

Obrascón Huarte Lain, S.A.

Financial Statements for the year
ended 31 December 2016 and
Directors' Report, together with
Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Report on the Financial Statements

We have audited the accompanying financial statements of Obrascón Huarte Lain, S.A., which comprise the balance sheet as at 31 December 2016, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

Directors' Responsibility for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the equity, financial position and results of Obrascón Huarte Lain, S.A. in accordance with the regulatory financial reporting framework applicable to the Company in Spain (identified in Note 2.1 to the accompanying financial statements) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of Obrascón Huarte Lain, S.A. as at 31 December 2016, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

Emphasis of Matter

We draw attention to Note 9.4 to the accompanying financial statements, which indicates that the Company has reached an agreement with a group of banks on financing terms and conditions that ensure that the future needs arising from its business plan are catered for, the definitive execution of which is subject to the usual terms and conditions in transactions of this nature and which includes the arrangement of a new guarantee, reverse factoring and revolving credit facility, all maturing at 18 months from the date of execution of this agreement and tied to a business plan that includes divestments that the Group of which the Company is the Parent must perform in the coming months.

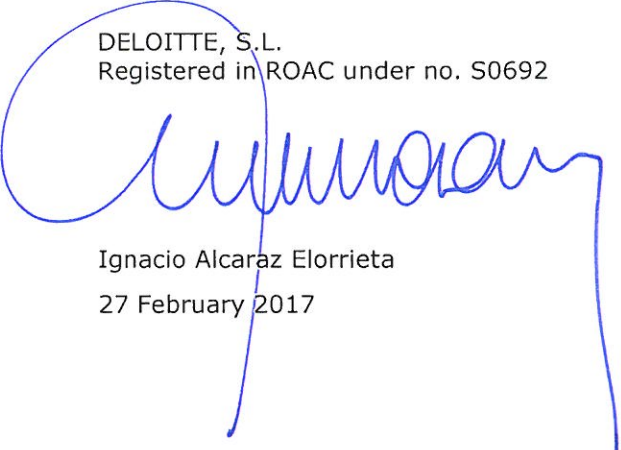
In this context, the failure to execute that agreement or to achieve a significant portion of the business plan would give rise to a material uncertainty that could cast doubt on the Company's ability to continue as a going concern and to realise its assets and settle its liabilities for the amounts and with the classification reflected in the accompanying financial statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The accompanying directors' report for 2016 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2016. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

DELOITTE, S.L.
Registered in ROAC under no. S0692



Ignacio Alcaraz Elorrieta
27 February 2017



OBRASCÓN HUARTE LAIN, S.A.

2016 Financial Statements
and Directors' Report

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Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

OBRASCÓN HUARTE LAIN, S.A.

Balance sheets as at 31 December 2016 and 2015

Assets	Note	31/12/16	31/12/15
Non-current assets			
Intangible assets	5		
Development expenditure		7,070	7,567
Patents, licences, trademarks and similar items		75	52
Computer software		6,596	5,303
		13,741	12,922
Property, plant and equipment	6		
Land and buildings		693	14,293
Machinery and plant		15,097	38,872
Other fixtures, tools and furniture		11,038	14,386
Investments in concessions		38	39
Other items of property, plant and equipment		10,686	7,181
Property, plant and equipment in the course of construction and advances		2,498	2,594
		40,050	77,365
Investment property	7		
Land		13	189
Buildings		916	1,773
		929	1,962
Non-current investments in Group companies and associates	9.3.1		
Equity instruments		1,162,413	1,361,418
Loans to companies		445,278	406,301
		1,607,691	1,767,719
Non-current financial assets			
Equity instruments	9.1	8	8
Loans to third parties	9.1	80,264	2,932
Debt securities	9.1	313	244
Other financial assets	9.1	142,816	113,344
		223,401	116,528
Deferred tax assets	20.5	70,866	67,613
TOTAL NON-CURRENT ASSETS		1,956,678	2,044,109
Current assets			
Non-current assets classified as held for sale	11	-	66,990
Inventories	12		
Raw materials and other supplies		21,770	24,476
Auxiliary shop projects and site installations		16,732	16,585
Advances to suppliers and subcontractors		33,134	30,347
		71,636	71,408
Trade and other receivables			
Trade receivables for sales and services	13	608,843	875,198
Trade receivables from Group companies	14.1	146,296	157,895
Trade receivables from associates	14.2	32,125	24,533
Sundry accounts receivable		18,961	40,971
Employee receivables		1,038	363
Current tax assets	20.1	26,367	52,029
Other accounts receivable from public authorities	20.1	36,705	33,249
		870,335	1,184,238
Current investments in Group companies and associates	9.3.2 & 9.3.3		
Loans to companies		1,494,347	945,123
Other financial assets		76,239	105,819
		1,570,586	1,050,942
Current financial assets			
Equity instruments	9.2	6,329	3
Loans to companies	9.2	11,446	2,921
Debt securities	9.2	808	1,534
Derivatives	9.2 & 10	158	997
Other financial assets	9.2	16,193	12,209
		34,934	17,664
Current prepayments and accrued income		24,611	29,127
Cash and cash equivalents	15		
Cash		277,276	282,932
Cash equivalents		9,772	35,311
		287,048	318,243
TOTAL CURRENT ASSETS		2,859,150	2,738,612
TOTAL ASSETS		4,815,828	4,782,721

Note: The accompanying Notes 1 to 27 are an integral part of the balance sheet as at 31 December 2016.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

OBRASCÓN HUARTE LAIN, S.A.

Balance sheets as at 31 December 2016 and 2015

Equity and liabilities	Note	31/12/16	31/12/15
Equity			
SHAREHOLDERS' EQUITY			
Share capital			
Registered share capital	16.1	179,255	179,255
Share premium	16.3	1,265,300	1,265,300
Reserves			
Legal and bylaw reserves	16.2	11,969	11,969
Other reserves	16.4	67,710	73,983
(Treasury shares)	16.6	(46,145)	(3,908)
Prior years' losses		(317,536)	(213,707)
Loss for the year	3	(425,659)	(103,829)
Other equity instruments		-	7,496
TOTAL SHAREHOLDERS' EQUITY		734,894	1,216,559
VALUATION ADJUSTMENTS			
Available-for-sale financial assets		(2,755)	-
TOTAL VALUATION ADJUSTMENTS		(2,755)	-
GRANTS, DONATIONS AND LEGACIES RECEIVED	16.7	1,135	1,336
TOTAL EQUITY		733,274	1,217,895
Non-current liabilities			
Long-term provisions	17.1		
Other provisions		73,656	14,056
Non-current payables		73,656	14,056
Debt instruments and other marketable securities	18.1	881,127	962,782
Bank borrowings	18.1	248,712	274
Obligations under finance leases	8 & 18.1	11	30
Other financial liabilities	18.1	2,287	2,681
		1,132,137	965,767
Non-current payables to Group companies and associates	18.2	394,800	394,972
Deferred tax liabilities	20.6	10,435	17,351
TOTAL NON-CURRENT LIABILITIES		1,611,028	1,392,146
Current liabilities			
Short-term provisions	17.1	122,231	188,043
Current payables			
Debt instruments and other marketable securities	18.1	24,093	196,974
Bank borrowings	18.1	346,590	46,576
Obligations under finance leases	8 & 18.1	16	47
Derivatives	10 & 18.1	373	22,480
Other financial liabilities	18.1	9,619	16,608
		380,691	282,685
Current payables to Group companies and associates	18.2	1,079,435	952,765
Trade and other payables			
Payables for purchases and services		550,121	434,931
Notes payable		9,834	30,753
Trade payables to Group companies	19.2	106,231	36,644
Trade payables to associates	19.2	19,006	4,677
Remuneration payable		4,376	6,172
Current tax liabilities	20.1	17,162	22,119
Other accounts payable to public authorities	20.1	23,221	33,961
Customer advances	13	159,218	179,930
		889,169	749,187
TOTAL CURRENT LIABILITIES		2,471,526	2,172,680
TOTAL EQUITY AND LIABILITIES		4,815,828	4,782,721

Note: The accompanying Notes 1 to 27 are an integral part of the balance sheet as at 31 December 2016.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

OBRASCÓN HUARTE LAIN, S.A.

Statements of profit or loss for the years ended 31 December 2016 and 2015

	Note	2016	2015
Revenue:	22.1		
Sales		383,124	538,097
Sales at UTEs (based on % of ownership)		125,509	332,633
		508,633	870,730
Change in inventories of auxiliary shops and site facilities		148	1,478
In-house work on non-current assets		782	1,375
Procurements:	22.2		
Cost of construction materials and machinery spare parts used		(171,155)	(227,101)
Work performed by other companies		(425,329)	(217,618)
Inventory write-downs		691	5
Other operating income:			
Non-core and other current operating income		116,750	96,739
Income-related grants transferred to profit or loss		728	453
Staff costs:			
Wages, salaries and similar expenses		(216,595)	(221,055)
Employee benefit costs		(34,899)	(32,653)
Other operating expenses:			
Outside services		(235,919)	(262,345)
Taxes other than income tax		(10,228)	(7,268)
Losses on and write-down of trade receivables and changes in provisions for commercial transactions	22.4	39,383	(76,260)
Other current operating expenses	22.5	(117,011)	(991)
Depreciation and amortisation charge	5, 6 & 7	(30,143)	(32,020)
Excessive provisions		1,494	199
Impairment and gains or losses on disposals of non-current assets:			
Impairment and other losses	6 & 7	372	(2,888)
Gains or losses on disposals and other	5, 6 & 7	8,512	351
I. LOSS FROM OPERATIONS		(563,786)	(108,869)
Finance income:			
From investments in equity instruments:			
Group companies and associates	23.1	268,528	168,950
Third parties	22.6	2	-
From marketable securities and other financial instruments:			
Group companies and associates	23.1	64,799	73,023
Third parties	22.6	18,317	17,309
Finance costs:			
On debts to Group companies and associates	23.1	(53,560)	(86,076)
On debts to third parties	22.6	(69,107)	(107,814)
Interest cost relating to provisions	22.6	(463)	-
Change in fair value of financial instruments:			
Held-for-trading financial assets/liabilities and other		1,857	(20,518)
Exchange differences		7,555	4,359
Impairment and gains or losses on disposals of financial instruments:			
Impairment and other losses	22.7	(225,859)	(61,691)
Gains or losses on disposals and other	22.7	106,284	2,338
II. FINANCIAL PROFIT (LOSS)		118,353	(10,120)
III. LOSS BEFORE TAX (I+II)		(445,433)	(118,989)
Income tax	20.2	19,774	15,160
IV. LOSS FOR THE YEAR		(425,659)	(103,829)

Note: The accompanying Notes 1 to 27 are an integral part of the statement of profit or loss for 2016.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

OBRASCÓN HUARTE LAIN, S.A.

