| | Thousand Euros | |
|---|---|---|
| | 2020 | 2019 |
| Cash | 29,617 | 31,589 |
| **Total** | **29,617** | **31,589** |

At 31 December 2020 there was no restricted cash.

## 17. 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 Euros | |
|---|---|---|
| | 2020 | 2019 |
| Authorised Capital | 57,492 | 57,492 |
| **Total** | **57,492** | **57,492** |

Al 31 de diciembre de 2020 y 2019 las sociedades que participan en el capital social en un porcentaje igual o superior al 10% son las siguientes:

**2020**

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

**2019**

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

### Share premium

This reserve is freely available.

### Treasury shares

Movements in treasury shares during the year were as follows:

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Number of Treasury Share | Thousands of euros | Number of Treasury Share | Thousands of euros |
| **At the beginning of the year** | **-** | **-** | **-** | **-** |
| Increases/purchases | 38,682 | 2,111 | - | - |
| **At the end of the year** | **38,682** | **2,111** | **-** | **-** |

During 2020 the Parent Company carried out several treasury share transactions with an average acquisition cost of €54.57 per share. At 31 December 2020 the parent company holds 38,682 shares representing 2.02% of share capital.

Those shares are recognized as a reduction in the value of the Parent Company's capital and reserves at 31 December 2020 by €2,111 thousand. €0 thousand).

Treasury shares held by the Parent Company do not exceed 20% of share capital

(thousand euro)

**Reserves**

| | Thousand Euro | |
|---|---|---|
| | 2020 | 2019 |
| **Reserves in consolidated companies** | | |
| - Legal reserve | 11,934 | 11,934 |
| - Other reserves | 159,016 | 172,244 |
| - Reserves in fully consolidated companies | 10,552 | 6,553 |
| - Reserves in equity consolidated companies | (16,333) | (30,762) |
| **Reserves in consolidated companies** | **165,169** | **159,969** |

Changes in "Other reserves" and "Reserves in equity-consolidated companies" in 2020 are mainly due to the sale of the two associates described in Note 10 whose accumulated negative reserves were classified to Parent Company reserves.

Changes in "Other reserves" and "Reserves in fully consolidated companies" arising in 2019 were 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 2020 results and reserves to be presented to shareholders at a general meeting, and that for 2019 which was approved on 28 May 2020, are as follows:

| | Thousand Euro | |
|---|---|---|
| | 2020 | 2019 |
| **Available for Distribution** | | |
| Profit/loss for the year | 7,364 | 14,581 |
| **Total** | **7,364** | **14,581** |

| | Thousand Euro | |
|---|---|---|
| | 2020 | 2019 |
| **Application of profit/(loss)** | | |
| To dividends | 5,063 | 5,063 |
| To voluntary reserve | 2,301 | 9,518 |
| **Total** | **7,364** | **14,581** |

## 18. MEASUREMENT ADJUSTMENTS

**Differences on exchange**

Movements in the heading "Differences on exchange" is as follows for the years ended 31 December 2020 and 2019

(thousand euro)

| | Thousand Euro 2020 | 2019 |
|---|---|---|
| **Beginning balance** | **(3,691)** | **(7,121)** |
| - At consolidated companies | (15,804) | 2,970 |
| - At equity-consolidated companies | (1,079) | 460 |
| **Ending balance** | **(20,574)** | **(3,691)** |

There was a significant change in exchange differences in 2020, mainly due to the depreciation of the Colombian peso, the Peruvian sol and the dollar against the Eco, which affected the value of the investments held by the Group in Colombia, Peru and Panama.

**Hedging transactions**

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

| | Thousand Euro 2020 | 2019 |
|---|---|---|
| - Parent company | (1,602) | (3,346) |
| - Consolidated companies | (108) | (191) |
| - Equity-consolidated companies | (5,196) | (17,546) |
| **Total hedging transactions** | **(6,906)** | **(21,083)** |

Movements in this heading during 2020 and 2019 are set out below:

| | Thousand Euro 2020 | 2019 |
|---|---|---|
| **Beginning balance** | **(21,083)** | **(18,831)** |
| **Movement in hedging transactions:** | **14,177** | **(2,252)** |
| - Parent company | 1,745 | (839) |
| - Fully and equity consolidated companies | 12,432 | (1,413) |
| **Ending balance** | **(6,906)** | **(21,083)** |

## 19. NON-CONTROLLING INTERESTS

The breakdown of this item by company in 2020 and 2019 is as follows

| | Thousand Euro | | |
|---|---|---|---|
| **2020** | **Reserves for non-controlling interests** | **Profit/(loss) non-controlling interests** | **Total non-controlling interests** |
| Impulsa Grup Ortiz, S.L. | (38) | (1) | (39) |
| 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. | 377 | 22 | 399 |
| Promotora Hospitalaria de Bosa, S.A.S. | 11 | 19 | 30 |
| Energia de Colombia STR S.A.S. E.S.P. | 242 | (6) | 236 |
| **Total** | **860** | **34** | **894** |

(thousand euro)

| | 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** |

## 20. CAPITAL AND GRANTS RECEIVED

Movements in these subsidies are as follows:

| | Thousand Euro | |
|---|---|---|
| | **2020** | **2019** |
| **Beginning balance** | **1,296** | **1,348** |
| Received during the year | - | - |
| Disposals during the year | - | - |
| Taken to profit/(loss) | (250) | (69) |
| Tax effect | 62 | 17 |
| **Ending balance** | **1,108** | **1,296** |

The breakdown of grants by origin is as follows:

| | Thousand Euro | |
|---|---|---|
| | **2020** | **2019** |
| -Parent company | - | - |
| -Consolidated companies | 29 | 34 |
| - Equity consolidated companies | 1,079 | 1,262 |
| **Ending balance** | **1,108** | **1,296** |

(thousand euro)

## 21. BORROWINGS AND PAYABLES

| | Thousand Euro | |
|---|---|---|
| | 2020 | 2019 |
| **Non-current:** | | |
| Debentures and other marketable securities (Note 21.3) | 32,339 | 33,045 |
| Bank borrowings (Note 21.4) | 103,954 | 61,425 |
| Finance leases (Note 21.5) | 893 | 1,731 |
| Derivatives (Note 14) | 1,463 | 1,299 |
| Other financial liabilities (Note 21.8) | 5,525 | 5,616 |
| Payables to related parties (Note 31) | 5,907 | 4,594 |
| **Non-current accruals and deferred income** | **16,608** | **17,356** |
| **Non-current provisions (Note 22)** | **7,937** | **8,850** |
| **Total** | **174,626** | **133,916** |
| **Current:** | | |
| Debentures and other marketable securities (Note 21.3) | 393 | 399 |
| Bank borrowings (Note 21.4) | 29,946 | 53,141 |
| Finance leases (Note 21.5) | 880 | 857 |
| Derivatives (Note 14) | 1,181 | 3,912 |
| Other financial liabilities (Note 21.8) | 6,436 | 38,310 |
| Payables to related parties (Note 31) | 34 | 13 |
| Trade payables | 235,598 | 338,231 |
| Trade payables to related parties (Note 31) | 177 | 9 |
| Sundry payables | 264 | 615 |
| Personnel | 3,566 | 3,553 |
| Taxes payable | 15,109 | 10,127 |
| Prepayments from customers | 16,206 | 25,627 |
| **Current accruals and deferred income** | **16** | **5** |
| **Current provisions (Note 22)** | **679** | **604** |
| **Total** | **310,485** | **475,403** |

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

### 21.1 Borrowings and payables in foreign currency

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

| | Thousand Euro | |
|---|---|---|
| | 2020 | 2019 |
| Euro | 383,260 | 419,439 |
| Bolivianos- Bolivia | 3,892 | 4,378 |
| Colón- El Savador | 116 | 170 |
| Dólar- Chile, México, Panamá | 30,363 | 105,600 |
| Lempiras-Honduras | 747 | 740 |
| Leu - Rumania | 287 | 333 |
| Nuevo Sol - Perú | (221) | 10,039 |
| Peso - Chile | 3,200 | 510 |
| Peso - Colombia | 19,904 | 32,889 |
| Peso - México | 7,856 | 12,583 |
| Quetzal-Guatemala | 187 | 1,211 |
| Yen-Japón | 35,520 | 20,765 |
| Zloty - Polonia | - | 661 |
| **Total** | **485,111** | **609,319** |

(thousand euro)

### 21.2 Available lines of credit

The Group has the following unused credit lines:

| | Thousand Euro | |
|---|---|---|
| | **2020** | **2019** |
| **Variable rate:** | | |
| - maturing in less than one year | - | 15,459 |
| - maturing in more than 1 year (*) | 70,660 | 63,125 |
| **Fixed rate:** | | |
| - maturing in less than one year | 16,762 | - |
| **Total** | **87,422** | **78,584** |

*((*) Includes Tranche B of the syndicated financing described in Note 21.4*

### 21.3 Debentures

In 2018, Ortiz Construcciones y Proyectos, S.A. carried out a new bond issue on the MARF for €50,000 thousand euros.

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 2019.

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., Agrícola El Casar, S.L.U., , Concesionaria Collado Villalba, S.A.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.

In 2020 and 2019, the agency AXESOR assigned a BB + credit rating to the issuer, with a stable outlook.

(thousand euro)

Details of the bonds in 2020 and 2019 are as follows:

| | Thousand Euro | |
|---|---|---|
| | 2020 | 2019 |
| Debentures and bonds (nominal value) | 50,000 | 50,000 |
| Amortised cost effect (due to fees) | (261) | (355) |
| Bonds in the possession of the Group | (17,400) | (16,600) |
| Accrued interest payable | 393 | 399 |
| **Total** | **32,732** | **33,444** |

The fair value of the liability component of the convertible bond at 31 December 2020 and 2019 does not differ from its carrying amount.

During 2020, the Company sold 21 bonds valued at €2,100 thousand to third parties that were in the Company's possession at 31 December 2019. This transaction gave rise to a profit of €3 thousand under the heading "Impairment and profit/(loss) on the disposal of financial instruments" in the income statement. The Group purchased 29 bonds from third parties for €2,900 thousand.

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 2020 is as follows:

| | Thousand Euro | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | Total |
| Nominal value | - | - | 50,000 | 50,000 |
| Interest | 2,625 | 2,625 | 2,625 | 7,875 |
| **Total** | **2,625** | **2,625** | **52,625** | **57,875** |

### 21.4 Bank borrowings

Bank borrowings are as follows in 2020 and 2019:

| | | | | | Thousand Euro |
|---|---|---|---|---|---|
| | | 2020 | | | |
| Instrument | Interest Rate Range | Drawn down at 31.12.2020 | Maturing in 1 year | Maturing in 2-5 years | Maturity - other |
| Syndicated loan | 2,75% | 47,481 | 12,720 | 34,761 | - |
| ICO-COVID 2020 loans | 1,65% -3,05% | 61,508 | - | 54,081 | 7,427 |
| Loan facilities | 0,80%-3,50% | 14,746 | 14,746 | - | - |
| Mortgage loans | 0,55% - 2% | 9,467 | 1,782 | 4,052 | 3,633 |
| Receivables for discounted bills | | - | - | - | - |
| Accrued unpaid interest | | 698 | 698 | - | - |
| **Total** | | **133,900** | **29,946** | **92,894** | **11,060** |

(thousand euro)

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** |

Royal Decree-Lot 8/220 (17 March) on extraordinary urgent measures to combat the economic and social impact of COVID-19, established a series of measures to preserve normal flows of funding and working capital and liquidity levels for the companies to maintain the businesses.
Among those measures, Article 29 of that Law establishes a line of guarantees that would be provided by the Ministry of Economic Affairs and Digital Transformation to cover the funding granted by financial institutions to companies and self-employed persons.

During 2020, and within the framework of the measures described by the Royal Decree, the Company signed various financing agreements with 13 entities for a total of €61,725 thousand, which was fully drawn down at the end of 2020. The loans are guaranteed by ICO up to 70% of the amount and have contractual maturity dates falling between 2026 and 2028. They accrue a fixed rate of interest between 1.65% and 3.05% and in some cases they are indexed to the Euribor plus a variable spread of between 1.80% and 2.90%.

The Royal Decree-Law 34/2020 (17 November) also establishes an extension of the term and/or grace period for transactions secured by the Liquidity Guarantee Line.
In accordance with the provisions of the aforementioned Royal Decree, the Company has requested the extension of the term of each of the ICO secured loans up to the maximum allowed by law (3 years), which represents an additional year grace period.

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 €48,402 thousand at 31 December 2020 (2019: 61.755 thousand) and falls due on 17 July 2023. Tranche B has not been drawn down at 31 December 2020 (2019: €4,000 thousand), which falls due on 17 October 2022

The loan is subject to compliance with ratios, as is habitual in these types of transactions. The Group obtained a compliance waiver for two of the required ratios at 31 December 2020 and met all of the rest.

At 31 December 2019 all required ratios were met.

(thousand euro)

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

| Maturity date | Thousand euros |
|---|---|
| 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 | 6,635 |
| **Total** | **48,402** |

Available lines of credit and factoring facilities at 31 December 2020 amount to €178,065 thousand (2019: €86,188 thousand).

### 21.5 Finance Leases

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

| | Thousand Euro | |
|---|---|---|
| | **2020** | **2019** |
| **Total amount of the minimum future payments at the year-end**: | | |
| - Up to one year | 880 | 857 |
| - Between 1 and 5 years | 893 | 1,731 |
| - More than 5 years | - | - |
| **Present value at the year end** | **1,773** | **2,588** |

The present value of finance lease liabilities is as follows:

| | Thousand Euro | |
|---|---|---|
| | **2020** | **2019** |
| - Up to one year | 880 | 857 |
| - Between 1 and 5 years | 893 | 1,731 |
| - More than 5 years | - | - |
| **Total** | **1,773** | **2,588** |

### 21.6 Disclosures regarding payments made to suppliers.

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

| | 2020 | 2019 |
|---|---|---|
| Average deferral of payments to suppliers | 134 | 144 |
| Ratio of transactions paid | 145 | 144 |
| Ratio of payments pending | 55 | 95 |
| | Amount (thousand euro) | Amount (thousand euro) |
| Total payments made | 230,375 | 221,184 |
| Total payments pending | 39,357 | 37,606 |

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.

### 21.7 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.

### 21.8 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. During 2020 the Group significantly reduced the balance of these liabilities given the optimization of the financial structure that was carried out after the new ICO-secured financing that was obtained (Note 21.4).

(thousand euro)

## 22. OTHER PROVISIONS

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

| Non-current | Provision for works settlements | Provision for other liabilities | Provision for taxes | Other provisions | Total |
|---|---|---|---|---|---|
| | | | | | Thousand Euro |
| **Balance at 01.01.2019** | - | - | 8,788 | - | 8,788 |
| Allocations | - | - | - | - | - |
| Applications | - | - | - | - | - |
| Excesses | - | - | - | - | - |
| Other adjustments | - | - | 62 | - | 62 |
| **Ending balance at 31.12.2019** | - | - | 8,850 | - | 8,850 |
| Allocations | - | - | - | - | - |
| Applications | - | - | - | - | - |
| Excesses | - | - | - | - | - |
| Other adjustments | - | - | (913) | - | (913) |
| **Ending balance at 31.12.2020** | - | - | 7,937 | - | 7,937 |

| Current | Provision for works settlements | Provision for other liabilities | Provision for taxes | Other provisions | Total |
|---|---|---|---|---|---|
| | | | | | Thousand Euro |
| **Balance at 01.01.2019** | 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 |
| Allocations | 18 | - | - | | 18 |
| Applications | - | - | - | - | - |
| Excesses | - | - | - | - | - |
| Other adjustments | (2) | - | (2) | 61 | 57 |
| **Ending balance at 31.12.2020** | 172 | - | - | 507 | 679 |

The provision for taxes relates to the recognition of the contingent liabilities described in Note 27.