Statements of changes in equity for the years ended 31 December 2016 and 2015

A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

	2016	2015
LOSS FOR THE YEAR (per statement of profit or loss)	(425,659)	(103,829)
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY:	(2,624)	291
Arising from revaluation of financial instruments:		
a) Available-for-sale financial assets	(3,674)	-
b) Other income/(expenses)	-	-
Arising from cash flow hedges	-	-
Grants, donations and legacies received	174	388
Arising from actuarial gains and losses and other adjustments	-	-
Other income and expenses recognised directly in equity	-	-
Tax effect	876	(97)
TRANSFERS TO PROFIT OR LOSS:	(332)	(332)
Arising from revaluation of financial instruments:		
a) Available-for-sale financial assets		-
b) Other income/(expenses)		-
Arising from cash flow hedges		-
Grants, donations and legacies received	(443)	(443)
Other income and expenses recognised directly in equity		-
Tax effect	111	111
TOTAL RECOGNISED INCOME/(EXPENSE)	(428,615)	(103,870)

Note: The accompanying Notes 1 to 27 are an integral part of the statement of changes in equity for 2016.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27).
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OBRASCÓN HUARTE LAIN, S.A.

B) STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

	Shareholders' equity							Valuation adjustments	Grants, donations and legacies received	Total equity
	Share capital	Share premium	Reserves	(Treasury shares)	Prior years' losses	Loss for the year	Other equity instruments			
Ending balance at 31/12/14	59,845	385,640	142,705	(5,104)	-	(213,707)	5,231	-	1,377	375,987
Total recognised income/(expense)	-	-	-	-	-	(103,829)	-	-	(41)	(103,870)
Transactions with shareholders or owners	-	-	-	-	-	-	-	-	-	-
Capital increases/(reductions)	119,410	879,660	(20,249)	-	-	-	-	-	-	978,821
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	(34,961)	-	-	-	-	-	-	(34,961)
Treasury share transactions (net)	-	-	(1,543)	1,196	-	-	-	-	-	(347)
Increases/(decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-
Other transactions with shareholders or owners	-	-	-	-	-	-	-	-	-	-
Other changes in equity	-	-	-	-	(213,707)	213,707	2,265	-	-	2,265
Ending balance at 31/12/15	179,255	1,265,300	85,952	(3,908)	(213,707)	(103,829)	7,496	-	1,336	1,217,895
Total recognised income/(expense)	-	-	-	-	-	(425,659)	-	(2,755)	(201)	(428,615)
Transactions with shareholders or owners	-	-	-	-	-	-	-	-	-	-
Capital increases/(reductions)	-	-	(231)	-	-	-	-	-	-	(231)
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	(13,719)	-	-	-	-	-	-	(13,719)
Treasury share transactions (net)	-	-	(417)	(42,237)	-	-	-	-	-	(42,654)
Increases/(decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-
Other transactions with shareholders or owners	-	-	-	-	-	-	-	-	-	-
Other changes in equity	-	-	8,094	-	(103,829)	103,829	(7,496)	-	-	598
Ending balance at 31/12/16	179,255	1,265,300	79,679	(46,145)	(317,536)	(425,659)	-	(2,755)	1,135	733,274

Note: The accompanying Notes 1 to 27 are an integral part of the statement of changes in equity for 2016.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

OBRASCÓN HUARTE LAIN, S.A.

Statements of cash flows for the years ended 31 December 2016 and 2015

	2016	2015
A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3+4)	(279,274)	(625,953)
1. Loss before tax	(445,433)	(118,989)
2. Adjustments to loss	(74,436)	120,290
(+) Depreciation and amortisation charge	30,143	32,020
(+/-) Other adjustments to loss(net)	(104,579)	88,270
3. Changes in working capital	(506)	(607,912)
4. Other cash flows from operating activities:	241,101	(19,342)
(-) Interest paid	(124,463)	(200,624)
(+) Dividends received	268,530	168,950
(+) Interest received	83,116	90,332
(+/-) Income tax recovered/(paid)	17,579	(21,330)
(+/-) Other amounts received/(paid) relating to operating activities	(3,661)	(56,670)
B) CASH FLOWS FROM INVESTING ACTIVITIES (1+2)	10,363	(49,173)
1. Payments due to investment:	(180,605)	(99,980)
(-) Group companies, associates and business units	(78,456)	(61,858)
(-) Property, plant and equipment, intangible assets and investment property	(3,586)	(20,389)
(-) Other financial assets	(98,563)	(17,733)
(-) Other assets	-	-
2. Proceeds from disposal:	190,968	50,807
(+) Group companies, associates and business units	171,112	47,560
(+) Property, plant and equipment, intangible assets and investment property	19,856	3,247
(+) Other financial assets	-	-
(+) Other assets	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES (1+2+3)	237,716	732,718
1. Proceeds and (payments) relating to equity instruments:	(42,481)	978,862
(+) Proceeds from issue	-	978,821
(-) Redemption	-	-
(-) Purchase	(155,566)	(182,257)
(+) Disposal	112,911	181,910
(+) Grants	174	388
2. Proceeds and (payments) relating to financial liability instruments:	293,916	(211,183)
(+) Proceeds from issue	598,473	563,145
(-) Repayment and redemption	(304,557)	(774,328)
3. Dividends and returns on other equity instruments paid	(13,719)	(34,961)
D) EFFECT OF FOREIGN EXCHANGE RATE CHANGES	-	-
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	(31,195)	57,592
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	318,243	260,651
G) CASH AND CASH EQUIVALENTS AT END OF YEAR (E+F)	287,048	318,243

Note: The accompanying Notes 1 to 27 are an integral part of the statement of cash flows for 2016.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

OBRASCÓN HUARTE LAIN, S.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1.- GENERAL INFORMATION

1.1. Company name, registered office and business activity

Obrascón Huarte Lain, S.A., formerly Sociedad General de Obras y Construcciones Obrascón, S.A., was incorporated on 15 May 1911 and its registered office is located in Madrid, at Paseo de la Castellana, 259-D.

Its company object and its business activity is mainly the construction of all manner of civil engineering works and buildings for public agencies and private customers. In addition, its company object includes the provision of public and private services, the operation of administrative concessions and hotel complexes, and real estate development and the sale of property.

2.- BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Regulatory financial reporting framework applicable to the Company

These financial statements were formally prepared by the directors in accordance with the regulatory financial reporting framework applicable to the Company, which consists of:

- a) The Spanish Commercial Code and all other Spanish corporate law.
- b) The Spanish National Chart of Accounts approved by Royal Decree 1514/2007 and its industry adaptations.
- c) The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.
- d) All other applicable Spanish accounting legislation.

2.2 Fair presentation

The accompanying financial statements, which were obtained from the Company's accounting records and include the unincorporated temporary joint ventures (UTES) in which it has interests, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Company's equity, financial position, results of operations and cash flows for 2016. These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes. The financial statements for 2015 were approved by the shareholders at the Annual General Meeting held on 21 June 2016.

Since Obrascón Huarte Lain, S.A. is the head of a group of companies which form the Obrascón Huarte Lain Group, under current legislation it is obliged to prepare consolidated financial statements separately. The aforementioned consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs), in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2016.

The 2016 consolidated financial statements of Obrascón Huarte Lain, S.A. and Subsidiaries, prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs), present consolidated attributable equity of EUR 2,439,689 thousand and consolidated assets and losses attributable to the Parent of EUR 12,920,346 thousand and EUR (432,338) thousand, respectively.

The consolidated financial statements of the Obrascón Huarte Lain Group for 2016, prepared by the directors, will also be submitted for approval by the shareholders at the Annual General Meeting. The consolidated financial statements for 2015 were approved by the shareholders at the Annual General Meeting held on 21 June 2016.

2.3 Non-obligatory accounting principles applied

No non-obligatory accounting principles were applied.

The directors formally prepared these financial statements taking into account all the obligatory accounting principles and standards with a significant effect hereon. All obligatory accounting principles were applied.

2.4 Key issues in relation to the measurement and estimation of uncertainty

In preparing the accompanying financial statements estimates were made by the Company's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The useful life of intangible assets and property, plant and equipment and impairment losses thereon (see Notes 4.1, 4.2 and 4.3).
- The assessment of possible impairment losses on certain assets (see Note 4.3).
- The recognition of construction contract revenue and costs (see Note 4.11).
- The amount of certain provisions (see Notes 4.12 and 17).
- The fair value of certain financial instruments (see Note 10).
- The assumptions used in calculating other obligations to employees (see Notes 4.15 and 22.8).
- The assessment of possible contingencies relating to employment and tax risks (see Notes 4.13, 17.1 and 20.7).
- Financial risk management (see Note 9.4.1).

Construction contract revenue is recognised in accordance with the applicable legislation, including any claims, as indicated in Note 4.11.

Accordingly, the Company has been including certain amounts associated with the claims that are under negotiation with customers, since it was considered highly probable that they would ultimately be accepted; however, in cases where this situation gives rise to disputes (either in court or in arbitration), the recoverability thereof has been reassessed and, if necessary, provisions were recognised to adjust the amounts to their estimated recoverable amount.

The loss for the year was affected by certain changes in estimates of revenue from certain projects contracted in prior years and that have changed during the resolution in 2016, giving rise to an adverse effect as described below.