## 23. DEFERRED TAXES

Deferred taxes break down as follows:

| | Thousand Euro 2020 | 2019 |
|---|---|---|
| Tax effect of differences on exchange | 7.905 | 1.754 |
| Derivatives | 661 | 1.303 |
| Non-deductible depreciation/amortisation | 170 | 213 |
| Deductions and credits pending application | 1.253 | 1.242 |
| Tax-loss carryforwards for the year | 4.099 | 1.841 |
| Capitalization reserve right pending application | 45 | - |
| **Total deferred tax assets** | **14.133** | **6.353** |

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(thousand euro)

The increase in the heading "Tax-loss carry forwards during the year" mainly relates to the tax credit deriving from the impairment of the equity-consolidated investment in the Algerian company Ola Ortiz Construction, described in Note 10.

| | Thousand Euro | |
|---|---|---|
| | 2020 | 2019 |
| Tax effect of differences on exchange | 1,445 | 545 |
| Derivatives | 91 | 124 |
| Unrestricted depreciation | 3,077 | 3,218 |
| Finance lease | 389 | 323 |
| Subsidies | 6 | 8 |
| **Total deferred tax liabilities** | **5,008** | **4,218** |

Changes in deferred tax assets and liabilities during 2020 and 2019 were as follows:

| **Deferred tax assets:** | Tax credits | Derivatives | Differences on exchange | Other | Total |
|---|---|---|---|---|---|
| **Balance at 1 January 2020** | **3,083** | **1,303** | **1,754** | **213** | **6,353** |
| Charged against/(credited to) profit or loss | 2,269 | (1,117) | - | 2 | 1,154 |
| Charged against/(credited to) equity | - | 475 | 6,151 | - | 6,626 |
| **Balance at 31 December 2020** | **5,352** | **661** | **7,905** | **215** | **14,133** |

Thousand Euro

| **Deferred tax assets:** | Tax credits | Derivatives | Differences on exchange | Other | Total |
|---|---|---|---|---|---|
| **Balance at 1 January 2019** | **3,242** | **1,250** | **2,503** | **267** | **7,262** |
| Charged against/(credited to) profit or loss | (159) | (1,068) | - | (54) | (1,281) |
| Charged against/(credited to) equity | - | 1,121 | (749) | - | 372 |
| **Balance at 31 December 2019** | **3,083** | **1,303** | **1,754** | **213** | **6,353** |

Thousand Euro

| **Deferred tax liabilities:** | Unrestricted depreciation | Differences on exchange | Derivatives | Other | Total |
|---|---|---|---|---|---|
| **Balance at 1 January 2020** | **3,218** | **545** | **124** | **331** | **4,218** |
| Charged against/(credited to) profit or loss | (141) | - | (124) | 64 | (201) |
| Charged against/(credited to) equity | - | 900 | 91 | - | 991 |
| **Balance at 31 December 2020** | **3,077** | **1,445** | **91** | **395** | **5,008** |

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 loss | (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** |

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 €17 million (2019: €11 million), primarily relating to the business is carried out by the Group in Peru, Panama and Mexico.

(thousand euro)

| | | Thousand Euro |
|---|---|---|
| Country | BINS | Year Generated |
| Mexico | 2,142 | 2014-2020 |
| Peru | 8,265 | 2016-2020 |
| Panama | 6,561 | 2015-2020 |
| Romania | 161 | 2017-2020 |
| TOTAL | 17,129 | |

## 24. INCOME AND EXPENSE

### Transactions denominated in foreign currency

Transactions carried out in foreign currency are as follows:

| | | | | Thousand Euro |
|---|---|---|---|---|
| | Income | | Expense | |
| | 2020 | 2019 | 2020 | 2019 |
| Peso - Colombia | 32,420 | 51,782 | (23,330) | (48,498) |
| Peso - Mexico | 691 | 36,150 | (732) | (34,590) |
| New Sol – Peru | 5,144 | 10,295 | (2,380) | (6,911) |
| Peso – Chile | 317 | 673 | (305) | (571) |
| Zloty – Poland | - | - | - | - |
| Leu - Romania | 307 | 800 | (4) | (6) |
| American Dollar | 111,735 | 273,669 | (69,879) | (258,939) |
| Yen – Japan | 52,613 | 28,068 | (46,961) | (24,660) |
| Lempiras - Honduras | 997 | 498 | (382) | (459) |
| Colon - El Salvador | 153 | 157 | (56) | (82) |
| Quetzal-Guatemala | 293 | 1,423 | (330) | 207 |
| Peso- Bolivia | 4,464 | 5,065 | (4,248) | (4,320) |
| Total | 209,134 | 408,580 | (148,607) | (378,829) |

### Revenues

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

| | | | | Thousand Euro |
|---|---|---|---|---|
| Market | 2020 | % | 2019 | % |
| National | 195,184 | 43% | 231,621 | 36% |
| International | 255,068 | 57% | 408,580 | 64% |
| Total | 450,252 | | 640,201 | |

Revenue can also be analysed by business category as follows:

| | | | | Thousand Euro |
|---|---|---|---|---|
| Business | 2020 | % | 2019 | % |
| Construction and Services | 197,092 | 44% | 308,640 | 69% |
| Energy | 239,990 | 53% | 318,501 | 71% |
| Concessions | 11,340 | 3% | 11,010 | 2% |
| Real Estate | 1,830 | 0% | 2,050 | 0% |
| Total | 450,252 | | 640,201 | 100% |

(thousand euro)

**Raw materials, goods consumed and other consumables**

| | Thousand Euro 2020 | 2019 |
|---|---|---|
| **a) Consumption of goods purchase for resale** | **10** | **(17)** |
| Change in the inventory of goods purchased for resale | 10 | (17) |
| **b) Raw materials consumed and other consumables** | **211,575** | **310,716** |
| Purchases of storable goods and materials | 2 | 90 |
| Purchases of other supplies | 211,089 | 311,008 |
| Volume discounts for other supplies acquired | (23) | (76) |
| Change in inventories of raw materials/Land | 507 | (248) |
| Change in inventories of other supplies | - | (58) |
| **c) Subcontracted work** | **118,994** | **170,188** |
| Construction work certification and expenses for developments in progress | 29,791 | 41,346 |
| Work-Services pending receipt or formal arrangement | 24 | 38 |
| Utilities and outside services | 89,179 | 128,804 |
| **Total** | **330,579** | **480,887** |

**Personnel expenses**

| | Thousand Euro 2020 | 2019 |
|---|---|---|
| Wages, salaries and similar remuneration | 59,535 | 65,507 |
| Employee benefit expenses | 15,995 | 16,918 |
| Non-current remuneration through defined contribution systems | 47 | 68 |
| **Total** | **75,577** | **82,493** |

Salaries and wages includes employee termination benefits amounting to €514 thousand in 2020 (1,170 thousand in 2019).

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** | **2020** | **2019** |
|---|---|---|
| Senior management | 5 | 5 |
| Administrative and technical managers and construction foremen | 598 | 587 |
| Middle management | 198 | 215 |
| Administrative staff | 196 | 231 |
| Workers | 1,085 | 1,044 |
| **Total** | **2,082** | **2.082** |

The distribution of the Group's employees by category and gender was as follows in the years ended 31 December 2020 and 2019:

(thousand euro)

| | | | 2020 |
|---|---|---|---|
| | Male | Female | Total |
| Senior management | 4 | 1 | 5 |
| Administrative and technical managers and construction foremen | 451 | 150 | 601 |
| Middle management | 179 | 16 | 195 |
| Administrative staff | 75 | 108 | 183 |
| Workers | 919 | 152 | 1.071 |
| **Total** | **1,628** | **427** | **2,055** |

| | | | 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** |

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 24 employees as of 31 December 2020 and 23 employees as of 31 December 2019.

**Losses, impairment and changes in trade provisions**

In 2020 this heading mainly records the reversal of the impairment of a trade receivable relating to the execution of a construction contract that was subject to a dispute with the customer and a court has issued a final favourable ruling for the Group (Note 13).

**Impairment and gains/(loss) on asset disposals**

In 2019 the heading mainly records the impairment of the goodwill relating to Icma-Proakis (Note 7).

## 25. 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)

| | | | | | | Thousand Euro |
|---|---|---|---|---|---|---|
| | Income statement | | | Income and expenses taken directly to equity | | |
| **Income/expense for 2019** | | | **9,488** | | | **(20.427)** |
| | Increases | Decreases | Total | Increases | Decreases | Total |
| **Corporate income tax** | | | | | | |
| **Permanent differences** | **7,259** | **(16,072)** | **(8,813)** | | | |
| **Temporary differences** | **10,690** | **(551)** | **10,139** | **-** | **-** | **-** |
| - Arising during the year | 10,033 | (381) | 9,652 | 31,936 | - | 31,936 |
| - Arising in prior years | 657 | (170) | 487 | 250 | (11,759) | (11,509) |
| **Exemption of income from permanent establishments** | **-** | **(9,355)** | **(9,355)** | | | **-** |
| **Capitalization reserve** | **-** | **(379)** | **(379)** | | | **-** |
| **Consolidation adjustments** | | | **2,331** | | | **-** |
| **Gross taxable income** | | | **3,411** | **-** | **-** | **-** |
| Tax-loss carryforwards | | | (1,000) | | | - |
| **Net taxable income** | | | **2,411** | **-** | **-** | **-** |

Income tax expense is analysed below:

| | Thousand Euro | |
|---|---|---|
| | 2020 | 2019 |
| Current corporate income tax | 5,228 | 3,619 |
| Deferred tax liability | (1,129) | 1,926 |
| **Total** | **4,099** | **5,545** |

The main nominal tax rates used in the calculation of corporate income tax for group companies in 2020 and 2019 are as follows:

| Country | 2020 | 2019 |
|---|---|---|
| Spain | 25% | 25% |
| Poland | 19% | 19% |
| Colombia | 32% | 33% |
| Mexico | 30% | 30% |
| Brazil | 34% | 24% |
| Peru | 29.5% | 29.5% |
| Chile | 27% | 27% |
| Honduras | 25% | 25% |
| Italy | 24% | 24% |
| France | 28% | 31% |
| Guatemala | 25% | 25% |
| El Salvador | 30% | 30% |
| Japan | 30.62% | 30.62% |

Deductions to tax payable totalling €394 thousand were applied in 2020 (2019: €602 thousand ) and withholdings and interim payments totalled €268 thousand (2019: €298 thousand). The amount payable by the tax authorities totals €60 thousand (2019: €7 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.

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.

(thousand euro)

Deductions for double taxation, investments and donations made to beneficiaries of sponsorship, and non-deductible depreciation for 2013-2014, the amounts and terms of which are as follows:

| | Thousand Euro | | |
|---|---|---|---|
| | 2020 | 2019 | Last year |
| Double taxation relief | 250 | 250 | No limit |
| Deduction for double taxation of capital gains | 1 | 1 | No limit |
| Deduction for international double taxation | 305 | 305 | No limit |
| Investment deductions | 698 | 686 | 2037 |
| Deduction of donations | - | - | - |
| Non-deductible depreciation | - | - | - |
| **Total** | **1,254** | **1,242** | |

## 26. NET FINANCIAL INCOME/EXPENSE

| | Thousand Euro | |
|---|---|---|
| | 2020 | 2019 |
| **Financial income** | **5,026** | **4,424** |
| **From equity instruments** | **56** | **108** |
| Dividends | 56 | 108 |
| **From marketable securities and other financial instruments** | **4,970** | **4,316** |
| **Group companies and associates (Note 31)** | **4,090** | **2,993** |
| **From third parties** | **880** | **1,323** |
| Other financial income | 432 | 925 |
| Income from other company debt securities | 448 | 398 |
| **Financial expenses** | **16,252** | **17,408** |
| **On payables to group companies and associates** | **343** | **277** |
| **Payables to third parties** | **15,909** | **17,131** |
| Interest of debentures and bonds | 1,841 | 2,586 |
| Interest on bank borrowings | 3,204 | 2,405 |
| Interest on bank borrowings | 3,271 | 3,650 |
| Interest on loans from other companies | 133 | 133 |
| Interest on loans from other companies | 33 | 232 |
| Interest for the discounting of bills and similar transactions | 291 | 548 |
| Interest on factoring transactions without recourse | 1,254 | 1,777 |
| Interest on factoring transactions with recourse | 301 | 375 |
| Other financial expenses | 5,581 | 5,425 |
| **Change in the fair value of financial instruments** | **(932)** | **(116)** |
| Trading portfolio and other | (932) | (116) |
| **Differences on exchange** | **(996)** | **(186)** |
| **Impairment and gain/(loss) on disposal of financial instruments** | **101** | **(857)** |
| **Profit/(loss) on disposals and other items** | **101** | **(857)** |
| Losses on long term loans to associates | - | (844) |
| Profits from equities and current debt securities-other companies | 104 | 3 |
| Losses on equities and current debt securities-other companies | (3) | (16) |

(thousand euro)

## 27. GUARANTEE OBLIGATIONS WITH THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

**Guarantees**

The Group has provided guarantees to third parties, public entities and financial institutions in the amount of €420 million at 31 December 2020 (2019: €415 million). The nominal total of the guarantees provided through credit and surety institutions is €238 million (2019: €273 million) and those provided through financial institutions are for a nominal amount of €182 million (2019: €142 million). The guarantees provided to ensure the successful outcome of the execution of the works being performed for several customers at the year-end total €389 million (2019: €390 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 €3,251 thousand (2019: €24,100 thousand).

**Other contingent liabilities**

At the end of 2020 and 2019 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 2020 and 2019.

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. 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 2020 the Group recognised the interest accrued with respect to these assessments in the amount of €282 thousand (2019: €62 thousand) (Note 22)

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 2020 (Note 22).

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.

## 28. COMMITMENTS

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

| | Thousand Euro | |
|---|---|---|
| | 2020 | 2019 |
| < 1 year | 104 | 29 |
| 1 - 5 years | 1,613 | 1,400 |
| > 5 years | 1,156 | 1,029 |
| **Total** | **2,873** | **2,458** |

(thousand euro)

## 29. 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 2020 group companies participate in 78 joint ventures (104 at 31 December 2019).

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 2020 and 2019, without adjusting the relationships with group companies, are indicated below:

| | Thousand Euro | |
|---|---|---|
| | **2020** | **2019** |
| Non-current assets | 83 | 1,858 |
| Current assets | 19,113 | 26,850 |
| **Total Assets** | **19,196** | **28,708** |
| Equity | (491) | 5,317 |
| Non-current liabilities | - | 168 |
| Current liabilities | 19,687 | 23,223 |
| **Total Liabilities and Equity** | **19,196** | **28,708** |
| **Revenues** | **35,159** | **38,160** |
| **Reported profit** | **325** | **104** |

## 30. BOARD OF DIRECTORS AND SENIOR MANAGEMENT

**Directors' remuneration**

In 2020, the amount accrued by the members of the Board of Directors totalled €1,914 thousand (€1,973 thousand in 2019) and is made up of the following items and amounts:

| | Thousand Euro | |
|---|---|---|
| | **2020** | **2019** |
| Wages, per diems and other remuneration | 1,914 | 1,973 |
| Termination benefits | - | - |
| Share-based payments | - | - |
| **Total** | **1,914** | **1,973** |

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 | |
|---|---|---|
| | **2020** | **2019** |
| Wages, per diems and other remuneration | 1,868 | 1,926 |
| Pension obligations | - | - |
| Loans | 6,897 | 7,932 |
| **Total** | **8,765** | **9,858** |

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.