In 2016, following an updated analysis of the status of these claims, taking into account the situation of each negotiation, the period for their possible resolution, the technical assessment, the assessment of internal and external legal advisers and the situation of each country in which our customers' activities are located, the final objectives of these projects were re-estimated.

This re-estimation led to construction project revenue being revised downwards from previously considered levels for certain projects, and the Company estimates that it is now more in line with the projects' current situation and the legal and political environment of the countries in which these projects are being carried out. However, in cases where litigation proceedings are in process, the Company considers that it is entitled to recover the amounts claimed and will continue with these claim proceedings until their resolution.

The most significant effects of this re-estimation on the statement of profit or loss for 2016 were as follows:

- Reduced sales revenue amounting to approximately EUR 154,800 thousand from sales associated with the Annaba (Algeria) and Marmaray (Turkey) projects due to a reassessment of the projected earnings upon completion of this construction project.
- Identification of higher final construction costs amounting to approximately EUR 286,700 thousand, relating primarily to the Kuwait Bypass (Kuwait), Line 3 of the Chile metro (Chile), access to the Gibraltar airport (UK) and Marmaray (Turkey) projects.

Following is a brief description of the analysis that led to these changes in the estimates for the most significant construction contracts:

- **Annaba Railway** (Installation of a double track and modernisation of the Annaba railway) (Algeria): the original budget took into consideration the success of certain claims for cost overruns incurred as a result of track clearance activities and services affected that were not performed by the customer. In 2016, within a context of negotiations with the customer and as a result of an estimated medium- to long-term time horizon for resolution, the Company opted to not include these claims in the current budget.
- **UTE Marmaray** (66-km long railway infrastructure for suburban and long-distance trains between the Halkai and Gebze stations) (Turkey): an agreement has been reached with the customer whereby the work will continue and will be partly performed by local subcontractors, thereby limiting the future risk for OHL. The final project targets have been re-estimated and, in the context of the new agreement signed in the second half of 2016, the claims in process filed by the Company and the customer were withdrawn, with the concomitant impact on the final project target, which had also taken into consideration the political situation of the country.
- **Kuwait Bypass** (11-km elevated bypass over Hamal Abdul Nasser Avenue) (Kuwait): This project, 50% of which was carried out by a local partner, gave rise to significant claims for cost overruns which were incurred due to customer delays and changes requested by them during the performance of the construction work. The rest of the project is currently being performed, and it is expected that, within a context of negotiations with the customer, the work not yet performed will be completed and resolution of the disputed amounts will be postponed until after completion of the project. In this context, the Company has opted to reassess the final revenue without considering the claims for cost overruns, given the long-term estimated time frame for their resolution.
- **Gibraltar Airport access** (UK): Following the court order issued on the proceedings open with the Government of Gibraltar, the Company reached an agreement in 2016 accepting responsibility for the completion of the contract work, estimating the final execution costs on the basis of the amounts to be received that were still outstanding envisaged in the original contract.

Note 13, "Trade Receivables for Sales and Services and Customer Advances," also refers to these changes.

Although these estimates were made on the basis of the best information available at 2016 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

3.- PROPOSED ALLOCATION OF LOSS

The allocation of the loss for 2016 that the directors of Obrascón Huarte Lain, S.A. will propose for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of euros
2016 loss	(425,659)
Allocation:	
To prior years' losses	(425,659)

4.- ACCOUNTING POLICIES

The principal accounting policies used by the Company in preparing its financial statements in accordance with the Spanish National Chart of Accounts (2007) and the adaptation for construction companies of the former Spanish National Chart of Accounts (1990), which remains in force in relation to all matters which do not contravene the provisions of the new Spanish National Chart of Accounts, were as follows:

4.1 Intangible assets

As a general rule, intangible assets are recognised initially at acquisition or production cost. They are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

All of the Company's intangible assets have a finite useful life.

Spanish Audit Law 22/2015, of 20 July, introduced certain changes to the Spanish Commercial Code (Article 39.4) that affect intangible assets and goodwill. The new wording establishes that intangible assets are assets with finite useful lives and that when the useful lives of these assets cannot be reliably estimated they are amortised over a ten-year period, unless any other legal or regulatory provision establishes a different period. These amendments will be applied to financial statements for the reporting periods commencing on or after 1 January 2016.

Also, Royal Decree 602/2016, of 2 December, amending the Spanish National Chart of Accounts, was published on 17 December 2016, the aim of which is the implementation by secondary legislation of the aforementioned amendments to the Spanish Commercial Code.

The impact of these amendments on the Company's financial statements was not material.

Development expenditure

The Company capitalises the development expenditure which it incurs during the year when the following conditions are met:

- It is specifically itemised by project and the related costs can be clearly identified.
- There are sound reasons to foresee the technical success and economic and commercial profitability of the related projects.

Assets thus generated are amortised on a straight-line basis over their years of useful life (over a maximum period of five years).

If there are doubts as to the technical success or economic profitability of the related project, the amounts capitalised are recognised directly in profit or loss.

Intellectual property

"Intellectual Property" includes the costs incurred in obtaining intellectual property or the right to use the related items, such as invention patents, utility model certificates, industrial designs and introduction patents, among others.

Intellectual property is measured at acquisition or production cost, based on the development expenditure incurred and capitalised (provided there is a successful outcome), and filed in the appropriate register (accordingly, the intellectual property registration and formalisation costs are added). Research expenditure is not included under any circumstances.

These assets are amortised on a straight-line basis over the related years of useful life, in accordance with the related protection period.

Computer software

"Computer Software" includes mainly the costs incurred in the installation and acquisition of computer software, which is amortised on a straight-line basis over a maximum period of four years.

4.2 Property, plant and equipment

Property, plant and equipment are measured at acquisition cost (revalued in accordance with the applicable legislation including Royal Decree-Law 7/1996), less any related accumulated depreciation and impairment losses, as described in Note 4.3.

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Upkeep and maintenance expenses are expensed currently.

In-house work on non-current assets is measured at accumulated cost (external costs plus in-house costs, determined on the basis of in-house materials consumption, direct labour and general manufacturing costs).

The Company depreciates its property, plant and equipment by the straight-line method over the years of estimated useful life of the related assets.

The years of estimated useful life for each group of items of property, plant and equipment are as follows:

	Years of estimated useful life
Buildings	25-50
Machinery and plant	8-16
Other fixtures, tools and furniture	10
Other items of property, plant and equipment	3-5

Investments in concessions are depreciated on a straight-line basis over the term of the concession.

4.3 Impairment of intangible assets and property, plant and equipment

The Company reviews the carrying amount of its intangible assets and property, plant and equipment to compare it with the recoverable amount in order to determine if there are any impairment losses.

Recoverable amount is the higher of:

- Fair value.
The price that would be agreed upon by two independent parties, less costs to sell and
- Value in use.
Estimated present value of the expected future cash flows.

If the recoverable amount of an asset is lower than its carrying amount, an impairment loss is recognised.

When an impairment loss subsequently reverses, income is recorded up to the amount of the impairment loss previously recognised.

4.4 Investment property

“Investment Property” in the balance sheet reflects the values of the land, buildings and other structures held either to earn rentals or for capital appreciation.

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

4.5 Non-current assets classified as held for sale

Assets are classified under “Non-Current Assets Classified as Held for Sale” if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The asset must be available for immediate sale, subject to the usual terms and conditions of sale, and the sale must be highly probable. The sale is considered to be highly probable when there is a plan to sell the assets and an active programme to locate a buyer and complete the plan has been initiated. Also, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are carried at the lower of carrying amount and fair value less costs to sell.

4.6 Leases

Leases are classified as finance leases whenever it is deduced that from the terms of the lease substantially all the risks and rewards of ownership of the leased asset are assumed. All other leases are classified as operating leases.

Finance leases

In finance leases in which the Company acts as the lessee, the cost of the leased assets is presented in the balance sheet, based on the nature of the leased asset, and, simultaneously, a liability is recognised for the same amount. This amount is the lower of the fair value of the leased asset and the present value, at the inception of the lease, of the agreed minimum lease payments, including the price of the purchase option when it is reasonably certain that it will be exercised. The minimum lease payments do not include contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor. The total finance charges arising under the lease are allocated to the statement of profit or loss for the year in which they are incurred using the effective interest method. Contingent rent is recognised as an expense for the period in which it is incurred.

Leased assets are depreciated, based on their nature, using similar criteria to those applied to the items of property, plant and equipment that are owned.

Operating leases

Operating leases are deemed to be those in which the lessor grants the lessee the right to use an asset for a specified period of time and, therefore, they are leases for rights of use that do not transfer the risks and rewards incidental to ownership of an asset and are accounted for on the basis of the contractual nature of each transaction.

Expenses resulting from operating leases are charged to income in the year in which they are incurred. A payment or prepayment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

4.7 Financial instruments

4.7.1. Financial assets

The financial assets held by the Company are classified in the following categories:

- a) Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

Initial recognition

Financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

Subsequent measurement

Loans and receivables are measured at amortised cost.

- b) Held-to-maturity investments: debt securities with fixed maturity and determinable payments that are traded in an active market and which the Company has the positive intention and ability to hold to the date of maturity.

Initial recognition

Held-to-maturity investments are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

Subsequent measurement

Held-to-maturity investments are measured at amortised cost.

- c) Equity investments in Group companies and associates: Group companies are deemed to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence.

Initial recognition

Equity investments in Group companies and associates are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs. In the case of equity investments in Group companies affording control over the subsidiary, since 1 January 2010 the fees paid to legal advisers and other professionals relating to the acquisition of the investment have been recognised directly in profit or loss.

Subsequent measurement

Investments in Group companies and associates are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill).

- d) Available-for-sale financial assets: these include debt securities and equity instruments of other companies that are not classified in any of the aforementioned categories.

Initial recognition

Available-for-sale financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

Subsequent measurement

Available-for-sale financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or it is determined that it has become (permanently) impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net profit or loss for the year. In this regard, (permanent) impairment is deemed to exist if the market value of the asset has fallen by more than 40% over a period of 18 months without the value having recovered.

At least at each reporting date the Company tests financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the statement of profit or loss.

In particular, the Company calculates valuation adjustments relating to trade and other receivables by recognising impairment on balances of a certain age or on those affected by circumstances that justify a valuation adjustment such as customer disputes and litigation, even when the Company continues to take measures to recover the amounts in full.

The Company derecognises a financial asset when the rights to the cash flows from the financial asset expire or have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred, such as in the case of firm asset sales, factoring of trade receivables in which the Company does not retain any credit or interest rate risk, sales of financial assets under an agreement to repurchase them at fair value and the securitisation of financial assets in which the transferor does not retain any subordinated debt, provide any kind of guarantee or assume any other kind of risk.

However, the Company does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received, in transfers of financial assets in which substantially all the risks and rewards of ownership are retained, such as in the case of note and bill discounting, recourse factoring, sales of financial assets subject to an agreement to buy them back at a fixed price or at the selling price plus a lender's return and the securitisation of financial assets in which the transferor retains a subordinated interest or any other kind of guarantee that absorbs substantially all the expected losses.

4.7.2. Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be classed as derivative financial instruments.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

Financial liability instruments are measured at fair value.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

4.7.3. Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments issued by the Company are recognised in equity at the proceeds received, net of issue costs.

Treasury shares acquired by the Company during the year are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they

recognised in profit or loss.

4.7.4. Derivative financial instruments and hedges

In order to mitigate the economic effects of exchange rate fluctuations to which the Company is exposed as a result of its business activities, the Company uses derivative financial instruments, such as foreign currency hedges and equity swaps.

The foreign currency hedges are future exchange commitments, on the basis of which the Company and banks agree to exchange currencies in the future. In relation to the equity swap tied to the Company's share price, the commitment is to pay or receive the result of the change in the share price with respect to the reference price and to pay a floating interest rate.

When the Company arranges a derivative, it does not do so with the intention of settling it early or of trading with it. The Company does not use derivatives for speculative purposes, but rather to mitigate the economic effects of exchange rate fluctuations arising from its foreign trade and financing activities.

Derivatives are recognised on the balance sheet at their fair value in the same way as any other financial assets or liabilities. Only certain derivatives can be considered to qualify for hedge accounting.

As in the case of other financial assets and liabilities, recognition of the fair value of a derivative gives rise to a change in equity when the derivative is considered to qualify for hedge accounting. The change in equity is recognised under "Valuation Adjustments". When the derivative is not considered to qualify for hedge accounting it is recognised directly in profit or loss. The value of a derivative takes into consideration the assessment of credit risk or the risk of counterparty default, which leads to a reduction in the value of the related asset or liability.

The requirements that must be met for a derivative to qualify for hedge accounting are as follows:

- The underlying in relation to which the derivative is arranged to mitigate the economic effects that might arise therefrom as a result of fluctuations in exchange rates, interest rates or both simultaneously must initially be identified.
- When the derivative is arranged, the reason for which it was arranged must be appropriately documented and the hedged risk must be identified.
- It must be demonstrated that the hedge is effective from the date of the arrangement of the derivative to the date of its settlement, i.e. that it meets the objective initially defined. In order to assess this, the effectiveness of the hedge is tested.

In order for derivatives to qualify for hedge accounting, the cumulative balances of "Equity" are transferred to the statement of profit or loss when, and to the extent that, the gains or losses on the hedged risk of the underlying also start to be reflected in the statement of profit or loss.

When the derivative does not qualify for hedge accounting, or the Company voluntarily decides not to apply hedge accounting, changes in fair value are recognised in profit or loss.

4.8 Inventories

Inventories are measured at the lower of acquisition or production cost and net realisable value.

The Company recognises the appropriate write-downs as an expense in the statement of profit or loss when the net realisable value of the inventories is lower than acquisition or production cost.

4.9 Foreign currency transactions

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be "foreign currency transactions" and are recognised by applying the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. Any resulting gains or losses are recognised directly in the statement of profit or loss in the year in which they arise.

4.10 Income tax

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss).

Deferred tax assets are recognised to the extent that it is considered probable that the Company will have taxable profits in the future against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.


At 31 December 2016, the Company was head of the Obrascón Huarte Lain consolidated tax group.

4.11 Revenue and expense recognition

In the construction industry, revenue is calculated using the stage of completion method whereby, in construction projects from which a final profit is expected, the outcome is calculated by applying to the expected profit the percentage resulting from comparison of the actual costs incurred up to that date with the projected total costs through completion of the project.

An expected loss on a construction contract is recognised as an expense immediately.

In accordance with standard practice, the estimates used to calculate the stage of completion include the possible effect on the outcome of projects of the margin on certain contract modifications, change



orders, addenda and settlements which are being processed, and which the Company considers to be reasonably realisable.

Also, claims are included in contract revenue, only when negotiations have reached an advanced stage and the customer's acceptance is likely or when there are favourable technical and legal reports supporting this recognition.

When the claims are in litigation (judicial or arbitral), no additional revenue is recognised until they have been settled. The Company periodically performs a recoverability analysis of the amounts recognised based on the progress of the negotiations, recognising where applicable the necessary provisions to adjust the balances to their recoverable amount.

"Amounts to Be Billed for Work Performed" represents the difference between the amount of the completed work recognised, including the adjustment to the margin recognised by application of the stage of completion, and the amount of billed completed work through the balance sheet date.

If the amount of production from inception is lower than the amount billed, the difference is recognised under "Customer Advances" on the liability side of the balance sheet.

Late-payment interest which could accrue under the contracts due to delays in the collection of billings or invoices is recognised when it is probable that it will be received and when the amount thereof can be reliably measured, and is recognised as finance income.

The estimated site clearance costs and the expenses which may arise from completion of a project until its definitive settlement are accrued over the construction period on the basis of production volumes, and are recognised under "Short-Term Provisions" on the liability side of the balance sheet. Other expenses are recognised on an accrual basis.

The revenue of the other activities is recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

4.12 Provisions

The Company's financial statements include all the material provisions with respect to which it is considered that it is highly probable that the obligation covered by them will have to be settled (see Note 17.1). Contingent liabilities are not recognised in the financial statements, but rather are disclosed (see Note 17.3).

Provisions are classified as current or non-current based on the estimated period of time for meeting the obligations covered by them.

The most significant provisions are as follows:

Provision for taxes

This is an estimate of tax debts, the exact amount of which cannot be determined or whose date of payment is uncertain since this depends on whether certain conditions are met.

Provisions for litigation and third-party liability

In order to cater for the possible adverse economic effects that might result from court proceedings and claims filed against the Company arising in the ordinary course of its operations, the Company recognised the related provisions.

Provision for investees

The purpose of this provision is to cover the losses that the Company would have to bear in the event of the disposal or dissolution of Group companies or associates that have an equity deficit and no unrealised gains.

Provision for project completion

This provision is intended to cover the expenses arising from completion of a project until its definitive settlement. The estimated costs in this connection are accrued over the construction period on the basis of production volumes.

Provision for management and other fees

This provision relates to the amount incurred for project management and inspection fees, laboratory, layout and other fees payable at the balance sheet date. The amounts of these fees are established in the related project specifications and in current legislation. The estimated costs in this connection are accrued over the construction period on the basis of production volumes.

Other provisions

This relates to prepayment of expenses such as guarantees and insurance and provisions for third-party liability and construction project costs and losses.

4.13 Termination benefits

In accordance with the various collective labour agreements in force, the Company is required to pay termination benefits to employees terminated under certain conditions.

“Short-Term Provisions” on the liability side of the balance sheet includes a provision for the liability incurred in this connection for temporary site employees, based on the average remuneration rate and the average years of service (see Note 17.1).

The Company’s directors consider that, based on possible dismissals of permanent employees that might arise under normal circumstances in the future and on the related amounts payable, the accrued liability for termination benefits was not material at the reporting date; accordingly, no provision was recognised in this connection in the 2016 financial statements.

4.14 Environmental assets, liabilities and activities

Environmental activities are those the main purpose of which is to prevent, reduce or redress damage to the environment.

The Company's main activity is construction. Most construction contracts include an environmental impact assessment and the performance of work to conserve, maintain and restore the environment.

The Company does not consider environmental assets and expenses to be those related to the aforementioned provision of services since they are performed for third parties. However, environmental claims and obligations are included regardless of whether or not they arise from the Company's own operations or operations performed for third parties.

Investments relating to environmental activities are measured at acquisition cost and capitalised as an addition to non-current assets in the year in which they are made.

Environmental protection and enhancement expenses are recognised in the statement of profit or loss in the year in which they are incurred, regardless of when the resulting monetary or financial flow arises.

Provisions for probable or certain third-party liability, litigation in process and outstanding environmental indemnity payments or obligations of undetermined amount not covered by the insurance policies taken out are recorded when the liability or obligation giving rise to the indemnity or payment arises.

4.15 Share-based payment plans

These plans are measured when granted using a financial method which takes into account the exercise price, volatility, the option life, expected dividends, the risk-free interest rate and the assumptions made to incorporate the effects of expected early exercise.

In accordance with the Spanish National Chart of Accounts, the aforementioned amount is allocated to income under "Staff Costs" over the period in which the employee is required to remain as an employee in order to exercise the plan and is allocated to the statement of profit or loss on a straight-line basis over the period between the grant date and the exercise date.

The Company may choose whether the plan will be cash-settled or equity-settled. Where the Company's management considers that it does not have a present obligation to settle the plan in cash, the balancing entry for the staff costs recognised is made in an equity account, without making any adjustment to the amount initially recognised, in accordance with the provisions of the Spanish National Chart of Accounts relating to plans of this nature.

Lastly, in order to hedge the potential loss that might arise from the aforementioned remuneration plans, the Company arranges financial instruments intended to hedge the future cash flows required to settle this remuneration system. These financial instruments are considered to be derivatives and do not qualify for hedge accounting.