## 31. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Balances with related parties were as follows in 2020 and 2019:

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(thousand euro)

Thousand Euro

| 2020 | Current receivables | Current trade payables | Current credit facilities | Non-current credit facilities | Other current loans | Current loans | Current receivables |
|---|---|---|---|---|---|---|---|
| Accesos de Ibiza,S.A. | 47 | - | - | 2,484 | - | - | (5,551) |
| Aldigavia,S.A.U. | 30 | - | - | - | - | - | - |
| Aldigavia Oficinas, S.L. | 225 | - | - | - | - | - | - |
| Alten Renewable Energy Developments,B.V. | 17 | - | - | - | - | - | - |
| Alten Gestion de Proyectos, S.L.U. | 30 | - | - | - | - | - | - |
| Alten El Casar, S.L. | 22 | - | - | 2,474 | - | - | - |
| Autopistas del Nordeste, S.A.S. | - | - | - | 15,918 | - | - | - |
| Bulevar del Arte y La Cultura,S.A. | - | - | - | 897 | - | - | - |
| Concesión del Sisga, S.A.S. | - | - | - | 18,055 | - | - | - |
| Consorcio Inca-Ortiz | 121 | - | - | - | - | - | - |
| El Arce de Villalba, S.L.U. | 11 | | | | | | |
| Fortem Integral, S.L. | 2 | - | - | 230 | - | - | - |
| Grupo Ortiz Properties Socimi, S.A. | 45 | 3 | - | - | 471 | - | - |
| Inmuebles Gade, S.L. | - | - | 8,833 | - | - | 31 | - |
| Medsolar SPV | 413 | - | 461 | - | - | 3 | - |
| Mostoles Factory 2019,S.L. | 11 | - | - | - | - | - | - |
| Operadora Hospitalaria Tepic, S.A.P.I. de C.V. | 194 | | | | | | |
| Ormats Mantenimiento Integral, S.L. | - | - | - | - | - | - | - |
| Ortega y Gasset Park, S.A.U. | 43 | - | - | - | - | - | - |
| Ortiz Sport Factory, S.L. | 9 | - | - | - | - | - | - |
| Promotora Hospitalaria Tepic,S.A.P.I. de C.V. | 150 | - | 3,351 | - | - | - | - |
| Superficie Cartera Inversiones, S.A. | 123 | 174 | - | - | - | - | (356) |
| Vending La Gavia, S.L. | 4 | - | 17 | - | - | - | - |
| **TOTAL** | **1,497** | **177** | **12,662** | **40,058** | **471** | **34** | **(5,907)** |

(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 Construcción,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)

Balances with related parties were as follows in 2020 and 2019:

| 2020 | Sales | Purchases | Interest expense | Interest income | Other results |
|---|---|---|---|---|---|
| | | | | | Thousand Euro |
| Accesos de Ibiza,S,A, | 155 | - | 244 | 141 | - |
| Africana Energia,S,L, | - | - | - | 105 | - |
| Aldigavia,S,A,U, | 90 | - | - | - | - |
| Aldigavia Oficinas, S,L, | 393 | 1,362 | - | - | - |
| Alten El Casar, S.L. | 115 | - | - | 293 | - |
| Alten Renewable Energy | 68 | - | - | - | - |
| Autopistas del Nordeste, S.A.S. | - | - | - | 1,151 | - |
| Bulevar del Arte y La Cultura,S.A. | - | - | - | 45 | - |
| Concesión del Sisga, S.A.S. | - | - | - | 1,882 | - |
| El Arce de Villalba, S.L.U. | 41 | - | - | - | - |
| Fortem Integral, S.L. | 1 | - | - | 6 | - |
| Grupo Ortiz Properties Socimi, S.A. | 397 | 421 | 20 | 31 | - |
| Inmuebles Gade, S.L. | - | - | - | - | - |
| Medsolar, S.L. | 85 | - | - | - | - |
| Mostoles Factory 2019,S.L. | 18 | - | - | - | - |
| Ola Ortiz Construction, S.P.A. | - | - | - | - | - |
| Ortega y Gasset Park, S.A.U. | 63 | 579 | - | - | - |
| Ortiz Sport Factory, S.L. | - | - | - | - | - |
| Operadora Hospitalaria Tepic, S.A.P.I. | 274 | - | - | - | - |
| Promotora Hospitalaria Tepic,S.A.P.I. de | 653 | - | - | 436 | - |
| Superficie Cartera de Invesiones,S.A. | 268 | - | 79 | - | - |
| Vending La Gavia, S.L. | 14 | - | - | - | - |
| Urbanizadora Gade, S.A. | - | - | - | - | - |
| Viario A-31, S.A. | - | - | - | - | - |
| **TOTAL** | **2,635** | **2,362** | **343** | **4,090** | **-** |

## ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

## NOTES TO THE CONSATED FINANCIAL STATEMENTS

(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 |
| Medsolar, S.L. | - | - | - | - | - |
| Mostoles Factory 2019,S.L. | 1 | - | - | - | - |
| 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 C.V. | 227 | - | - | - | - |
| Superficie Cartera de Invesiones,S.A. | 219 | - | 49 | 2 | 15 |
| Viario A-31, S.A. | - | - | - | - | 386 |
| **TOTAL** | **8,769** | **2,819** | **277** | **2,993** | **1,160** |

**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.

### 32. SEGMENT REPORTING

The Group's financial information by operating segment for the years ended 31 December 2020 and 2019 is indicated below:

**Thousand Euro**

| 2020 | Construction and Services | Enerrgy | Real estate-Holding company | Concessions |
|---|---|---|---|---|
| Assets | 372,508 | 102,531 | 100,188 | 127,851 |
| Liabilities | 269,678 | 191,793 | 14,627 | 17,226 |
| **Revenues** | **197,092** | **239,990** | **1,830** | **11,340** |
| **Profit/(loss) before tax** | **6,317** | **2,551** | **381** | **239** |

| 2019 | Construction and Services | Enerrgy | Real estate-Holding company | Concessions |
|---|---|---|---|---|
| Assets | 385,918 | 202,911 | 108,026 | 145,184 |
| Liabilities | 274,945 | 302,839 | 18,020 | 18,619 |
| **Revenues** | **308,640** | **318,501** | **2,050** | **11,010** |
| **Profit/(loss) before tax** | **13,939** | **9,719** | **1,483** | **3,877** |

## 33. ENVIRONMENT INFORMATION

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

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

The various Group companies have implemented and Environmental Management System in accordance with the standard UNE-EN ISO 14001:2004 certified by AENOR: Ortiz Construcciones y Proyectos, S.A.U. with certificate number GA-2000/0039 and an issue date of 10 March 2000. Compañía Internacional de Construcción y Diseño, S.A.U. with certificate number GA-2007/0166 and an issue date of 16 April 2007. Ingeniería y Diseños Técnicos, S.A.U. with certificate number GA-2.006/0486 and an issue date of 30 November 2006. 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.

## 34. EVENTS AFTER THE REPORTING PERIOD

On 10 March 2021, Mr. Emilio Carpintero López, a member of the Board of Directors of Ortiz Construcciones y Proyectos, S.A. until that date, presented his resignation and therefore he is not a Director when these consolidated annual accounts were prepared.

After the year-end, the Group carried out several transactions involving the shares of the associate Grupo Ortiz Properties SOCIMI, S.A., resulting in a 3,67% reduction in its interest.

At the date these consolidated annual accounts were prepared, the Parent Company's Board of Directors considers that the impact of COVID-19, continues to be in line with the manner described in Note 5.

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 2020 has been detected.

## 35. AUDIT FEES

The audit fees accrued during the year by PricewaterhouseCoopers Auditores, S.L. for audit services totalled €191thousand (2019: €191 thousand) and €15 thousand for other services (2019: €14 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 35 thousand (2019: 0).

GRUP ORTIZ

**ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES**

**APPENDIX I**

(thousand euro)

**SUBSIDIARIES**

| 31 December 2020 | | | Shareholding | | | |
|---|---|---|---|---|---|---|
| Name | Domicile | Business | % | Thousand euro | Name | Audit |
| Compañía Internacional de Construcción y Diseño ,S.A.U. | Madrid | Construction | 100 | 1,560 | Ortiz CYP | PWC |
| Indag, S.A.U. | Madrid | Construction | 100 | 1,679 | Ortiz CYP | PWC |
| Ingeniería y Diseños Técnicos, S.A.U. | Madrid | Construction | 100 | 120 | Ortiz CYP | PWC |
| Agrícola El Casar, S.L.U. | Madrid | Real Estate | 100 | 52,393 | Ortiz CYP | PWC |
| 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. | Poland | Construction | 100 | 25 | Ortiz CYP | POMORSKI Doradztwo Podatkowe Sp. z o.o. |
| Grupo Ortiz Construcciones México, S.A. | Mexico | Construction | 99.99 | 709 | Ortiz CYP | Not Audited |
| Personal Management, S.A. de C.V. | Mexico | Construction | 100 | 3 | Condisa | Not Audited |
| Ortiz Brasil Contruçoes, Limitada | Brazil | 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 | Concession | 99.99 | 1 | Ortiz CYP | Not Audited |
| Ortiz Energía Japan, K.K. | Japan | 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 |
| Promotora Hospital de Bosa, S.A.S. | Colombia | Concession | 90 | 1,407 | Ortiz CyP | PWC |
| Energia de Colombia STR, S.A.S. E.S.P. | Colombia | Construction | 88 | 1,775 | Ortiz CyP | PWC |
| **Total subsidiaries** | | | | **94,794** | | |

**ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES**

**APPENDIX I**

(thousand euro)

| 31 December 2019 | | | Shareholding | | | |
|---|---|---|---|---|---|---|
| **Name** | **Domicile** | **Business** | **%** | **Thousand euro** | **Name** | **Audit** |
| Compañía Internacional de Construcción y Diseño ,S.A.U. | Madrid | Construction | 100 | 1,560 | Ortiz CYP | PWC |
| Indag, S.A.U. | Madrid | Construction | 100 | 1,679 | Ortiz CYP | PWC |
| Ingeniería y Diseños Técnicos, S.A.U. | Madrid | Construction | 100 | 120 | Ortiz CYP | PWC |
| Agrícola El Casar, S.L.U. | Madrid | Real Estate | 100 | 52,393 | Ortiz CYP | PWC |
| Prorax, S.A.U. | Madrid | Real Estate | 100 | 726 | Ortiz 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 | No Auditada |
| Grupo Ortiz Polska, S.A. | Poland | 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. | Mexico | Construction | 99.99 | 709 | Ortiz CYP | Not Audited |
| Personal Management, S.A. de C.V. | Mexico | 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. | Japan | 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 | Concession | 47.5 | - | Ortiz CyP | Not Audited |
| Constructora Obrascol, S.A.S. | Madrid | Construction | 100 | 8 | Ortiz CyP/Asteisa | Not Audited |
| **Total subsidiaries** | | | | **92,357** | | |

**ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES**

## APPENDIX II

### JOINTLY-CONTROLLED COMPANIES

| 31 December 2020 | | | Shareholding | | | |
|---|---|---|---|---|---|---|
| **Name** | **Domicile** | **Business** | **%** | **Thousand euro** | **Name** | **Audit** |
| 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. | Italy | Energy | 50 | 5 | Agricasa | Not Audited |
| Alten El Casar, S.L. | Madrid | Energy | 66.26 | 250 | Ortiz CyP y Alten RE Developments Iberia | Not Audited |
| **Total jointly-controlled entities** | | | | **21,457** | | |

| 31 December 2019 | | | Shareholding | | | |
|---|---|---|---|---|---|---|
| **Name** | **Domicile** | **Business** | **%** | **Thousand euro** | **Name** | **Audit** |
| 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 | 66.43 | 250 | Ortiz CyP y Alten RE Developments Iberia | Not Audited |
| **Total jointly-controlled entities** | | | | **21,457** | | |

**ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES**

**CONSOLIDATED DIRECTORS' REPORT FOR 2020**

# CONSOLIDATED DIRECTORS' REPORT FOR 2020

## ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

## CONSOLIDATED DIRECTORS' REPORT FOR 2020

### CONTENTS OF THE DIRECTORS' REPORT

# ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

# CONSOLIDATED DIRECTORS' REPORT FOR 2020

## 1. BUSINESS DEVELOPMENT AND SITUATION OF THE GROUP

Ortiz Group is a group with 60 years of history.

Ortiz Group 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

**AREAS OF BUSINESS AT ORTIZ GROUP**

- ✓ **Concessions Area**: roadway, hospital, electricity transmission and distribution infrastructure photovoltaic energy generation infrastructures, etc. Present in 4 countries.
- ✓ **Energy EPC Area**: photovoltaicenergy, transmission and distribution lines. Present in 10 countries.
- ✓ **Infrastructures Area**: specialists in Civil Works *roadways, railways(, health infrastructures, water works, environmental projects. Building construction and services Present in 6 countries.
- ✓ **Equity Area**: Grupo Ortiz Properties Socimi. Lease of real estate

The following matters are notable aspects of the Group's business in 2020:

- Ortiz Group is defined as a global infrastructure and energy concession company, and 49.5% of the Group's EBITDA originated from the concession area in 2020. That area constitutes the pillar of the Group's growth which has consolidated a business model through which it handles large infrastructures with multilateral financing from financial institutions and the public and private sectors.

- It is a concession business model in which Ortiz Group can monetize all of its knowledge and experience with engineering, execution, operation and infrastructure maintenance, as well as financial and legal structures.

The most significant milestones during 2020 were as follows:

- In the concession area, the awarding and signing of two large contracts -Hospital de Bosa and energy transmission lines and substations in Barranquilla- both in Colombia, for a total investment of €200 million. The operation of the General Hospital in Tepic, Mexico must be added to those two, and its launch was brought forward by more than one month compared to the initially scheduled date in order to support the fight against the COVID-19 pandemic. In Spain the Group's asset rotation strategy resulted in the divestment from the thermosolar company -"La Africana".

- The equity area focuses mainly on Grupo Ortiz Properties SOCIMI. The REIT holds assets valued at €195 million based on the latest appraisal. Those assets consist of homes, offices, parking spaces and service stations that are available for lease and it ended 2020 with a capitalization value of €95 million. It is an REIT focused on maximizing shareholder returns and it distributed 4.45% quarterly returns in cash to all shareholders. The COVID-19 pandemic only affected the REIT's business through a 1% decline in the return compared to that obtained in 2019 and in a 5% decrease in revenues compared to the previous year.
The REIT was refinanced in 2020 by Deutsche Bank London, which resulted in the cancellation of all of the guarantees provided by Ortiz Group for the prior financing and reduced its financial expenses.

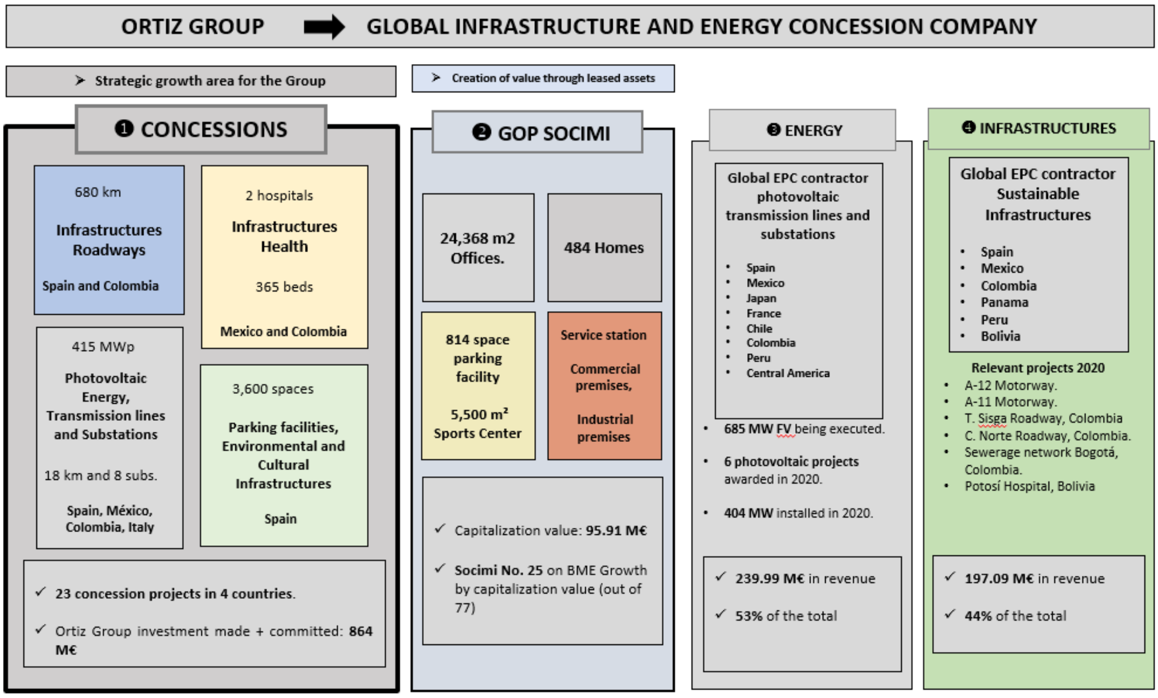
- In the energy area, Ortiz Group has consolidated as a global photovoltaic energy and transmission line and substation specialist. Ortiz Group operates globally and energy represents 53% (€240 million) of the Group's consolidated revenues.

## ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

## CONSOLIDATED DIRECTORS' REPORT FOR 2020

Within the Group's traditional area of infrastructure, Ortiz Group continues, after celebrating its 60th anniversary recently, to apply it has expert knowledge nationally and internationally in countries such as Colombia, Mexico, Peru and Panama.

A graphic illustration of the Group's business areas is set out below:




Ortiz Group is one of the largest concessions, energy and infrastructure companies in S4pain. 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, Peru and Japan.

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.

The global COVID-19 pandemic has affected 2020 and reduced revenue by 29%. This decline in revenue is mainly due to the following:

- The effects of the COVID-19 pandemic, which gave rise to delays in the execution of numerous projects due to the stoppage of work, primarily in Panama, Colombia and Peru, as well as delays in the start of the EPC photovoltaic contracts such as Samoussy (France) and La Cruz (Chile).

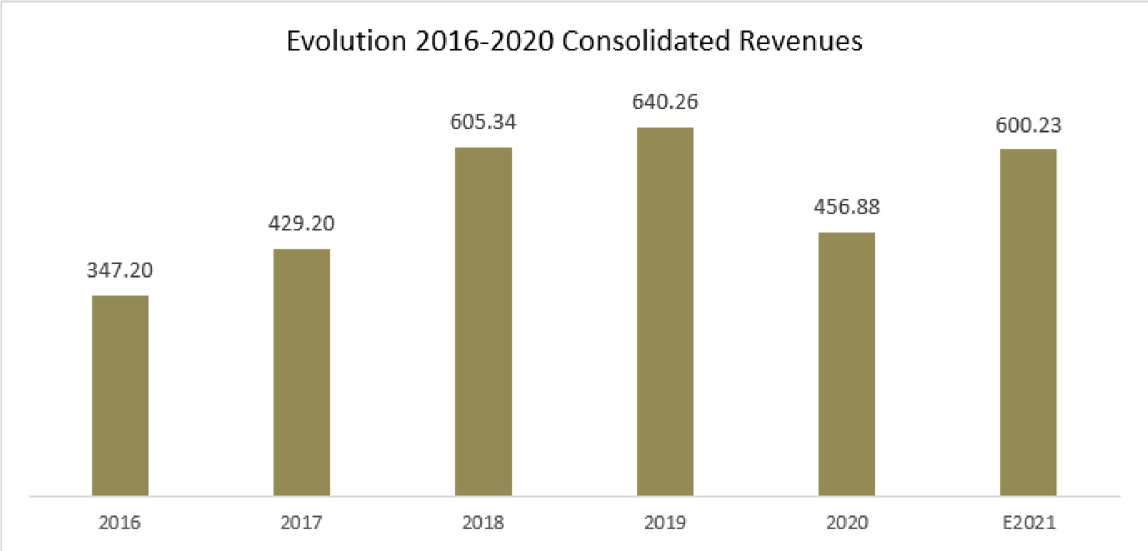
- Change in the energy model by the government of Mexico, which led to the cancellation of existing EPC contracts in Mexico and the stoppage of other projects that were in the bidding and negotiation process.

Ortiz Group's revenue in 2020 is €450.25 million in 2020, impacted by the COVID-19 pandemic and the Group's EBITDA was €26.89 million.

A graphic illustration of the Consolidated Group´s development between 2016 and 2020 is set out below:

## ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

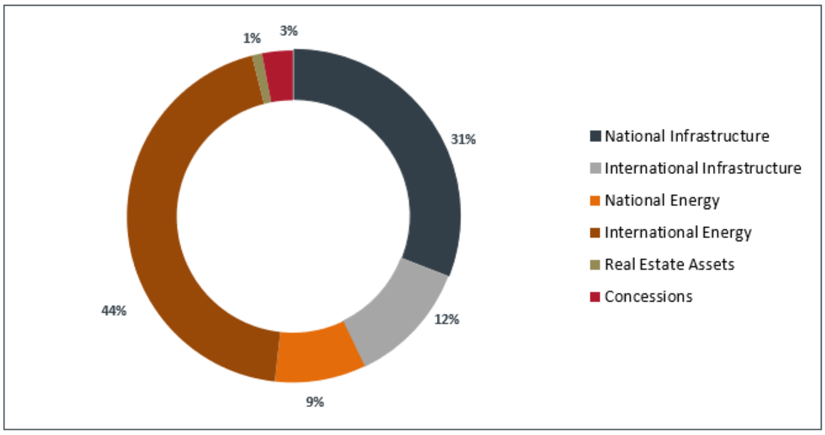
## CONSOLIDATED DIRECTORS' REPORT FOR 2020




The breakdown of 2020 Revenues and EBITDA by business area is set out below:

| | | REVENUES | EBITDA |
|---|---|---|---|
| BUSINESS AREAS | NATIONAL INFRASTRUCTURES | 141.33 | 4.28 |
| | INTERNATIONAL INFRASTRUCTURES | 55.76 | 4.25 |
| | NATIONAL ENERGY | 40.71 | 1.81 |
| | INTERNATIONAL ENERGY | 199.28 | 7.74 |
| | REAL ESTATE ASSETS | 1.83 | 0.38 |
| | SUBSIDIARY CONCESSIONS | 11.34 | 1.62 |
| | REVENUE FROM UNCONSOLIDATED COMPANIES (CONCESSIONS) | - | 8.85 |
| | EBITDA ON SALES (LA AFRICANA THERMOSOLAR PLANT) | - | 11.84 |
| | EXTRAORDINARY ITEMS (ALGERIA) | - | -13.88 |
| | **GROUP TOTAL** | **450.25 M€** | **26.89 M€** |

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

***<u>Scope of consolidation:</u>***

Sales totalled €450.25 million and EBITDA 20.80 million, essentially originating from the following business areas: Energy, Construction and Services.

***<u>Non-consolidated scope:</u>***

Concession and Real Estate Asset Interests: Sales totalled €27.49 million and EBITDA €17.60 million. Concession interests are valued at approximately €273.47 million and the real estate asset. On the other hand, the book value of concessional investments is €98.30 million

These participations have generated to the Group in 2020, an EBITDA additional to the consolidated of €20.69 million euros for dividends and interest on subordinated debt. Which, together with consolidated EBITDA, would result in a total Group EBITDA of €40.77 million.

During 2020 the impairment recovery accounts recorded impairment initially recognized in 2013 in the amount of €9.5 million for the trade receivable relating to the execution of construction work on the rehabilitation of buildings, development and construction of an underground parking facility in the Plaza in San Fernando de Henares. This item was in dispute with the municipality and the court´s final ruling was favourable for Ortiz Construcciones y Proyectos, S.A. This reversal of impairment does not affect EBITDA.

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

A graphic illustration of 2020 is set out below to better understand the non-consolidated scope and the EBITDA that is contributed to the Group. The following illustration provides details of the Group's investments and divestments during the year:

| EQUITY-CONSOLIDATED CONCESSIONS | Revenues (% Ortiz) | EBITDA (% Ortiz) | DIVIDENDS AND INTEREST ON SUBORDINATED DEBT |
|---|---|---|---|
| NATIONAL | 13.03 | 9.62 | 15.24 |
| LA AFRICANA THERMOSOLAR PLANT | 6.81 | 4.72 | 11.84 |
| IBIZA MOTORWAY | 2.64 | 2.09 | 3.16 |
| MOTORWAY VIARIO A-31 | 3.00 | 2.25 | - |
| ART AND CULTURE BOULEVARD | 0.19 | 0.34 | 0.04 |
| ALTEN EL CASAR PV PLANT | 0.39 | 0.22 | 0.20 |
| INTERNATIONAL | 10.43 | 5.48 | 3.29 |
| HOSPITAL TEPIC (MEXICO) | 10.21 | 5.30 | 0.25 |
| CONEXIÓN NORTE ROADWAY (COL) | - | - | 1.16 |
| TRANSVERSAL DEL SISGA CONCESSION (COLOMBIA) | - | - | 1.85 |
| BOSA HOSPITAL(COL) | - | 0.03 | 0.03 |
| MEDSOLAR (IT) | 0.22 | 0.15 | - |
| TOTAL GROUP CONCESSIONS | 23.46 | 15.09 | 18.53 |

| EQUITY-CONSOLIDATED CONCESSIONS | Revenues (% Ortiz) | EBITDA (% Ortiz) | DIVIDENDS AND INTEREST ON SUBORDINATED DEBT |
|---|---|---|---|
| GRUPO ORTIZ PROPERTIES SOCIMI | 4.03 | 2.51 | 2.16 |
| TOTAL REAL ESTATE ASSETS | 4.03 | 2.51 | 2.16 |

| TOTAL EQUITY CONSOLIDATED CONCESSIONS + REAL ESTATE ASSETS (SOCIMI) | TOTAL REVENUES | TOTAL EBITDA | TOTAL DIVIDENDS AND INTEREST ON SUBORDINATED DEBT |
|---|---|---|---|
| | 27.49 M€ | 17.60 M€ | 20.69 M€ |

Million euro

**Investments and divestments 2020**

| | | Investments | Divestments |
|---|---|---|---|
| COLOMBIA | Conexión Norte Motorway | 1.90 | - |
| COLOMBIA | Transversal del Sisga Roadway | 2.40 | - |
| COLOMBIA | Bosa Hospital | 2.30 | - |
| COLOMBIA | Transmission lines and substations in Barranquilla. | 1.70 | - |
| COLOMBIA | Ruta del Caribe Roadway | - | - |
| MEXICO | Tepic Hospital, México | 1.90 | - |
| SPAIN | Motorway Viario A31 Concession | 1.00 | - |
| SPAIN | Photovoltaic Plant Alten El Casar | 0.10 | - |
| SPAIN | Company Alten (Photovoltaic Plants) | 0.50 | - |
| SPAIN | La Africana Thermosolar plant | - | 34.00 |
| TOTAL INVESTMENTS AND DIVESTMENTS | | 11.80 | 34.00 |

Million euro

## 2. INTERNATIONALIZATION OF THE GROUP

In 2020 international revenues represent 57% of total revenues, reducing that percentage compared to 2019, when it was 64%. This is mainly due to the execution of significant photovoltaic EPC contracts in Spain, not a decline in the development of our international businesses.

International revenues in 2020 total €255.07 million, distributed among the following countries:

In the countries in which we operate:

- Mexico: €59.09 million
- Japan: €53.25 million
- Colombia: €32.42 million
- Panama: €15.90 million
- Peru: €5.22 million

Countries with Energy and Infrastructure Projects based on customers throughout the world:

- France: €45.88 million
- Chile: €35.92 million
- Bolivia: €4.86 million
- Central America: €2.51 million

Of total revenues from the Energy area, 83% are international.

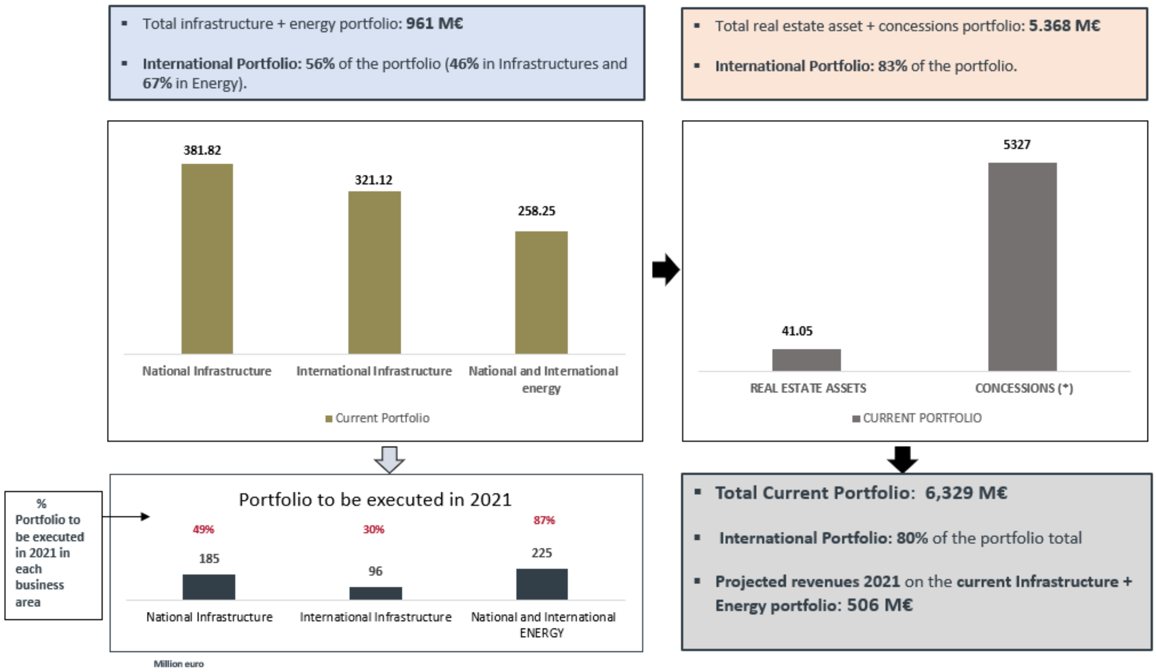
## ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

## CONSOLIDATED DIRECTORS' REPORT FOR 2020

### 3. CURRENT PORTFOLIO

The current contracted portfolio pending execution by GRUPO ORTIZ amounts to €6,329 million

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

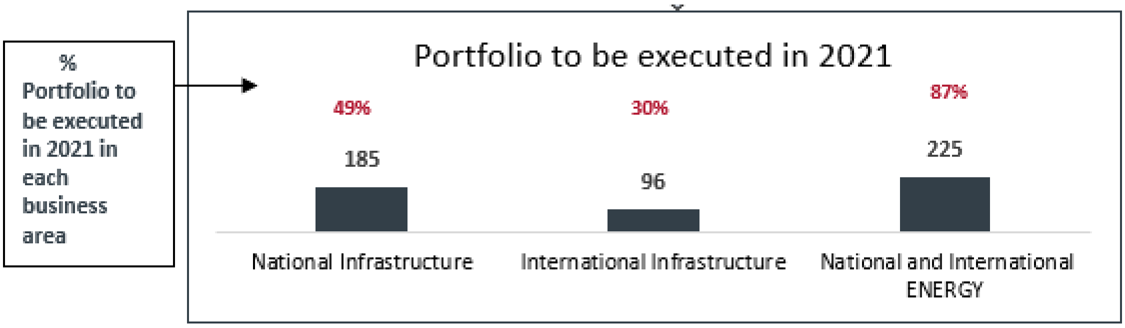



- The Concession portfolio totals €5,327 million. International businesses make up 83% of that portfolio.
- The Group's portfolio has five concessions in Colombia, Conexión Norte, Trasversal del Sisga (Bogotá), and the Private Initiative Caribbean Route. The recently awarded concessions for the Bosa Hospital in Bogota, Lines and Substations in Barranquilla awarded at the start of 2020. The first international hospital concession, Tepic Hospital in Mexico, started operations in 2020.
- The Energy portfolio totals €258,25 million, 67% of which relates to international projects. We note the increase in the portfolio of national photovoltaic projects.
- The total portfolio corresponding to the International Infraestructure amounts to €321.12 million.
- The portfolio relating to national infrastructure and service areas amounts to €381.82 million, which is a 10% increase compared to last year.
- The portfolio corresponding to the Real Estate Asset area amounts to €41.05 million, practically the same as the previous year.