4.16 Grants, donations and legacies received

The Company accounts for grants, donations and legacies received as follows:

- a) Non-refundable grants, donations and legacies related to assets: these are measured at the fair value of the amount or the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss. Until they are recognised in profit or loss, they are presented net of their tax effect, in equity.
- b) Refundable grants: while they are refundable, they are recognised as a liability.
- c) Grants related to income: grants related to income are credited to income when granted, unless their purpose is to finance losses from operations in future years, in which case they are allocated to income in those years. If grants are received to finance specific expenses, they are allocated to income as the related expenses are incurred.

4.17 Joint arrangements

A joint arrangement is an economic activity in which joint control is exercised by two or more physical or legal persons (venturers), which occurs when there is a bylaw or contractual arrangement whereby the venturers agree to share the management of the financial and operating policies and, therefore, strategic decisions require the unanimous consent of all of the venturers.

Joint ventures may occur through the incorporation of a company, an actual joint venture, or through the constitution of joint property entities or unincorporated temporary joint ventures, i.e. joint arrangements.


As is customary in the construction industry, certain construction projects are performed through the grouping of several companies as a UTE.

The main UTEs in which the Company participated at 31 December 2016 are detailed in Appendix I to these notes to the financial statements.

The outcome of construction work performed at UTEs is recognised by the same method as that applied by the Company for its own construction projects, as explained in Note 4.11.

The expenses incurred on behalf of, and other services provided to, the UTEs are recognised when the expense is incurred or the service provided. These amounts are recognised under "Non-Core and Other Current Operating Income" in the statement of profit or loss.

In accordance with recognition and measurement standard 20 of the Spanish National Chart of Accounts, the financial statements reflect the effect of the proportionate consolidation of the UTEs



in which the Company holds ownership interests at year-end, through the inclusion of its share therein in the various statement of profit or loss and balance sheet headings. These balances, when material, are shown in the following Notes. In addition, the proportional part corresponding to the Company of the related items of the UTEs are included in the statement of changes in equity and the statement of cash flows.

4.18 Current/Non-current classification

Current assets are assets associated with the normal operating cycle, which in general is considered to be one year. Other assets which are expected to mature, be disposed of or be realised within twelve months from the end of the reporting period, financial assets held for trading, except for financial derivatives that will be settled in a period exceeding one year, and cash and cash equivalents are also deemed to be current assets. Assets that do not meet these requirements are classified as non-current assets.

Similarly, current liabilities are liabilities associated with the normal operating cycle, financial liabilities held for trading, except for financial derivatives that will be settled in a period exceeding one year; and, in general, all obligations that will mature or be extinguished at short term. All other liabilities are classified as non-current liabilities.

4.19 Statement of cash flows

Cash flows are inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value. The statement of cash flows, which was prepared using the indirect method, reflects the changes in cash flows in the year, classifying them as:

- Operating activities: the principal revenue-producing activities of the Company and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Company that are not operating activities.

5.- INTANGIBLE ASSETS

The changes in “Intangible Assets” in the balance sheet in 2016 and 2015 were as follows:

2016

	Thousands of euros					
	Beginning balance	Additions or charge for the year	Disposals or reductions	Exchange differences	Transfers	Ending balance
Development expenditure:						
Cost	19,339	783	-	-	(340)	19,782
Accumulated amortisation	(11,772)	(940)	-	-	-	(12,712)
	7,567	(157)	-	-	(340)	7,070
Computer software:						
Cost	17,511	3,556	(412)	(6)	310	20,959
Accumulated amortisation	(12,208)	(2,532)	369	8	-	(14,363)
	5,303	1,024	(43)	2	310	6,596
Patents, licences and trademarks:						
Cost	244	55	-	-	-	299
Accumulated amortisation	(192)	(32)	-	-	-	(224)
	52	23	-	-	-	75
Total:						
Cost	37,094	4,394	(412)	(6)	(30)	41,040
Accumulated amortisation	(24,172)	(3,504)	369	8	-	(27,299)
Total intangible assets	12,922	890	(43)	2	(30)	13,741

2015

	Thousands of euros					
	Beginning balance	Additions or charge for the year	Disposals or reductions	Exchange differences	Transfers	Ending balance
Development expenditure:						
Cost	18,057	1,346	(64)	-	-	19,339
Accumulated amortisation	(10,832)	(940)	-	-	-	(11,772)
	7,225	406	(64)	-	-	7,567
Computer software:						
Cost	17,502	2,924	(2,993)	3	75	17,511
Accumulated amortisation	(12,604)	(2,379)	2,787	-	(12)	(12,208)
	4,898	545	(206)	3	63	5,303
Other intangible assets:						
Cost	244	-	-	-	-	244
Accumulated amortisation	(172)	(20)	-	-	-	(192)
	72	(20)	-	-	-	52
Total:						
Cost	35,803	4,270	(3,057)	3	75	37,094
Accumulated amortisation	(23,608)	(3,339)	2,787	-	(12)	(24,172)
Total intangible assets	12,195	931	(270)	3	63	12,922

The additions in 2016 recognised under “Development Expenditure” relate to the performance of 17 projects.

The net loss on disposal of intangible asset items in 2016 amounted to EUR 37 thousand (2015: net loss of EUR 264 thousand).

At 31 December 2016, the cost and accumulated amortisation included EUR 681 thousand and EUR 583 thousand, respectively, related to UTEs (31 December 2015: EUR 675 thousand and EUR 575 thousand, respectively).

At 31 December 2016, the cost and accumulated amortisation of intangible assets located abroad amounted to EUR 820 thousand and EUR 670 thousand, respectively (31 December 2015: EUR 801 thousand and EUR 654 thousand, respectively).

At 31 December 2016, fully amortised intangible assets in use amounted to EUR 19,330 thousand (31 December 2015: EUR 17,166 thousand).

In 2016 the Company received Government grants amounting to EUR 174 thousand earmarked for various R&D projects (2015: EUR 388 thousand) (see Note 16.7). At the end of 2016 EUR 441 thousand had been capitalised in connection with these projects.

6.- PROPERTY, PLANT AND EQUIPMENT

The changes in "Property, Plant and Equipment" in the balance sheet in 2016 and 2015 were as follows:

2016

	Thousands of euros					
	Beginning balance	Additions or charge for the year	Disposals or reductions	Exchange differences	Transfers	Ending balance
Land and buildings:						
Cost	20,608	-	(19,811)	-	-	797
Accumulated depreciation	(6,315)	(20)	6,231	-	-	(104)
	14,293	(20)	(13,580)	-	-	693
Machinery and plant:						
Cost	124,532	1,966	(20,873)	1,814	(5,350)	102,089
Accumulated depreciation	(85,660)	(18,090)	17,937	(1,188)	9	(86,992)
	38,872	(16,124)	(2,936)	626	(5,341)	15,097
Other fixtures, tools and furniture:						
Cost	77,522	1,796	(8,699)	1,642	(226)	72,035
Accumulated depreciation	(59,856)	(5,429)	8,676	(991)	(9)	(57,609)
Impairment	(3,280)	-	-	(108)	-	(3,388)
	14,386	(3,633)	(23)	543	(235)	11,038
Investments in concessions:						
Cost	119	-	-	-	-	119
Accumulated depreciation	(12)	(1)	-	-	-	(13)
Impairment	(68)	-	-	-	-	(68)
	39	(1)	-	-	-	38
Other items of property, plant and equipment:						
Cost	32,717	1,051	(4,188)	1,334	5,702	36,616
Accumulated depreciation	(25,394)	(3,075)	3,708	(1,022)	-	(25,783)
Impairment	(142)	-	-	(5)	-	(147)
	7,181	(2,024)	(480)	307	5,702	10,686
Property, plant and equipment in the course of construction and advances:						
Cost	2,594	-	-	-	(96)	2,498
	2,594	-	-	-	(96)	2,498
Total:						
Cost	258,092	4,813	(53,571)	4,790	30	214,154
Accumulated depreciation	(177,237)	(26,615)	36,552	(3,201)	-	(170,501)
Impairment	(3,490)	-	-	(113)	-	(3,603)
Total property, plant and equipment	77,365	(21,802)	(17,019)	1,476	30	40,050

2015

	Thousands of euros					
	Beginning balance	Additions or charge for the year	Disposals or reductions	Exchange differences	Transfers	Ending balance
Land and buildings:						
Cost	20,172	-	-	-	436	20,608
Accumulated depreciation	(6,109)	(206)	-	-	-	(6,315)
	14,603	(206)	-	-	436	14,293
Machinery and plant:						
Cost	110,235	17,888	(16,834)	(660)	13,903	124,532
Accumulated depreciation	(74,842)	(18,039)	6,061	1,152	8	(85,660)
	35,393	(151)	(10,773)	492	13,911	38,872
Other fixtures, tools and furniture:						
Cost	76,062	4,292	(1,537)	(1,002)	(293)	77,522
Accumulated depreciation	(56,912)	(5,871)	1,140	1,741	46	(59,856)
Impairment	-	(2,941)	-	(339)	-	(3,280)
	19,150	(4,520)	(397)	400	(247)	14,386
Investments in concessions:						
Cost	119	-	-	-	-	119
Accumulated depreciation	(11)	(1)	-	-	-	(12)
Impairment	(68)	-	-	-	-	(68)
	40	(1)	-	-	-	39
Other items of property, plant and equipment:						
Cost	34,172	1,416	(2,415)	(697)	241	32,717
Accumulated depreciation	(24,675)	(4,527)	3,125	725	(42)	(25,394)
Impairment	-	(125)	-	(17)	-	(142)
	9,497	(3,236)	710	11	199	7,181
Property, plant and equipment in the course of construction and advances:						
Cost	15,882	1,074	-	-	(14,362)	2,594
	15,882	1,074	-	-	(14,362)	2,594
Total:						
Cost	256,642	24,670	(20,786)	(2,359)	(75)	258,092
Accumulated depreciation	(162,549)	(28,644)	10,326	3,618	12	(177,237)
Impairment	(68)	(3,066)	-	(356)	-	(3,490)
Total property, plant and equipment	94,025	(7,040)	(10,460)	903	(63)	77,365

There were no significant investment commitments in connection with property, plant and equipment in the course of construction and advances.