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

International projects make up 80% of the total portfolio. It should be noted that the internationalization of this portfolio in the concessions area makes up 83% of this portfolio energy areas is 67% and 51% in the construction area.

The portfolio to be executed in 2021 in the Infrastructure and Energy business areas, which totals €506 million, which represents 85% of the expected turnover (€600 million) for the 2021 financial year.



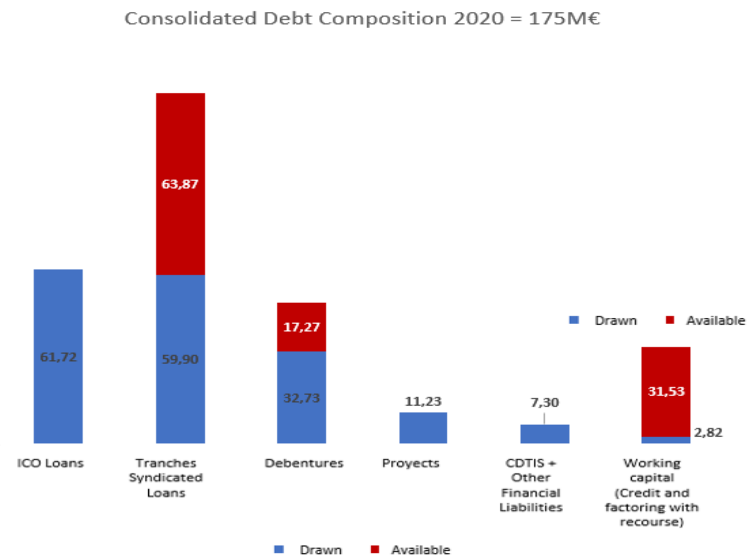

## 4. FINANCING AND BORROWINGS

We remain faithful to our commitment to reduce debt even in 2020, which has been marked by the global COVID-19 pandemic.

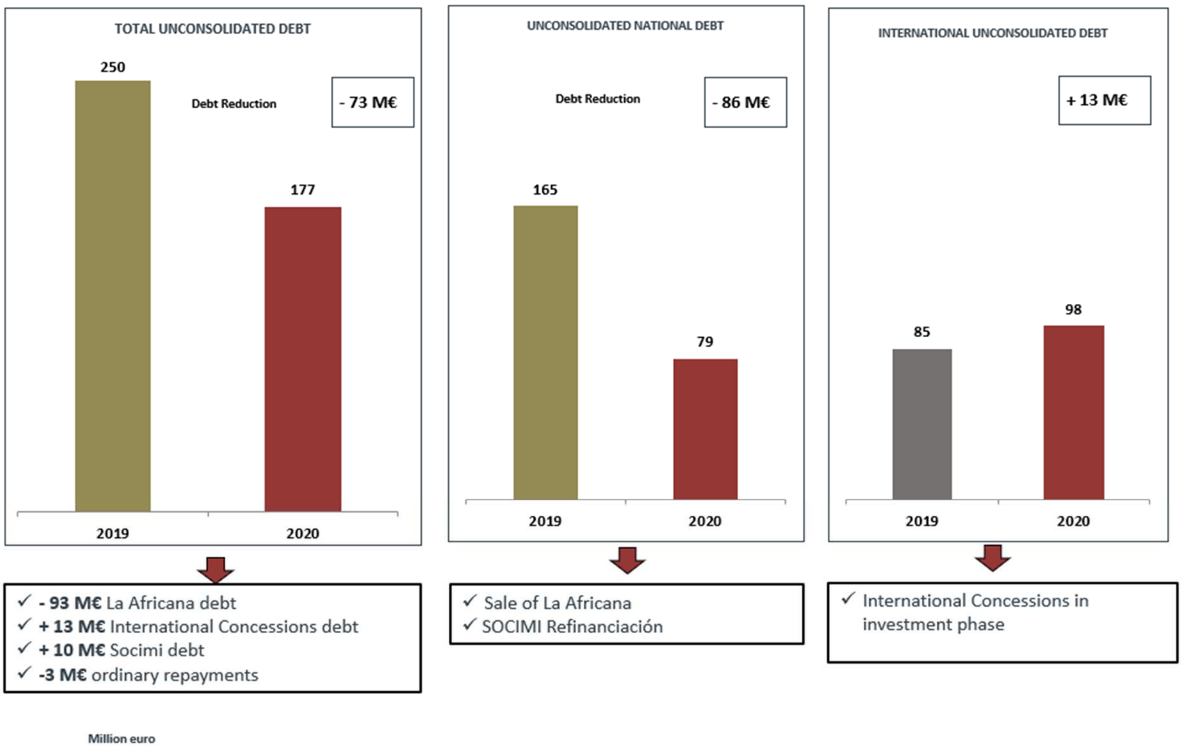
This year we changed the financing structure seeking efficiency through that modification and reduced current working capital debt by moving it to non-current items with terms of between 3 and 5 years.

This process was possible thanks to the ICO COVID-19 loans totalling €61.7 million at more optimal prices and lower financial expenses. This new financial structure design has allowed us to achieve more uniform debt repayments in coming years while reducing financial expenses by more than €2 million.

We note that during 2020 an increase in liquidity was obtained thanks to the ICO loan financing without raising the debt level.




The following table shows non-consolidated debt and without recourse associated with Concession and Real Estate Asset projects, at both the national and international level. presenting a reduction in the exposure to the national and the diversification of the International Banking Pool.




As may be seen in the preceding illustration, non-consolidated total debt fell by €73 million, while the reduction was €86 million in concession and equity projects on a national level. This is primarily due to the effect of the divestment of the thermosolar plant "La Africana", which was sold in June 2020. The refinancing of the REIT in 2020 resulted in an increase in its funding.

Finally, international concession projects in the investment phase obtain greater financing in 2020.

Furthermore, we deem it relevant to note that there has been a significant reduction this year in unconsolidated bank borrowings that is outside of the scope of consolidation but which is guaranteed by Ortiz Construcciones y Protectos, S.A. At 31 December 2020 this amount is €1.52 million and the amount repaid in 2020 was €17.44 million.

## 5. MERGER PROJECT

During 2020 the Group's Parent Company carried out a merger of several Group subsidiaries. On 24 September 2020 Shareholders at a Universal and Extraordinary Meeting of Ortiz Construcciones y Proyectos, S.A. (acquiring company) approved the merger of the companies Agued Educatis,S.L.U. and Prorax 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. CONCESSIONS AREA

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

The concession assets by country are as follows:

## ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

## CONSOLIDATED DIRECTORS' REPORT FOR 2020

**COLOMBIA:**

This country is the primary investment focus for Ortiz Group. The Group has 5 concessions in Colombia, where it obtained its first international concession in 2014 (4G Conexión Norte motorway), followed in 2015 by the 4G Transersal del Sisga roadway, both with the National Infrastructure Agency (ANI), and in 2020 the Hospital de Bosa in Bogotá and transmission lines and substations in Barranquilla, for the Mining and Energy Planning Unit of Colombia. It is also involved with the private concession initiative Ruta del Caribe. COFIDES is a partner in several of these projects (Transversal del Sisga and Bosa Hospital).

Colombia is therefore very important to Ortiz Group with respect to investments in concession assets throughout the world.

***Transversal Del Sisga:***

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

The roadway is 90% delivered and in operation and 100% will be achieved during the first few months of 2021.

A refinancing process started in 2020 that is expected to be completed during the first half of 2021.

50% of the SPV is distributed between Ortiz with 25.01% and COFIDES with 24.99

The latter is a strategic investing partner of Ortiz in its international portfolio since 2016.

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

The investment totals €190 million and it is financed through leveraging: 65%.

Ortiz's equity amounts to €15 million, of which 90% has been paid in

Concession Term: 29 years (up to 2044) in the SPV's projected revenue: €1,470 million. Availability payments + Traffic guaranteed by the State (70%), direct toll (30%).

***Conexión Norte.***

SPV: Autopistas de Nordeste, S.A.S. (Ortiz 17.2%).

The roadway has been partially in operation since it was awarded and 60% of the stretches have been completed, and the entire project will be completed during the first few months of 2022.

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 holds 4.2% of the SPV in this project, thus reducing Ortiz's interest 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%).

***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 which we foresee in 2021 after the latest meetings with ANI.

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.

The following should be noted with respect to the important concession projects awarded in 2020:

***Hospital de Bosa***

Incorporated company, Promotora Hospital de Bosa S.A.S.

At the end of December 2019 the District Health Secretariat (SDS – Fondo Financiero Distrital de Salud) awarded this concession and in February 2020 the concession agreement was signed. The pre-construction phase is underway and financing is being negotiated with 3 banks while the design is being completed.

The Project consists of the design, financing, construction, equipping, replacement, maintenance and reversal of the equipment and the hospital infrastructure at Hospital de Bosa.

The first health sector project to be executed under a Public-Private Association (APP) in Colombia.

The Project will be developed through an EPC full back-to-back contract developed by the Project's Sponsors, turnkey, fixed term and fixed overall amount.

The project will be developed under a "grey-green robe" arrangement (design, construction, equipping, maintenance and operation of the infrastructure) thereby guaranteeing the adequate rendering of health services in the southeast of the city of Bogotá.

COFIDES is expected to enter into the shareholder composition at the financial closing and the first drawdown of the debt.

The Sponsors: Ortiz (90.0%) and Incot S.A.C. Contractors (10.0%).

The investment totals €76 million, which will be financed 75%-25% through bank borrowings from several financial institutions

Concession term: 18 months starting in 2020

Project revenue:

- Future instalments 1 denominated in COP and indexed to inflation
- Trade revenue denominated in COP

Services to be rendered:

- Medium and high-complexity services
- oriented towards attending to chronic patients: cardiovascular, renal, diabetes, EPOC, osteoarthritis
- Surgery, hospitalization, adult intensive and intermediate care units, diagnostic and therapeutic support
- Total beds 215

**Transmission lines and substations in Barranquilla**.

In January 2020 the CREG, which forms part of the Ministry of Energy and Mining, awarded this contract that is currently in the pre-construction phase and for which financing negotiations are being held with 4 banks while the design is being completed.

Name of the concession company: Energías de Colombia E.S.P. S.A.S.

Concession term: 25 years.

Investment of €143 million, financed 20%-80%

Main characteristics of the Project:

- 9 substations (2 new and 7 existing)
- 23 Km of high-voltage transmission lines, most of the lines are underground

- Acquisition of land for the new Estadio substation

**MEXICO**

In this country Ortiz Group obtained its first hospital concession, Hospital Tepic. That hospital entered into operation on 15 April 2020 and that date was brought forward by more than one month compared to the initial planned date as a result of the global COVID-19 pandemic.

***Hospital Tepic Nayarit***

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

In 2020 the Hospital entered into operations, in advance of the contractual date by one month.

The transaction took place through another Special Purpose Vehicle (OHT) created by the same partners and with the same percentages as the Concession Company.

The project was awarded in 2017 and includes the design, construction, equipping and rendering of complementary services over 23 years.

This project is an important milestone for the Concessions area because not only is it the first concession in the health sector, but it is also the first successful completion of a private initiative by Ortiz that was presented in 2015.

The General Hospital in Tepic, is located in the State of Nayarit and provide service to the National Social Security Institute for State Workers (ISSSTE).

It will have 200 beds (150 active ones), 35 doctors' offices, 7 operating rooms, 31 speciality offices of second and third level of care, 6 diagnostic rooms, 8 treatment rooms and 11 haemodialysis machines, among others.
The building has obtained LEED certification.

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 Telecommunications, Medical Gases and Integral Facility Maintenance.

The construction of the hospital also took place through another special-purpose vehicle created by the same partners of the concession company and led by Ortiz, which invoiced the concession company a price of 1,100,000,000 Mexican pesos.

Investment of €70 million, EPC €50 million, Grupo Ortiz €7 million

**ITALY**

The Group has the 1 MW Medsolar photovoltaic plant. The construction of Said plant finished in 2011 and it has been operative since 2011.

**SPAIN**

At the national level, Ortiz Group has more than 20 contracts in operation.

- 2 motorways: Access to Ibiza (8 Km) and Roadway A-31 (111 km): In 2020 these motorways saw a reduction in traffic due to the mobility restrictions imposed by authorities as a result of the COVID-19 pandemic.
- 2 photovoltaic plants: Alten El Casar (13 Mw) and Universidad de Málaga (1 Mw): The construction of the photovoltaic plant Alten El Casar was completed at the end of 2019 and has been in operation since the start of 2020.
- 3 energy efficiencies involving public lighting: Municipalities of Humanes de Madrid, Moclín and Valle de Zalabi.
- 7 parking facilities with 3,600 spaces in total:

  - Concesionaria Collado Villalba, S.A.U.
  - GoBarajas 2017 S.A., located at the Madrid international Airport Barajas-Adolfo Suárez.
  - 4 parking facilities for residents in Madrid (Juan Ramón Jiménez)
  - 1 parking facility in Zamora, located close to the General Hospital in that city.
- 1 Cultural Center (BAC) in Valencia
- 1 waste water treatment plant: EDAR in Ribadeo
- 4 integral operation and maintenance contracts:
  - Ortega y Gasset Park (located in a prime area of Madrid).
  - Service station under the Repsol brand and located in Ensanche de Vallecas (Madrid)
  - Sports center Ortiz Sport Factory (Móstoles)
  - Restaurant 40ycuatro, located in the headquarters of Ortiz Group.