The net gain on disposal of property, plant and equipment items in 2016 amounted to EUR 9,029 thousand (2015: net gain of EUR 880 thousand).

At 31 December 2016, the cost, accumulated depreciation and impairment included EUR 39,462 thousand, EUR 25,594 thousand and EUR 3,535 thousand, respectively, related to UTEs (31 December 2015: EUR 38,750 thousand, EUR 21,928 thousand and EUR 3,422 thousand, respectively).

At 2016 year-end the cost, accumulated depreciation and impairment of property, plant and equipment located abroad amounted to EUR 166,383 thousand, EUR 130,972 thousand and EUR 3,535 thousand, respectively (2015 year-end: EUR 159,362 thousand, EUR 105,617 thousand and EUR 3,422 thousand, respectively).

At 31 December 2016, fully depreciated property, plant and equipment in use amounted to EUR 90,647 thousand (31 December 2015: EUR 81,962 thousand).

As indicated in Note 8, at the end of 2016 the Company held various items of property, plant and equipment under finance leases.

The Company takes out all the insurance policies required to cover the possible risks to which its property, plant and equipment are subject.

7.- INVESTMENT PROPERTY

The changes in “Investment Property” in the balance sheet in 2016 and 2015 were as follows:

2016

	Thousands of euros				
	Beginning balance	Additions or charge for the year	Disposals or reductions	Transfers	Ending balance
Building lots:					
Cost	189	-	-	-	189
Impairment	-	(176)	-	-	(176)
	189	(176)	-	-	13
Housing units:					
Cost	1,798	-	(1,445)	-	353
Accumulated depreciation	(112)	(10)	101	-	(21)
Impairment	(700)	-	542	-	(158)
	986	(10)	(802)	-	174
Offices:					
Cost	55	-	-	-	55
Accumulated depreciation	(2)	(1)	-	-	(3)
	53	(1)	-	-	52
Car parks:					
Cost	620	-	(41)	-	579
Accumulated depreciation	(106)	(9)	4	-	(111)
Impairment	(15)	-	6	-	(9)
	499	(9)	(31)	-	459
Other:					
Cost	310	-	-	-	310
Accumulated depreciation	(26)	(4)	-	-	(30)
Impairment	(49)	-	-	-	(49)
	235	(4)	-	-	231
Total:					
Cost	2,972	-	(1,486)	-	1,486
Accumulated depreciation	(246)	(24)	105	-	(165)
Impairment	(764)	(176)	548	-	(392)
Total investment property	1,962	(200)	(833)	-	929

2015

	Thousands of euros				
	Beginning balance	Additions or charge for the year	Disposals or reductions	Transfers	Ending balance
Building lots:					
Cost	1,316	-	(1,127)	-	189
	1,316	-	(1,127)	-	189
Housing units:					
Cost	2,327	-	(529)	-	1,798
Accumulated depreciation	(123)	(23)	34	-	(112)
Impairment	(877)	-	177	-	(700)
	1,327	(23)	(318)	-	986
Offices:					
Cost	55	-	-	-	55
Accumulated depreciation	(2)	-	-	-	(2)
	53	-	-	-	53
Car parks:					
Cost	620	-	-	-	620
Accumulated depreciation	(96)	(10)	-	-	(106)
Impairment	(15)	-	-	-	(15)
	509	(10)	-	-	499
Other:					
Cost	310	-	-	-	310
Accumulated depreciation	(22)	(4)	-	-	(26)
Impairment	(49)	-	-	-	(49)
	239	(4)	-	-	235
Total:					
Cost	4,628	-	(1,656)	-	2,972
Accumulated depreciation	(243)	(37)	34	-	(246)
Impairment	(941)	-	177	-	(764)
Total investment property	3,444	(37)	(1,445)	-	1,962

Of the 2016 net balance, EUR 9 thousand relate to UTEs (31 December 2015: EUR 9 thousand).

The Company's investment property relates mainly to buildings held for capital appreciation.

The carrying amount of the most significant investments included under "Investment Property" at 31 December 2016 is as follows:

- Housing units, garages and storage rooms in Fuengirola amounting to EUR 213 thousand (2015: EUR 421 thousand).
- A commercial property in Barcelona amounting to EUR 194 thousand (2015: EUR 196 thousand).
- Garages in Almería amounting to EUR 327 thousand (2015: EUR 333 thousand).

The net gain on disposal of items of investment property, net of the related depreciation and impairment in 2016, amounted to EUR 68 thousand (2015: net loss of EUR 88 thousand).

In 2016 the rental income from the Company's investment property amounted to EUR 64 thousand (2015: EUR 70 thousand) and related to the operation of a car park in Almería and the lease of offices in Las Palmas and housing units in Fuengirola. The other items of investment property do not generate revenue for the Company.

At 31 December 2016, certain items of investment property with a carrying amount of EUR 175 thousand (2015: EUR 381 thousand) were mortgaged as security for credit facilities against which EUR 119 thousand had been drawn down (2015: EUR 268 thousand) (see Note 18.1).

At 31 December 2016, the fair value of the Company's investment property, calculated on the basis of in-house estimates and cadastral data, reasonably covers the value thereof.

8.- LEASES

8.1 Finance leases

The Company's most significant finance leases at the end of 2016 and 2015 relate to machinery and transport equipment.

The total amounts corresponding to finance lease transactions in which the Company acts as the lessee, all of which are measured at the present value of the minimum lease payments, are summarised below. The average term for the leases in force in 2016 is 37 months (2015: 37 months).

	Thousands of euros	
	2016	2015
Value recognised in non-current assets:		
Original cost excluding purchase option	1,709	8,235
Value of purchase option	-	9
Total value of assets held under finance leases	1,709	8,244
Lease payments:		
Paid in prior years	1,663	7,015
Paid in the year	19	1,152
Payable:		
Within one year	16	47
Between one and five years	11	30
Total lease payments	1,709	8,244

The amount of the income recognised as an expense in 2016 amounted to EUR 5 thousand (2015: EUR 69 thousand).

8.2 Operating leases

Operating leases are leases that do not transfer substantially all the risks and rewards incidental to ownership.

The main operating leases relate to the lease of the Company's head office and other operating centres.

The future minimum payments under the non-cancellable leases are as follows:

	Thousands of euros	
	2016	2015
Within one year	10,840	10,345
Between one and five years	17,145	16,485
After five years	141	562
Total	28,126	27,392

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

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

9.1 Non-current financial assets

The detail of "Non-Current Financial Assets" at the end of 2016 and 2015 is as follows:

2016

	Thousands of euros				
	Non-current financial instruments				
	Equity instruments	Loans to third parties	Debt securities	Other financial assets	Total
Held-to-maturity investments	-	-	313	-	313
Available-for-sale financial assets:					
- At cost	8	-	-	-	8
Loans and receivables	-	80,264	-	142,816	223,080
Total non-current financial assets	8	80,264	313	142,816	223,401

2015

	Thousands of euros				
	Non-current financial instruments				
	Equity instruments	Loans to third parties	Debt securities	Other financial assets	Total
Held-to-maturity investments	-	-	244	918	1,162
Available-for-sale financial assets:					
- At cost	8	-	-	-	8
Loans and receivables	-	2,932	-	112,426	115,358
Total non-current financial assets	8	2,932	244	113,344	116,528

At 31 December 2016, "Loans and Receivables" included EUR 111,835 thousand (2015: EUR 108,267 thousand) corresponding to guarantees unduly executed by Qatar Foundation arising from the lawsuit with this customer in connection with the design and construction of the Sidra Medical Research Centre (Doha, Qatar) contract (see Note 17.3.2) which the Company considers, based on the opinion of its legal advisers, to be recoverable in full.

"Loans to Third Parties" includes EUR 75,609 thousand relating to loans granted to related parties, which earn interest at market rates (see Note 23.2.).

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

Categories	Thousands of euros					
	2018	2019	2020	2021	Subsequent years	Total
Held-to-maturity investments	-	-	-	-	313	313
Available-for-sale financial assets	-	-	-	-	8	8
Loans and receivables	29,182	112,423	1	77,614	3,860	223,080
Total non-current financial assets	29,182	112,423	1	77,614	4,181	223,401

Impairment:

The changes arising from impairment losses/reversals recognised in this line item in 2016 and 2015 were as follows:

2016

Categories	Thousands of euros		
	Accumulated impairment losses at beginning of year	Impairment losses/reversals recognised in the year	Accumulated impairment losses at end of year
Available-for-sale financial assets	141	-	141

2015

Categories	Thousands of euros		
	Accumulated impairment losses at beginning of year	Impairment losses/reversals recognised in the year	Accumulated impairment losses at end of year
Available-for-sale financial assets	141	-	141

9.2 Current financial assets

The detail of "Current Financial Assets" at the end of 2016 and 2015 is as follows:

2016

Categories	Thousands of euros					
	Current financial instruments					
	Equity instruments	Loans to companies	Debt securities	Derivatives	Other financial assets	Total
Held-to-maturity investments	3	-	808	-	9,735	10,546
Available-for-sale financial assets:						
- At fair value	6,326	-	-	-	-	6,326
Loans and receivables	-	11,446	-	-	6,458	17,904
Derivatives	-	-	-	158	-	158
Total current financial assets	6,329	11,446	808	158	16,193	34,934

2015

Categories	Thousands of euros					
	Current financial instruments					
	Equity instruments	Loans to companies	Debt securities	Derivatives	Other financial assets	Total
Held-to-maturity investments	3	-	1,534	-	7,849	9,386
Available-for-sale financial assets:						
- At fair value	-	-	-	-	-	-
Loans and receivables	-	2,921	-	-	4,360	7,281
Derivatives	-	-	-	997	-	997
Total current financial assets	3	2,921	1,534	997	12,209	17,664

At 31 December 2016, "Equity Instruments" included the amount corresponding to the shares in Banco Popular Español, S.A. (see Note 23.2).

"Loans to Companies", amounting to EUR 11,446 thousand at 31 December 2016 (31 December 2015: 2,921 thousand), relates mainly to loans on disposal of non-current assets.