The sale in June 2020 of the thermosolar plant Africana Energía is very notable as it provided €34 million to the Group in cash and a profit of €11.80 million.

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

The most relevant events in 2020 in the Concessions Area are:

• 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..
• Awarding of the Electric Lines and Substations (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 Mines. The expected CAPEX is $100.
• Tepic Hospital in Mexico: The construction of the 150-bed hospital for ISSSTE has been completed. Entry into operation in April 2020, more than one month in advance of the scheduled date to support the efforts against the COVID-19 pandemic.
• Sale of the thermosolar plant La Africana.
• ANI Concessions (National Infrastructure Agency in Colombia): The "Conexión Norte" and the "Transversal del Sisga" concessions are under construction. Sisga will be delivered in March 2021 and C. Norte during the first quarter of 2022.
• Concession 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.
• Aten Spain: Photovoltaic plant Alten El Casar, plant construction was completed in September and it entered into operation at the start of 2020.

## 7. REAL ESTATE ASSET AREA

At 31 December 2020 the share capital of Grupo Ortiz Properties SOCIMI, S.A is distributed as follows:

- 47.78%: Ortiz Construcciones y Proyectos, S.A.
- 18.55%: distributed among 4 institutional investors
- 29.31%: 143 investors
- 4.36%: Treasury shares.

The REIT's share capital is divided into 6,187,505 shares with a benchmark price of €15.50 per share and 31 December 2020, which represents a market capitalization of €95,906 million. This capitalization places the REIT in position number 25 (of 77) of those listed in the BME-Growth market.

In February 2020, the Company's refinancing process ended with the execution of a loan agreement in a public document with Deutsche Bank AG, London Branch on 31 January 2020, for a total of €70 million.

This loan matures in 2025 and may be renewed at the discretion of the Company for two additional years (2027) and it accrues an interest-rate based on the EURIBOR plus a 2.15% spread. Furthermore, in order to limit exposure to increases in the EURIBOR, a EURIBOR hedgers obtained through a CAP (1%).

With a 91% bullet repayment in year 7, the current financed amount represents leveraging of 35% based on the appraised RICS value of its real estate assets at 31 December 2020.

The funds deriving from this new financing were used to repay the pre-existing debt, the cancellation of the derivatives inherent to that debt, the purchase of treasury shares and the payment of fees and expenses associated with the refinancing.

At the year-end, the Company has a total of 44,791 m² of tertiary surface area, 484 homes and 959 parking spaces which gives rise to a current contracted gross monthly rent of €0.704 million and therefore the contracted gross rent on an annualized basis is currently  €8.451 million

| | % Type | Surface | % Average Occupation 2020 | Contracted Annual Rent (€ million) | Average Monthly Contracted Rent (€/m2-€/home) |
|---|---|---|---|---|---|
| Offices | 55% | 24,368 | 99% | 3,250 | 12 |
| Retail | 20% | 8,927 | 89% | 0,941 | 10 |
| Industrial | 13% | 5,996 | 97% | 0,241 | 4 |
| Sports Centre | 12% | 5,500 | 100% | 0,384 | 6 |
| **Tertiary** | **100%** | **44,791** | **97%** | **4,816** | **10** |
| Homes in Paracuellos | 36% | 176 | 95% | 1,003 | 513 |
| Homes in Colmenar | 20% | 96 | 87% | 0,523 | 551 |
| Homes in Alcala | 17% | 80 | 96% | 0,349 | 410 |
| Homes in Chopera | 17% | 84 | 93% | 0,346 | 395 |
| Homes in Huerta | 10% | 48 | 94% | 0,300 | 556 |
| **Homes** | **100%** | **484** | **93%** | **2,521** | **488** |
| Ortega y Gasset | 84% | 814 | 100% | 1,103 | 138 |
| Other Spaces | 16% | 145 | 24% | 0,010 | 47 |
| **Ortega y Gasset and Spaces** | **100%** | **959** | **89%** | **1,113** | **135** |

The exceptional circumstances experienced during the year as a result of the COVID-19pandemic have been slightly reflected in results for the year:

- Slight decline in the average annual occupancy of tertiary and residential assets (-3%) which was practically offset by the increase in rent for the tertiary and residential assets as  set out in the business plan, together with the containment of net operating expenses.
- The residential sales plan for the year could not take place.
- The necessary granting of rent relief and deferrals to those lessees that were most affected represented 7% of the annual contracted rent in the case of rent relief and 2% in the case of deferrals, which affected cash flow for the year.

The following should be noted:

- With respect to tertiary assets;
    - Average annual occupancy of offices totalling 99%; the revision to market rent of several contracts (2,650 m²) with average increases of around 20%; and the renegotiation of 6,320 m² that guarantees the continuity of the lessee until 2027, with a price revision to market levels in 2023.
    - The increase in commercial occupancy to 89% with the lease of the last available premises located in Ensanche de Vallecas, and the 3% increase in the rent for the Service Station.

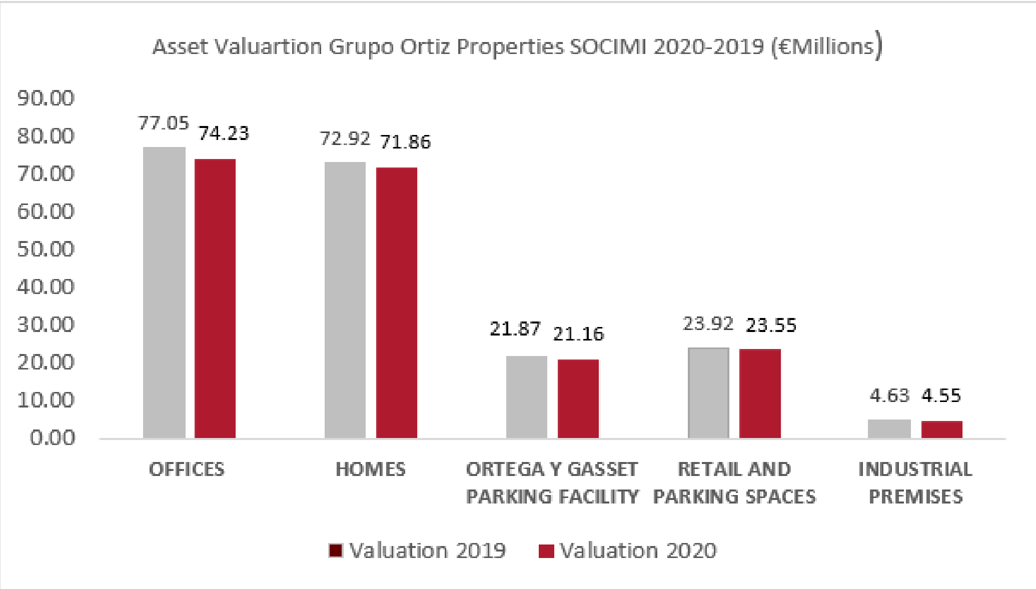
  - The annual average occupancy was 97% for industrial premises; the rent review to market levels affecting 2,594 m² with a 4% increase and a five-year extension of the term; and the renegotiation of 2,434 m², guaranteeing the continuity of the lessee until 2023.

- With respect to residential assets;

  - The average annual occupancy was 93% and the market thereby absorbed the average 35% increase in the rental rate in April 2019.
  - Increase in the average monthly contracted net rent by 5%.
  - 45% of homes have market prices and the new prices have yet to be applied to the remaining 55% (243 homes) in the coming 12-24 months given their maturity dates, and therefore there is high potential for growth.

- Ortega y Gasset parking facility:
  - The contracted rent increased by 5% and two assignments of parking spaces were signed.

The value of the Company's asset portfolio is €195.35 million based on the appraised value at 31 December 2020, which is a slight -2.51% decline compared to 2019. This decline mainly relates to the impact of the COVID-19 pandemic on the real estate market, which has materialized in the appraisals performed through an approximate 0.25% increase in the rates applied to the updating of cash flows from the assets compared to 2019.




Based on the business strategic direction of the organization, the objective will still be to maximize earnings and minimize the associated asset costs.

## 8. ENERGY AREA

Ortiz Group is a global leader with respect to renewable energy plant EPC contracts, particularly photovoltaic plants and high-voltage transmission lines and substations, with more than 1800 MW installed in generation plants and more than 900 km of up to 400 kV transmission and distribution lines in 9 countries. Energy area revenues amounted to €239.99 million in 2020. We note that during 2020 there have been delays in the start of EPC contracts due to the global COVID-19 pandemic and the change in the energy model implemented by the government of Mexico.

In 2020, 685 MW were being executed, 404 MW had been installed and 374 MW had been awarded, all involving photovoltaic projects. 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.

## ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

## CONSOLIDATED DIRECTORS' REPORT FOR 2020

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 (IRENA) 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 and wind energy. Spain is already ranked 10th in the world in terms of install renewable energy capacity. Worldwide around 200 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 following projects by geographic area are noted:

**MEXICO**:
In Mexico the following projects are notable:

- Photovoltaic Plant Navojoa, Sonora 257 Mwp.
- Photovoltaic Plant Tepezalá, Aguascalientes 133 MWp.
- Photovoltaic Plant Terranova Conejos, Ciudad Juarez, 93 MWp.
- Photovoltaic Plant La Lucha, Northland Power en Torreón de 163 Mwp.

**JAPAN:**

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

- Photovoltaic Plant Shirakawa, Fukushima, 30 MWp.
- Photovoltaic Plant Shirakawa, Fukushima, 15 MWp
- Photovoltaic Plant Yamagata 25 MWp
- Photovoltaic Plant Susami de 10 MWp
- Photovoltaic Plant 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. There is also an outlook to expand its renewable energy generation network through 1 GW of photovoltaic capacity in 2021. We note the following projects:

- 132 km Aguaytía-Pucallpa transmission line, 138 KV and the associated sub-stations for TERNA.
- Transmission lines and substation project 138kV- Cuajone for the mining company Southern Copper Peru.

**COLOMBIA:**

## ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

## CONSOLIDATED DIRECTORS' REPORT FOR 2020

During 2020, Ortiz Group was awarded an energy Transmission concession in the city of Barranquilla for the UPME. This consists of a 115 kW ring and several associated substations in the city. The engineering for the project was developed in 2020 and construction will start in 2021.

**FRANCE:**

Although there is some additional restrictions in Spain, which requires strict compliance with the carbon footprint of photovoltaic modules and restrictions on the space and size of plants, this country is decidedly committed to renewable energy and, specifically, photovoltaic technology. Accordingly, at the start of 2020 Ortiz Group contracted the execution of 5 co-located plants in the region of Sammoussy, near Rennes, on a former World War II airport, with a total capacity of 88 MWp. The plant will enter into operation in 2021.

**CHILE:**

In Chile and in 2017, Ortiz Group executed the 58 Mwp "Uribe Solar" plant located in Antofagasta. In 2020 it was awarded a contract for a new 58 MWp photovoltaic plant called "La Cruz", located in Calama. The construction of that plant will be completed in 2021.
Both contracts also consist of the subsequent operation and maintenance of the plants after construction is completed.

In the national market the contracting of the following plants should be noted:

- A photovoltaic plant with a capacity of 138 MWp for the company FRV, in San Serván, Badajoz. This facility is currently under construction and it should be operating by 30/11/2021.

- A photovoltaic plant with a capacity of 57 MWp for the company FORESTALIA, in Aliagar, Zaragoza, which should be operating by 30/6/2021

We also note the presence of Ortiz Group in Transportation and Distribution infrastructure execution activities, including the contract at the end of 2024 a 220kV substation for ENEL GREEN POWER in Badajoz.

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. 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 2021 and 2022, 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 2018-2019 there was a radical change in 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 will represent investments exceeding €60,000 million just in those facilities, without taking into consideration the electricity transmission infrastructure. Spain must install an average of 5,000 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 invest in renewable energies with a 13 MWp photovoltaic plant in Guadalajara and seeking other investment opportunities.

This type of investment in green generation plants reveals Ortiz's environmental and social commitment, avoiding the emission of tons of $CO^2$ into the environment.

A summary of the main milestones in 2020 is as follows:

**ENERGY & INDUSTRY:**

- ✓ 685 MW FV being executed.
  - Terranova (Mexico): 94 MW.
  - La Lucha (Mexico): 165 MW.
  - La Cruz (Chile): 58 MW.
  - Shirakawa, Yamagata, Daisen, Susami y Sukagawa (Japan): 90 MW.
  - Samoussy (France): 88 MW.
  - Aliagar (Spain): 50 MW.
  - San Servan (Spain): 140 MW.
- ✓ 6 photovoltaic projects awarded (374 MW in 4 countries)
  - La Cruz (Chile): 58 MW.
  - Samoussy (France): 88 MW.
  - Susami y Sukagawa (Japan): 38 MW.
  - Aliagar (Spain): 50 MW.
  - San Servan (Spain): 140 MW.
- ✓ 404 MW installed in 2020 complying with deadlines and guaranteed production.
  - Navojoa (Mexico): 258 MW.
  - Tepezala (Mexico): 133 MW.
  - Mine 1&2 (Japan): 13 MW.

**OPERATION & MAINTENANCE**

- ✓ An agreement was reached to extend the O&M agreement covering the URIBE Plant (58MW) in Chile for 7 more years– US$400,000 per year.
- ✓ A four-year O&M contract was concluded for the PACIFIC Solar Plant Phase I (30MW), HONDURAS– US$300,000 per year.
- ✓ Execution of O&M services at the following plants: Solem 1&2 (350MW), Canadian (70MW), Horus Guatemala (120MW), La Independencia (El Salvador) (13 MW), Honduras 3 plants (107MW), El Casar (13 MW), Uribe-Chile (58MW).
- ✓ An O&M contract commenced with respect to the Mine 1&2 plant, which is the first Operation and Maintenance contract in Japan.
- ✓ A 2-year O&M contract was signed for the Forestalia plant (€360,000/year). Projected to start in April 2021.
- ✓ A 2-year O&M contract was signed for the FRV plant (€860,000/year). Projected to start in February 2021.

**TRANSMISSION & DISTRIBUTION:**

- ✓ Execution of High Voltage Infrastructures: Terranova (X-Elio) Mexico, Navojoa (X-Elio) Mexico, La Lucha (Northland Power) Mexico and TERNA, (Peru).
- ✓ Awarding of a High Voltage EPC contract (115kV ring with 6 substations) in Barranquilla, Colombia for US$115 million. Ortiz Group concession.
- ✓ Awarding of a project for the Southern Copper Peru mine.
- ✓ An agreement was reached with TERNA in Peru to increase the price of the contract by €3,000,000 and extend the deadline for 3 months.

## 9. INFRASTRUCTURE AREA

The Group's international construction activity shows revenues of €55.76 million.

The international construction area has a portfolio at 31 December 2020 totalling €321 million.

During the year Ortiz Group maintained a presence in the Latin American markets of Colombia, Bolivia, Panama, Peru and Mexico, in addition to the execution of a Hospital Infrastructure in Bolivia.

**COLOMBIA.**

The following works continued to be executed during 2020:

- 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 “Concesión del Sisga S.A.S”.

Ortiz Group was also the winning bidder for two new projects:

- Rehabilitation of water run-off and sewerage drainage systems in the Claret and Inglés neighborhoods of Zone 3, Phase I in Bogotá.