"Other Financial Assets", amounting to EUR 16,193 thousand at 31 December 2016 (31 December 2015: EUR 12,209 thousand), corresponds primarily to term deposits (held-to-maturity investments) and short-term deposits.

Current debt securities, amounting to EUR 808 thousand at 31 December 2016 (31 December 2015: EUR 1,534 thousand), relate in full to fixed-income securities and investment funds.

9.3 Investments in Group companies and associates

9.3.1 Non-current investments in Group companies and associates

The changes in 2016 and 2015 in "Non-Current Investments in Group Companies and Associates" were as follows:

2016

	Thousands of euros				
	Beginning balance	Additions or charge for the year	Disposals or reductions	Transfers	Ending balance
Equity instruments of Group companies:					
Cost	1,514,135	35,563	(17,612)	-	1,532,086
Impairment	(159,826)	(229,245)	5,629	-	(383,442)
Capital payments payable	(7,611)	(132)	7,538	-	(205)
	1,346,698	(193,814)	(4,445)	-	1,148,439
Equity instruments of associates:					
Cost	22,302	15	(1,960)	-	20,357
Impairment	(150)	(271)	-	-	(421)
Capital payments payable	(7,432)	-	1,470	-	(5,962)
	14,720	(256)	(490)	-	13,974
Loans to Group companies:					
Cost	439,831	43,954	-	(2,914)	480,871
Impairment	(34,182)	(4,325)	-	2,914	(35,593)
	405,649	39,629	-	-	445,278
Loans to associates:					
Cost	652	24	(676)	-	-
	652	24	(676)	-	-
Total:					
Cost	1,976,920	79,556	(20,248)	(2,914)	2,033,314
Impairment	(194,158)	(233,841)	5,629	2,914	(419,456)
Capital payments payable	(15,043)	(132)	9,008	-	(6,167)
Total non-current investments in Group companies and associates	1,767,719	(154,417)	(5,611)	-	1,607,691

2015

	Thousands of euros				
	Beginning balance	Additions or charge for the year	Disposals or reductions	Transfers	Ending balance
Equity instruments of Group companies:					
Cost	1,470,126	91,898	(42,989)	(4,900)	1,514,135
Impairment	(96,491)	(67,019)	3,684	-	(159,826)
Capital payments payable	(8,655)	-	1,044	-	(7,611)
	1,364,980	24,879	(38,261)	(4,900)	1,346,698
Equity instruments of associates:					
Cost	24,959	7,934	(247)	(10,344)	22,302
Impairment	(150)	-	-	-	(150)
Capital payments payable	(1,481)	(5,951)	-	-	(7,432)
	23,328	1,983	(247)	(10,344)	14,720
Loans to Group companies:					
Cost	467,499	503	(24,440)	(3,731)	439,831
Impairment	(35,579)	(247)	1,644	-	(34,182)
	431,920	256	(22,796)	(3,731)	405,649
Loans to associates:					
Cost	45,699	243	(178)	(45,112)	652
	45,699	243	(178)	(45,112)	652
Total:					
Cost	2,008,283	100,578	(67,854)	(64,087)	1,976,920
Impairment	(132,220)	(67,266)	5,328	-	(194,158)
Capital payments payable	(10,136)	(5,951)	1,044	-	(15,043)
Total non-current investments in Group companies and associates	1,865,927	27,361	(61,482)	(64,087)	1,767,719

The main addition in 2016 to equity instruments of Group companies was the capital increase carried out at OHL Industrial, S.L. amounting to EUR 34,400 thousand, paid in full through conversion into capital of the loans granted.

Based on the results obtained in 2016 by OHL Construcción Internacional, S.L. and OHL Industrial, S.L., the Company assessed the recoverable amount of these investments.

In the case of OHL Construcción Internacional, S.L., the Company used the cash flow projections for this business, on the basis of the updated budgets for each of the investees of OHL Construcción Internacional, S.L., which contain the most realistic revenue estimates based on historical information and updated economic and financial projections. These investments were measured by discounting the expected cash flows to the shareholder, using a discount rate that reflects the cost of own capital based on a risk-free interest rate for the country in which the company operates, taking as a reference a local bond rate adjusted by a business-specific risk premium and taking into account the degree of leverage of the business carried on. Based on the foregoing, in 2016 the Company recognised impairment losses of EUR 121,065 thousand on its ownership interest in OHL Construcción Internacional, S.L.

The Company also assessed the fair value of its ownership interest in OHL Industrial, S.L. To carry out this analysis, the Company used the underlying carrying amount of the investee. Based on the foregoing, in 2016 the Company recognised impairment losses of EUR 163,245 thousand on its ownership interest in OHL Industrial, S.L., of which EUR 55,124 thousand were recognised as a provision for contingencies and charges to cover the equity deficit of the investee.

Reductions in the cost of equity instruments in group companies include mainly the sale of ZPSV, a. s. and Constructora de Proyectos Viales de México, S.A. de C.V. to group companies at a cost of EUR 9,784 thousand and EUR 1,208 thousand, respectively, recognising a gain of EUR 461 thousand and EUR 26,022 thousand, respectively, under "Impairment and Gains or Losses on Disposals of Financial Instruments" in the statement of profit or loss (see Notes 22.7 and 23.1). The amount relating to the sale of Constructora de Proyectos Viales de México, S.A. de C.V. was paid through conversion of debt into capital.

The impairment losses reversed on equity instruments of Group companies relate mainly to Construcciones Sobrino, S.A., amounting to EUR 3,508 thousand, and Asfaltos y Construcciones Elsan, S.A., amounting to EUR 2,121 thousand.

The equity of the Group companies -which is an integral part of this note- is detailed in Appendix II, and was obtained from the financial statements of the respective companies, the most significant of which were audited at 31 December 2016.

The changes in investments in Group companies and associates are detailed in Appendices III and IV.

The business activities and registered offices of the Group companies are listed in Appendix V.

The detail of "Non-Current Loans to Group Companies and Associates", net of allowances, at 31 December 2016 and 2015 is as follows:

Company	Thousands of euros	
	2016	2015
Loans to Group companies:		
OHL Concesiones, S.A.	394,800	394,800
OHL Central Europe, a.s	40,847	-
Tenedora de Participaciones Tecnológicas, S.A.	3,939	5,502
Asfaltos y Construcciones Elsan, S.A.	5,000	5,000
Sociedad Concesionaria Aguas de Navarra, S.L.	634	-
Josefa Valcárcel 42, S.A.	58	347
Total	445,278	405,649
Loans to associates:		
Nuevo Hospital de Burgos, S.A.	-	652
Total	-	652
Total non-current loans to Group companies and associates	445,278	406,301

The loan to OHL Concesiones, S.A. matures in 2019.

The balance with OHL Central Europe a.s. relates to loans in Czech koruna and Polish złoty which mature in 2018 and 2021, respectively.

The average interest rate applied to non-current loans to Group companies and associates in 2016 was 4.04% (2015: 5.61%) and finance income was EUR 23,561 thousand.

9.3.2 Current investments in Group companies

The detail of “Current Investments in Group Companies” at 31 December 2016 and 2015 is as follows:

2016

Company	Thousands of euros		
	Loans	Other financial assets	Total
Obrascón Huarte Lain, Construcción Internacional, S.L.	846,379	698	847,077
Obrascón Huarte Lain Desarrollos, S.L.	377,186	-	377,186
OHL Industrial, S.L.	135,069	55	135,124
EyM Instalaciones, S.A.	32,743	1	32,744
OHL Central Europe, a.s	31,592	-	31,592
OHL Servicios - Ingesán, S.A.U.	29,649	1	29,650
OHL Andina, S.A.	19	23,822	23,841
OHL Emisiones, S.A.U.	12,088	-	12,088
Tenedora de Participaciones Tecnológicas, S.A.	8,512	-	8,512
OHL Construction Pacific PTY Ltda.	-	5,639	5,639
OHL Concesiones, S.A.	4,049	1,284	5,333
Constructora e Inmobiliaria Huarte, Ltda.	-	5,263	5,263
OHL Concesiones Chile, S.A.	-	3,789	3,789
Agrupación Guinovart Obras y Servicios Hispania, S.A.	3,737	12	3,749
Autovía de Aragón-Tramo 1, S.A.	3,440	-	3,440
Euroconcesiones, S.L.	2,508	-	2,508
OHL Colombia, S.A.S.	2,173	143	2,316
Constructora de Proyectos Viales de México, S.A. de C.V.	-	2,005	2,005
Chemtrol Proyectos y Sistemas, S.L.	1,595	-	1,595
Less than EUR 1,000 thousand	2,799	567	3,366
Total	1,493,538	43,279	1,536,817

2015

Company	Thousands of euros		
	Loans	Other financial assets	Total
Obrascón Huarte Lain, Construcción Internacional, S.L.	451,176	409	451,585
Obrascón Huarte Lain Desarrollos, S.L.	233,233	-	233,233
OHL Industrial, S.L.	132,657	708	133,365
OHL Emisiones, S.A.U.	49,854	-	49,854
EyM Instalaciones, S.A.	18,468	2,260	20,728
OHL Central Europe, a.s	17,524	-	17,524
OHL Servicios - Ingesán, S.A.U.	17,345	83	17,428
OHL Construction Pacific PTY Ltda.	-	6,214	6,214
OHL Concesiones, S.A.	3,935	1,194	5,129
Elsengrund Bau GmbH	4,873	-	4,873
Constructora e Inmobiliaria Huarte, Ltda.	-	4,778	4,778
OHL Concesiones Chile, S.A.	-	3,470	3,470
OHL Colombia, S.A.S.	3,084	130	3,214
Euroconcesiones, S.L.	2,983	-	2,983
Constructora de Proyectos Viales de México, S.A. de C.V.	53	2,212	2,265
Tenedora de Participaciones Tecnológicas, S.A.	2,116	-	2,116
Autovía de Aragón-Tramo 1, S.A.	1,779	-	1,779
Chemtrol Proyectos y Sistemas, S.L.	1,770	-	1,770
Superficialia los Bermejales, S.A.	1,321	-	1,321
Less than EUR 1,000 thousand	2,009	612	2,621
Total current investments in Group companies	944,180	22,070	966,250

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

It should be noted that in 2016 additional contributions were made to OHL Construcción Internacional, S.L. and OHL Desarrollos, S.L., related to the financing required for the performance of projects abroad, in the case of OHL Construcción Internacional, S.L., and to procurement needs and the performance of property projects, in the case of OHL Desarrollos, S.L.