- Selection of an investor and a controller for the design, acquisition of supplies, construction, operation and maintenance of the work associated with the Termoflores, Las flores, Centro, Oasis, Magdalena, Unión, Tebsa and Estadio substations in the Department of Atlántico.

The first job was awarded by “Empresa de Acueducto de Bogotá”, and the second has the particularity of being a construction system called CIPP, consisting of the execution of the rehabilitation of the networks without the need for any excavation, which eliminates the risks associated with excavations and the environmental and social impacts are reduced.

The second award is a concession agreement with UPME (Unidad de Planeación Minera y Energética) which reports to the Ministry of Mining and Energy.

All projects are within the deadlines established by contract and in some cases after events that have not caused any liability after an analysis with owners, in this situation as continue to be the same as last year.

The main difficulties involved with the execution of the works for the Transversal del Sisga concession have been caused by the continuous landslides, soil shifts and losses of base support that are largely caused by the “youth” of the geological formations existing in the country, which gives rise to unstable sites. 90% of the project had been completed at the end of the year.

The execution of the works has continued with the permanent presence of the Army, which allows the construction work to continue. 60% of the project had been completed at the end of the year.

ORTIZ started construction of the EPC contract Bridge 6, the most significant bridge in the concession with a value of 30,172 pesos, and 50% has been completed.

Notwithstanding the above, the main problem that has been common to all of the contracts was the appearance of COVID-19, which has caused the temporary stoppage and delays in the projects in addition to significant cost overruns under the contracts and impaired performance that will lengthen the time over which the construction work takes place.

The two projects involving “Acueducto de Bogotá” present the great difficulty involving two different independent bodies that are necessary to obtain the initial permits to start the construction work.

In addition to the two tender contracts, the Company has been very involved with the execution and investment in several solar projects and ended the year with a presentation of a proposal for the Ubaté plant to Northland and Horus Xantia-Xamuel.

In 2020 the following work was performed with respect to ”Hospital de Bosa”:

- Contracting for the hospital equipment.
- Negotiations with financial institutions to reach an agreement regarding the financing structure and interest rates, which are slightly better than those estimated for the financing.
- In December an application was filed to obtain a Building Permit for the project from the Curaduría.
- Work has been performed on preparing and approving the designs but they have not been 100% completed.

The following actions have been taken with respect to the energy contract in Barranquilla:

- Negotiations with financial institutions to reach an agreement regarding the financing structure and interest rates, which are slightly better than those estimated for the financing.
- Work has been performed on preparing and approving the designs.
- Work has been performed on the documentation to be presented to the Environmental Office to obtain the Environmental License.
- Negotiation and purchase of the land required to execute the project.

The year 2020 has ended and the definitive award of the concession contract for the Ruta Caribe II project has, once again, not yet been obtained. A reconciliation agreement was reached with ANI that covers the awarding of the contract with the same official TIR that was published previously.

Other relevant matters were:

- We received an order from the government companies supervisor to implement procedures to analyse Money Laundering and Terrorism Financing Risk - SARGLAFT. In December this procedure was completed together with the accompanying supplementary models. The quarterly reports are filed with the UIAF.
- The process starts with the implementation and training on the Navision program.

**MEXICO**

The Hospital Dr Aquiles Calles Ramirez project started in 2020 in the city of Tepic, Nayarit. The hospital commenced operations on 15 April 2020 after a reduced pre-operational period due to the health crisis and it became a COVID Hospital by agreement through the Government of Mexico, ISSSTE and Desarrollador (Concession company).

The 23-year APP concession agreement defines the 18 services that the concession company will provide (infrastructure maintenance, medical equipment maintenance, warehouse, security, cleaning, gardening, medical gases, laundry, pharmacy, haemodialysis, laboratory and blood bank, among others.

The number of COVID-19 beds available in the state of Nayarit increased by 20% thanks to the entry of the Hospital into service.

Accumulated revenue between April and December 2020 was 363 million Mexican pesos (approximately €15 million).

**PANAMA**

The stoppage of the work and delays due to the COVID-19 pandemic should be noted.

During 2020 a hearing was held to establish a cause, arbitration evidence was provided at the end of the summer ended December the final arguments were presented for the construction work that was cancelled in 2019. This work consisted of Package 1 and 3 of the “Third stage of the sewerage network in San Miguelito and Bahía de Panamá, which were contracted by the Ministry of Health in 2015. In March 2019 the involvement of an arbitrator was requested to resolve contract disputes, as stipulated in the terms of that contract. The arbitration ruling, which ends the process, has a deadline of mid-June 2021.

In 2020 the awards received in 2017 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 2020 the fieldwork was stopped due to the pandemic between 24 March and 7 September. Last year and despite the pandemic, we were able to study and prepare an addendum to the contract for US$20.7 million that will improve and optimize the project providing service to new neighborhoods that require potable water. gProduction thus reached nearly US$10 million in 2020 with an accumulated total of US$43 million out of a total contract amount of US$82 million (excluding ITBMS).
- 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%). Operations have started together with the maintenance of both modules after having launched the new module. During 2020 and despite the pandemic, the new module was finished and the great majority of the addenda were approved to increase the budget by 38%. As was the case in CAH, the pandemic caused us to sees activity during the same number of days, which had a large impact since this required the signing of a new addenda, Addenda 2 that extended the deadline to 30 April 2021 and the budget to exhaust 40% of the budget increase allowed by law for this project.

due largely to the fact that the tenders were cancelled or postponed.

Despite the pandemic that occurred during 2020 and the resulting work stoppages, projects in progress did not become impaired in terms of their operating margins which makes us optimistic with respect to new challenges in the country.

**PERU**

The stoppage of the work and delays due to the COVID-19 pandemic should be noted.

- Work on the Alcides Carrión Hospital: During 2020 the contractual obligations for preventative and corrective maintenance at the hospital were executed in terms of both the civil works and the biomedical equipment. The training of the medical and administrative team that will operate the Hospital was also completed. These works are very important from a social point of view and will have a great impact on this mining city located at 4380 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. The complete settlement of the contract with the Regional Government is pending.

- Work on the Andahuaylas Hospital: Arbitration is currently underway with the Regional Government of Apurímac to approve the settlement of the project. Construction is 59.5% completed and 52.1% of the Equipment has been installed.

As a result of the COVID-19 situation, during 2020 tenders and Peru did not attain an adequate pace until the start of the fourth quarter. Within the market search for new businesses and the tenders for which we have presented bids, the following is the most notable:

- Through the Reconstruction Authority with changes in the Government of Peru the execution of works was promoted to strengthen the areas of Health, Education and Public utilities in the Center and North of Peru. Ortiz is pre-qualified in several packages in the Health area (3 Health Centers in the Piura Region) and the Public Utility Sector (integral solutions for 2 reservoirs).
- We continue to be awaiting the outcome of the bids for the Longitudinal Concession of the Sierra, Section 4: Huancayo-Izcuchaca-Mayocc-Ayacucho/Ayacucho-Andahuaylas-Puente Sahuinto/Dv. Pisco - Huaytará – Ayacucho, for which Ortiz Construcciones is pre-qualified. 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. 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 start during the second half of 2021 and the situation of Ortiz Construcciones y Proyectos, S.A. within the Consortium Vial Centro together with its partners will have to be updated.
- We are closely following the start of the tender process for the APP concerning the High Complexity Hospitals in Chimbote and Piura, which have been stopped for some time.

It is important to note that we are awaiting the award within the process "*Expansion and Improvement of the Police Training Service for the Officers Academy of the National Police of Peru (EO PNP) in the District of Chorillos, Province of Lima, Lima*" which was presented in the final days of December 2020. Only 2 bidders qualified for the final phase and it required the preparation of a Technical Plan determining the proposal from each of the two bidders. This tender involves the execution of more than 60,000 m² of building space over more than 200,000 m² of land to house the national police training academy in Peru. The contractors for nearly 250 million sol (€60 million).

The legal proceedings concerning construction claims continue. There is a certain expectation to collect amounts in 2021 within the forced execution processes that are in place in the claims started in 2014 and 2015 with respect to the Zorritos and Puno construction work.

**BOLIVIA**

Ortiz Group has been present in this country since 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 During 2020 there were periods during which work was executed and periods over which work was stopped (due to COVID-19 and the failure of the Entity to make payment) but during 2020 we moved from 19.90% completion to 66,19%.

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 hospital will cover 35 specialties for patient care and will have a capacity of 276 beds and 29 examination rooms.

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**

Subsequent to an agreement between the Governments of Spain and Algeria in 2013, to cooperate in different matters, a series of Spanish construction companies were invited to start a construction program for 50,000 homes in Algeria, which would alleviate the shortage of solutions housing in the African country.

A requirement to participate in this program was the availability of an industrial construction system to allow savings in time and labour.
Ortiz was one of the invited companies as it has the industrial system called Indagsa, which ended with the creation of a joint company (51% Algerian capital-49% Spanish capital), ALLRECC-ORTIZ, to build a factory to apply the Indagsa system and to satisfy the commitments entered into by the Algerian government.

As a result, and in order to recover its investment and to obtain an indemnity for the damages caused, Ortiz filed for arbitration with the CIADI (International Center for the Resolution of Investment Differences), against the Algerian government in 2016.

The CIADI issued a ruling in 2020 denying the claims made by Ortiz since, while it had been clearly proven that Ortiz had suffered damages, and this was recognized by the Arbitrator, but it was not completely proven that there was a promise from the Algerian Government that it would directly award residential housing, instead of by public law companies wholly owned by the Algerian Government, but which were not purely the Algerian Government or bodies.

**RUMANIA**

During 2020, 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.

On 8 December 2020 the construction work was finally received subject to the condition of the execution and completion of a series of specific jobs set out in the verbal process prior to the final receipt of the construction work. That work was completed at the end of January 2021.

Up until November 2020 we maintained our local technician that was necessary to monitor and control of the repairs and to interact with the technicians from Hidroprahova and local municipalities

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 2020, Indagsa continued with international technical assistance involving several projects in collaboration with the different works performed internationally, providing technical assistance to the construction solutions to be executed and creating prefabricated solutions for the structures.

Indagsa has continued to present international bids for construction work and it is currently executing a project in Morges, Switzerland.The Group's National infrastructure business recorded revenue totalling €141.33 million in 2020. It also has a portfolio totalling €381 million at 31 December 2020.

In the infrastructure area, we are present in both public and private markets, and we specialize in the execution of civil works, railways, environmental works, complete water cycle and building and rehabilitation and the Indagsa industrialized construction system.

In the civil works sphere, the Company builds all types of transportation infrastructures: (road/motorways, railway), hydraulic and environmental works.

## ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

## CONSOLIDATED DIRECTORS' REPORT FOR 2020

### CIVIL WORKS

In transportation infrastructure (roadway and railway) the contract for a stretch of the A-12 motorway in Santo Domingo de la Calzada in another contract for the stretch of the A-11 motorway in Quintanilla de Arriba, Valladolid were signed in 2020. We also continue with the execution of the high speed train (AVE) works in Toril, Extremadura for Adif, as well as the Mezquita stretch in Orense.

Within the development works with the City of Madrid, the Company has completed the remodelling of urban infrastructures on several streets in the district of Salamanca and has continued with the work on the framework agreement for public spaces for the District Authorities in Vallecas. The following work was also contracted and has commenced:

1. Framework agreement for the public space works for the District Salamanca, Lot 4 - 2-year contract +1-year renewal.
2. Improvement of Tunnel and Intersection Security - Lot 2
3. Improvement of urban installations on Añastro Street
4. Paving of sidewalks in the districts of Latina, Carabanchel, Usera and Villaverde - Lot 3

In addition to the above, at the start of January 2021 the following contracts have been signed and they will be executed during the year:

1. Bypass of the historic district of Barajas on Ayerbe Street - Stretch 1
2. Framework agreement for the execution of urban installation work for individuals Lot 3
3. Development of the Sierra Toledana area.

The following contracts have yet to be signed:

1. Execution of urban development construction work - Lot 2.
2. Framework agreement for the execution of roadway adaptation work and accessibility improvements - Lot 1

Work has continued on the contract and several urban installation and barrier suppression work has been performed in various districts in the city (Nelson Mandela, Valdezarza, etc), and the framework agreement with the district of Vallecas has commenced, as have the tunnel security improvement actions.

### RAILWAY

The Group's railway company, COSFESA, has maintained steady activities during 2020 through service contracts and renewal works in the conventional rail network.
During 2020 the work relating to the "Construction Project for the implementation of the standard with track Taboadela-Ourense" in a joint venture with Copasa has ended,the track rehabilitation work on the Seville- Huelva line, which is expected to be completed during the first quarter of 2021, and the rehabilitation work on the bridges on the Madrid-Ourense line.

The Company continued with both the execution of the Infrastructure Maintenance and the conventional line contract work (MIV) in the Northwest Zone that was contracted at the end of 2017 for a 2-year period + 2-year renewal, and which has been renewed until the end of 2021. The tender is expected to be issued during the first quarter of 2021 for the maintenance of the High Speed Train stretch Olmedo – Zamora on the Madrid – Galicia line that forms part of the Public-Private collaboration agreement with Adif in which Cosfesa participates, and it also continued with the 4-year maintenance contract awarded last year for the high-speed train line Madrid- León.

Furthermore, COSFESA was the winning bidder for the railway renewal works on the stretch Guillarei- Redondela.

### WATER TREATMENT

ASTEISA has been awarded water works involving the expansion of Edar El Plantío through a joint venture with Ortiz, the expansion of the Edar Hoyo de Manzanares and the Third Reservoir Canal Park, and we are executing the

construction work for Edar El Endrinal in Collado Villalba and Villanueva de la Cañada. During this year we have also continued with the maintenance of the facilities in Casa de Campo for Canal, also in a joint venture with Ortiz.
Ortiz is directly executing the improvement to the supply facilities in Sevilla la Nueva.
We have continued with the expansion of the Edar Consuegra for the State company Acuaes.
In Extremadura, Ortiz has contracted the transformation of the irrigation covering 1200 hectares in Monterrubio de la Serena for the regional government.

However, the activities of Asteisa during 2020 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.

**CONSTRUCTION**

In 2020, the number of bids for works, primarily residential housing for cooperatives and/or small developers, declined compared to 2019 due to the change in the Group's residential home construction strategy and the decline in the construction tenders for offices and, in general, due to the pandemic.The contracted portfolio has fallen from €26 million in December 2019 to €4.9 million in December 2020.

Accordingly, throughout 2020 the production of construction fell from €42 million in 2019 to €21 million in 2020.This is a fall in production of 51% compared to 2019.

In 2020 346 homes were completed while 193 homes are being executed. There was a significant increase in finished homes compared to 2019.
The reduction from the change in the strategy can be most appreciated in the number of homes being executed, since in 2019 539 were under construction.

**REHABILITATION OF BUILDINGS**

During this unique year of 2020, and due to the health conditions, private investment in hotel and large retail establishments dramatically declined.
However, the rehabilitation of large retail establishments located in urban areas and primary roadways was maintained.
Private investment in secular and religious educational centers was also maintained.

The public sector has also maintained investments in facilities, particularly the Madrid city authorities.
Investments in Schools and other Public Buildings remained in an upward trajectory.

The main works carried out in 2020 were as follows:

- Private Rehabilitation: Multi-used building at Colegio Runnymede; ALDI Supermarkets on C/ Fuencarral; Two commercial premises in the former Roxy cinema covering 9,560 m2
- Public Rehabilitation: Music school in Moratalaz, Industrial factory in Villaverde; Section 15 at the Matadero Cultural Center, Diverse remodelling work at the Bank of Spain.

**INDAGSA INDUSTRIALISED CONSTRUCTION SYSTEM**

We note the approximately 30% increase in the revenues obtained by INDAGSA compared to 2019. In 2020, Indagsa attended to the national architectural concrete facade market, consolidating the market in the geographic center and it has continued to operate in the north of Spain (Navarre and Basque Country) in terms of customers and executed work.

- 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 in two developments promoted by the Madrid public housing agency (EMV).
- The facade in the Ilot Sud project in Morges, Switzerland, involving more than 2,000 pieces, has been completed.
- We note the execution of the facade work at the new QUIRÓN Hospital in Torrejón de Ardoz.

- 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.

- I+D+i Structural reinforcement: Analysis of structural reinforcement.
- R&D+i Fijanclaje: Design of novel solutions to install prefabricated items.
- R&D+i Solarquic: Design of novel architectural solutions in prefabricated concrete of reduced thickness and great size.

**SERVICES ASSOCIATED WITH INFRASTRUCTURE**

Maintenance and conservation service contracts provide a portfolio in the medium them and provide recurring cash flows. During 2020, despite the health conditions, the production of the Rehabilitation and Services Department attained revenues totalling €40.51 million. There has also been an important increase in the contracted portfolio for 2021 and subsequent years compared to prior years, reaching a total of €58.91 million at 31 December 2020. 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 SOCIMI, S.A.U.).

Public Services: Maintenance of the Parliament Building; Removal of asbestos from METRO rolling stock equipment; Maintenance and adaptation of homes for the Social Housing Agency; Maintenance of buildings for the Social Assistance Agency.
City of Madrid: the contracts for maintaining municipal parking facilities, Investment works in buildings and other assets in the Security Area and the tender process for support structures, demolition and consolidation of the urban development area.
Maintenance of buildings in Las Rozas, Boadilla, Fuenlabrada, Alcalá de Henares and Leganés.
Maintenance and investments in buildings used by the Municipal District offices in Fuencarral, Centro, Moncloa Aravaca, San Blas and Carabanchel.

**ENVIRONMENTAL AREA**

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

Despite the uncertainty in place over most of 2020 due primarily due to the coronavirus pandemic and the serious economic and social consequences it is having, the Company has only seen its revenue and activities fall slightly, mainly due to the delay in tenders and the launch of several contracts due to the special situation and based on the execution of maintenance works and services in parks, street cleaning and waste removal in the medium-term.

The portfolio of contracted maintenance service works in parks, street cleaning and waste removal in the medium-term over the coming years has, however, risen by 22.75% to €38.42% million.

The main contracts under execution during 2020 are: the Maintenance of Green Areas and Urban Furnishings in Ciudad Real, Park, Garden, Urban Tree care in Marbella (Málaga), the Park and Municipal Integral Management Service for Public Plant Nurseries of Madrid, lot 3: Park Forest and Plant Nurseries, and Street Cleaning and Urban Waste Collection Services in Xátiva (Valencia).

The tenders for numerous maintenance contracts with several municipalities throughout the country have been delayed to 2021.
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 Pozuelo de Alarcón, Lot 1 (Madrid), maintenance of park areas in Villalbilla (Madrid) and the renewal of park maintenance services in Alzira (Valencia), Marbella (Málaga) and Humanes (Madrid), beach cleaning and park maintenance services in Alboraya (Valencia) and the maintenance of Felipe VI and El Monte parks in Majadahonda (Madrid).

Other important contracts have also been obtained, such as the reforestation of spaces adjacent to the M-30, M-40 and M-50 motorways, the execution of the “Senda de los Paisajes” trail in the Valdebebas Forest park, the remodelling of the El Cruce park, the repair of the historic wall in Casa de Campo on Avenida de Portugal or the improvement of pathways in the Entrevías Forest park (all for the City of Madrid), the remodelling of the park on Velazquez Street for the Municipality of Las Rozas, the upkeep of several green spaces and median areas in East Parla for the Municipality of Parla or the execution of the new Canal Park on Avenida de Filipinas for Canal de Isabel II.

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), the conservation of the Felipe VI and El Monte parks, 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.
Forest parks and plant nurseries.

For the following financial year, we will keep our consolidation strategy in the environmental services markets (conservation and maintenance of green areas, trees, urban furniture, road cleaning, management, operation and maintenance of waste treatment plants, waste collection services, beach cleaning, etc.), aiming at all times at an on-going improvement. The Company’s situation is expected to remain stable in 2021 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 analysed in 2020.

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.

Finally, the Company is constantly monitoring the appearance of new markets for innovative services in line with the development of the services that society demands.

Relevant milestones in 2020 include the following:

- National Infrastructure
    - Buildings:
        - A total of 193 homes were being executed in 2020, and 346 homes were finished.
    - Rehabilitation:
        - 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.
        - Awarding of a stretch of the A-11 motorway in Valladolid.
    - Water infrastructures:
        - Awarding of the EDAR Arroyo El Plantío.
        - Awarding of the transformation of 1,300 hectares of irrigation in Badajoz
- International Infrastructures:
    - Panama:
        - Water treatment works being executed: Veraguas and Anillo Hidraúlico.
        - • The sewer works in San Miguelito (Lots I and III) ceased and are in arbitration.
    - 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).
  - Peru:
    - Andahuaylas Hospital being execution.
  - Bolivia:
    - Potosí Hospital works are being executed.

## 10. 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.

a) Market Risk

Exhcange 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 2020 and 2019 is as follows:

| | Thousand Euro | |
|---|---|---|
| **Referenced to Euribor** | **2020** | **2019** |
| Variable rate borrowings not hedged by financial derivatives (A) | 35,559 | 37,043 |
| Fixed rate borrowings or hedged by financial derivatives | 140,146 | 152,197 |
| Group borrowings (B) | 175,705 | 189,24 |
| **Borrowings exposed to interest rate risk (%) (A)/(B)** | **20%** | **20%** |

“Group Debt” includes “Debentures and other marketable liabilities”, “Bank borrowings”, “Finance leases”, and CDTI loans and the balances in factoring arrangements being returned to financial institutions that form part of “Other financial liabilities” and which at 31 December 2020 totalled €7,300 thousand (31 December 2019: €38,642 thousand).

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

b) Price Risk

The Group is not significantly exposed to price risk for capital securities, since it has no significant investments, or to commodity price risk since, in general, any changes in prices are efficiently transferred to selling prices by all similar contractors that operate in the same industry. The Group reduces and mitigates price risk with policies established by the Management, guaranteeing the production or obtaining at a fixed price of several raw materials with framework agreements.

c) Credit Risk

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

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

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

d) Liquidity Risk

The syndicated loan signed in 2018 (Note 21) 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.

**Other risks**

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 Company's Directors and Management has applied available information to assess the main impacts that the pandemic has on these financial statements, as described below:

- **Operating risk:**

  The Group has maintained the tender portfolio over the past few years, although the COVID-19 pandemic have given rise to delays in the execution of projects to the stoppage of works, primarily in countries such as Panama, Colombia and Peru, as well as delays affecting the start of EPC photovoltaic projects such as Samoussy (France) and la Cruz (Chile).

  No additional rescheduling is currently expected. The geographical diversification of our businesses and the contractual clauses that foresee the impact from force majeure events have allowed the Company to mitigate the risks deriving from the current crisis situation.

However, the margin for the year has been reduced since similar fixed costs have been incurred as the Company has chosen to maintain employment and did not carry out any restructuring in this connection.

- **Liquidity risk:**

Obtaining new financing guaranteed by ICO in the amount of €61,725 thousand (Note 19) has allowed the financial structure to be optimized with a substantial improvement in the Group's liquidity status.

However, Group Management exhaustively monitors liquidity needs in order to ensure that it has the financial resources that are necessary to cover its operating requirements.

- **Measurement risk involving consolidated balance sheet assets and liabilities**

The COVID-19 pandemic has not caused any cancellations of portfolio projects and it has not substantially affected the financial position of our customers and therefore there has been no relevant increase in default risk.

The Group has assessed the recoverability of balances for executed work pending certification and there is no expectation that this item will be affected. The Group has evaluated the impact on its measurement of its concession and real estate assets and has determined that there is no impairment whatsoever as a result of the pandemic

It has also not detected any significant changes in the value of its other balance sheet assets and liabilities as a result of possible effects of COVID-19.

Management and the Directors of the Company have therefore concluded that the Group's financial resources allow the ongoing application of the going concern principal when preparing these annual accounts.

Due to the speed with which events are changing and the potential evolution of the pandemic over the coming months (potential impacts and mitigating actions), the significant estimates and judgements applied by Directors and Management could be affected.
Accordingly, developing a reasonable estimate of the potential impact of COVID-19 in these circumstances regarding operations and future cash flows is difficult, due to the fact that the markets and economic agents may have unexpected reactions in the event of unforeseen pandemic events.

Finally, we note that the Company's Directors and management continually monitor the development of the situation in order to successfully manage any future financial or non-financial impacts that may arise.

**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.

## ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

## CONSOLIDATED DIRECTORS' REPORT FOR 2020

### 11. 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:

| | 2020 | 2019 |
|---|---|---|
| Average deferral of payments to suppliers | 134 | 144 |
| Ratio of transactions paid | 145 | 144 |
| Ratio of payments pending | 55 | 95 |

| | Amount (thousand euro) | Amount (thousand euro) |
|---|---|---|
| Total payments made | 230,375 | 221,184 |
| Total payments pending | 39,357 | 37,606 |

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.

### 12. EXPECTED EVOLUTION OF THE GROUP AND CORPORATE STRATEGY

The economic-financial solvency of the Ortiz Group, 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 create significant synergies with other parts of the Group’s businesses, such as Infrastructure and Energy.

Diversification of the types of projects: roadway infrastructures, health, railway, renewable energies such as photovoltaic and substations, environmental, cultural and sports infrastructures and parking facilities.
Geographic diversity, making investments in Spain and abroad.

At an international level, the group will continue developing its growth potential in the countries where it is already present: Mexico, Colombia, Panama, Peru and Japan with photovoltaic projects

In the Energy area, development is mostly founded on photovoltaic, transmission line and substations EPC contracts on any country on the world, for different developers, and important projects that worth mentioning are located in Spain, Japan, Mexico, Chile, Colombia, France and Italy.

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 2020 the Group achieved important milestones, all of which are in line with the Group's strategy:

- Decline of gross debt by 7% and a more efficient and long-term financial structure.
- Rotation of assets: Divestments in the concession area.

The Strategic Plan for the coming years may be summarized as follows:

- Investment in primarily infrastructure and energy concessions at the international and national level.
- Accept the entry of investment funds in our International Projects, as in the case of Cofides in several projects.
- Continuing the Grupo Ortiz policy for reducing debt.
- 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.
- Maintain the large volume in the development of the Energy Area through turnkey EPC contracts each year.
- Consolidation of the health care, notably the construction of hospitals in Mexico, Colombia, Peru and Bolivia.
- Consolidation of organic growth in countries in which the Group is present and increase international profitability levels.

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 Ortiz Group.

## 13. EMPLOYMENT

Ortiz Group's priority during 2020 was to maintain employment despite the decline in revenue and EBITDA and the difficulties deriving from the COVID-19 pandemic.

Ortiz Group did not implement any significant permanent or temporary layoffs in 2020 and it has promoted the adaptation and mobility of its employees among the various business areas in the Group in order to maintain employment.

Furthermore, during the confinement imposed by authorities, remote working was implemented in Spain and in the rest of the countries, adapting employees in the organization to this method of working effectively and quickly.

Ortiz Group 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.

Throughout the Group, 66% of employees are 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 2020, the Group has 2,055 employees, slightly more than last year. We note that 1,629 are Spanish (including expatriates) and 441 are 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 426 employees. This number fluctuates throughout the year since it depends on the intensity of labour needs to handle certain projects, in addition to the impact of seasonal weather on construction work being executed in Latin America.

Taking into account all Group employees, the average age is 44 years. Men make up 79% of employees and 21% are women. In total, 73 employees are on temporary family leave due to care obligations, and of them 16 are men and the rest are women.

There are 76 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 13 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.

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

### ***ENVIRONMENTAL MANAGEMENT AND QUALITY***

In 2020 Grupo ORTIZ has audited their quality and environmental management systems according to the requirements of the standards ISO 9001:2015 and ISO 14001:2015. This process ended in December 2020 through an audit performed by an ENAC certified rating agency, resulting in a SATISFACTORY EVALUATION.

That audit process involved visits to a total of 28 work centres distributed throughout Spain and Colombia and a total of 24 employees were interviewed.

Apart from the audit procedures that are performed by external certification entities, Ortiz Group 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 84 visits to inspect and control work centres operated by Ortiz Group

### ***OCCUPATIONAL HAZARD PREVENTION.***

In 2020 Ortiz Group 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 December 2020 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 14 work centres distributed throughout Spain, and along the international delegations. and a total of 47 employees were interviewed.

The Prevention Service performed 721 visits to inspect and control various work centres and issued 361 Security/EPH/Permanent Centre reports and Internal Audit processes supplemented by 143 revention 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 2020, Ortiz incurred expenses and made investments in research and development relating to projects concerning 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 2020, several Research, Development and Technological Innovation projects have been developed for a total amount of €1,310 thousand, €690 thousand of which correspond to the expenses incurred in Research & Development projects and the remaining €620 thousand relates to expenses incurred in Technological Innovation projects.

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.
- Digitalization technology innovation project and reengineering of processes at Ortiz Group Construction technology R&D project regarding the rehabilitation of the Roxy Cinema and the Conde Duque Palace.
- Advanced materials to reduce the environmental impact of construction and to improve user well-being
- Innovation project concerning the use of bifacial photovoltaic panels at solar plants.

## 15. ACQUISITION AND DISPOSAL OF TREASURY SHARES

Movements in treasury shares during the year were as follows:

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Number of Treasury Share | Thousands of euros | Number of Treasury Share | Thousands of euros |
| **At the beginning of the year** | **-** | **-** | **-** | **-** |
| Increases/purchases | 38,682 | 2,111 | - | - |
| **At the end of the year** | **38,682** | **2,111** | **-** | **-** |

During 2020 the Parent Company carried out several treasury share transactions with an average acquisition cost of €54.57 per share. At 31 December 2020 the parent company holds 38,682 shares representing 2.02% of share capital.

Those shares are recognized as a reduction in the value of the Parent Company’s capital and reserves at 31 December 2020 by €2,111 thousand. €0 thousand).

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

## ORTIZ CONSTRUCCIONES Y PROYECTOS, S.A. AND SUBSIDIARIES

## CONSOLIDATED DIRECTORS' REPORT FOR 2020

### 16. EVENTS OCCURING AFTER THE REPORTING PERIOD

On 10 March 2021, Mr. Emilio Carpintero López, a member of the Board of Directors of Ortiz Construcciones y Proyectos, S.A. until that date, presented his resignation and therefore he is not a Director when these consolidated annual accounts were prepared.

After the year-end, the Group carried out several transactions involving the shares of the associate Grupo Ortiz Properties SOCIMI, S.A., resulting in a 3.67% reduction in its interest.

At the date these consolidated annual accounts were prepared, the Parent Company's Board of Directors considers that the impact of COVID-19, continues to be in line with the manner described in Note 5.

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 2020 has been detected.

### 17. 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 2020

On the 18 March 2021, 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 2020, which are comprised of the preceding attached documents

Signed: Juan Antonio 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