In 2016 the average interest rate applied to the financial contributions included under "Loans" was 3.53% (2015: 4.39%). The finance income arising from the financial contributions in 2016 amounted to EUR 40,951 thousand (2015: EUR 69,686 thousand).

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

9.3.3 Current investments in associates

The detail of "Current Investments in Associates" and the investments in the UTEs at 31 December 2016 and 2015, after proportionate consolidation of their balance sheets and the corresponding eliminations, is as follows:

2016

Entity	Thousands of euros		
	Loans	Other financial assets	Total
UTE Hospital Sidra. Qatar	-	27,264	27,264
UTE Rizzani Ohl Boodai Trevi (JV4). Kuwait	-	996	996
UTE Aparcamiento C/Virgen de Luján. Spain	-	898	898
UTE Schofields Road Two. Australia	-	788	788
Consorcio Español Alta Velocidad Meca Medina, S.A. Spain	687	-	687
UTE Estaciones Metro Doha. Qatar	-	469	469
UTE Bidasoa I. Spain	-	464	464
UTE Guía Pagador. Spain	-	317	317
Less than EUR 300 thousand	122	1,764	1,886
Total current investments in associates	809	32,960	33,769

2015

Entity	Thousands of euros		
	Loans	Other financial assets	Total
UTE Marmaray. Turkey	-	44,097	44,097
UTE Hospital Sidra. Qatar	-	31,133	31,133
UTE Estaciones Metro Doha. Qatar	-	2,474	2,474
UTE Rizzani Ohl Boodai Trevi (JV4). Kuwait	-	972	972
UTE Aparcamiento C/Virgen de Luján. Spain	-	898	898
UTE Schofields Road Two. Australia	-	689	689
Consorcio Español Alta Velocidad Meca Medina, S.A. Spain	687	-	687
UTE Bidasoa I. Spain	-	464	464
UTE Guía Pagador. Spain	-	317	317
Less than EUR 300 thousand	256	2,705	2,961
Total current investments in associates	943	83,749	84,692

In 2016 the financial contributions presented under “Loans” earned average interest of 3.53% (2015: 4.39%).

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

9.4 Risk management policy

Risk management, as a strategic objective of the Company, focuses on the implementation and maintenance of a reliable risk management system to be used as a management tool at all decision-making levels.


This system develops and implements a common set of processes, risk categories, and management tools and techniques in order to:

- Identify and manage risks at Company level.
- Implement integrated reporting, enabling the identification and follow-up of key risks.
- Align levels of risk tolerance with Group aims.
- Improve risk-related information and communications.
- Improve risk-response decisions.
- Integrate risk management into the decision-making process.
- Reduce the Group's vulnerability to adverse events.
- Establish and maintain a culture of raising risk awareness.
- Increase the confidence and assurance of the Board of Directors and of stakeholders that material risks are being managed and communicated on a timely basis.

The framework of the Company's risk management process represents how the Group manages risk. The Company manages risk in accordance with the following principles:

- Risk management is included in the main business processes such as planning or operational processes to ensure consistent risk analysis in decision-making.
- The Company analyses and defines its ability to reduce, accept, share or avoid risks. This definition is aligned with and supports the Group's strategic and operational objectives and its declaration on risk tolerance.
- All the Company's risks are identified, prioritised and evaluated, based on risk assessments and potential exposure, by appropriate personnel in the organisation.
- Each functional area and division is responsible for adopting and following the Company' Risk Management System. The risks identified are analysed in all divisions and are added together to ensure the adoption of a coordinated response to the most common risks within the Group.
- Each functional area and division carries out periodic reviews of its risk listing in order to update the status of existing risks and to identify emerging risks.
- Each functional area and division supports a culture of transparency, awareness-raising and open dialogue on risk. The Company's Risk Management programme supports and helps facilitate regular debates on risk, corporate risk awareness and communication, and ongoing training on risk management.
- It is the responsibility of each division to proactively disseminate information on significant current or potential risks in a timely manner, and to ensure that risk management information is provided to the corresponding division management, the corporate risk management function or others as deemed appropriate.
- The OHL Group provides the necessary tools and resources to facilitate risk reporting, monitoring and measurement.

The OHL Group's risk management policy is reviewed annually to ensure that it remains in line with the interests of the Group and its stakeholders.



The OHL Group's Audit, Compliance and Corporate Social Responsibility Committee has the final responsibility for ensuring that the commitments contained in the risk management policy are up to date and are met in an ongoing manner.

9.4.1 Financial risk management

The Company is exposed to the financial risks inherent to its business activities.

Financial risks are those that mainly affect the obtainment of necessary financing when required and at a reasonable cost and the maximisation of the available financial resources. The most significant risks are as follows:

- Interest rate risk.
- Foreign currency risk.
- Credit risk.
- Liquidity risk.
- Risk relating to financial instruments associated with the Company's shares.

Interest rate risk

Interest rate fluctuations change the future flows from assets and liabilities tied to floating interest rates.

The Company finances its operations with fixed- or floating-rate financial products based on the estimates made regarding changes in interest rates and debt structure objectives. Hedging transactions can be performed by arranging derivatives that mitigate these risks and a sensitivity analysis is also conducted in this connection or fixed-interest financing is used.

No derivative financial instruments had been designated as hedges of the Company's total debt at 31 December 2016, and bank borrowings tied to fixed interest rates represented 64.16%.

The sensitivity of the Company's profit or loss to an interest rate increase of 0.5%, without taking into consideration bank borrowings tied to fixed interest rates, would have an impact of EUR 2,689 thousand on the Company's pre-tax loss.

Foreign currency risk

The Company operates internationally and is therefore exposed to foreign currency risk on the transactions it performs in foreign currencies.

Foreign currency risk management is centralised and various hedging mechanisms are applied to minimise the impact of the changes in foreign currencies against the euro.

The foreign currency risks basically arise on:

- Debt denominated in foreign currencies arranged by the Company or its branches abroad.
- Payments to be made in international markets for procurements or non-current assets.
- Payments receivable from projects tied to currencies other than the Company's functional currency or that of its branches.
- Investments in foreign subsidiaries.

The Company arranges currency derivatives and currency forwards to hedge significant future transactions and cash flows, in keeping with acceptable risk limits.

Also, the net assets stemming from net investments in foreign branches with a functional currency other than the euro are exposed to the risk of exchange rate fluctuations on the translation of the financial statements of these foreign branches during the integration process.

On other occasions, non-current assets denominated in currencies other than the euro are financed in that same currency with a view to creating a natural hedge.

The sensitivity analysis of the foreign currency risks of financial instruments for the main currencies in which the Company operates simulated a 10% increase in the foreign currency per euro exchange rate with respect to the rates applicable at 31 December 2016 and 2015. The net impact on profit or loss was as follows ((expense)/benefit):

Currency	Thousands of euros	
	Profit (Loss)	
	2016	2015
Czech koruna	3,259	-
Norwegian krone	(930)	(1,519)
Algerian dinar	2,285	4,015
Kuwaiti dinar	(3,405)	1,664
US dollar	(4,814)	(1,257)
Argentine peso	(92)	273
Chilean peso	3,127	1,672
Mexican peso	(8,023)	(9,509)
Qatari riyal	40,268	31,840
Peruvian nuevo sol	(1,112)	4,943
Polish zloty	284	5,884
Total	30,847	38,006

If the sensitivity analysis were performed using a simulation of a 10% decrease in the foreign currency per euro exchange rate with respect to the rates applicable at 31 December 2016 and 2015, the net impact on profit or loss would be as follows ((expense)/benefit):

Currency	Thousands of euros	
	Profit (Loss)	
	2016	2015
Czech koruna	(2,963)	-
Norwegian krone	845	1,381
Algerian dinar	(2,078)	(3,650)
Kuwaiti dinar	3,096	(1,513)
US dollar	4,376	1,143
Argentine peso	83	(248)
Chilean peso	(2,842)	(1,520)
Mexican peso	7,294	8,645
Qatari riyal	(36,607)	(28,945)
Peruvian nuevo sol	1,011	(4,494)
Polish zloty	(258)	(5,349)
Total	(28,043)	(34,550)

Credit risk

Credit risk is the probability that a counterparty to a contract does not meet its contractual obligations, giving rise to a loss.

The Company has adopted a policy of only trading with solvent third parties and obtaining sufficient guarantees to mitigate the risk of financial loss in the event of non-compliance. The Company obtains information on its counterparty through independent company valuation agencies, other public sources of financial information or the information it obtains from its own relationships with customers and third parties.

The Company's financial assets exposed to credit risk are:

- Non-current financial assets.
- Hedging instruments.
- Trade and other receivables.
- Current financial assets.
- Financial assets included in "Cash and Cash Equivalents".

The balances of these items constitute the Company's total exposure to credit risk.

The credit risk of financial hedging instruments with a positive fair value is limited by the Company, since derivatives are arranged with highly solvent banks with high credit ratings and no single counterparty concentrates significant levels of total credit risk.

The balances of trade receivables for sales and services are made up of a high number of customers from various industries and geographical areas. Private customers account for 62% of the total (20% from Spain and 42% from abroad).

In all cases, customers are assessed prior to entering into contracts. This assessment includes a solvency study. Over the course of the contract term, changes in debt are monitored on a constant basis and the recoverable amounts are reviewed, and valuation adjustments are made as necessary.

Liquidity risk

This risk is managed by maintaining adequate levels of cash and marketable securities as well as by arranging and maintaining sufficient financing lines to cover all financing needs and to maintain at all times adequate levels of financial flexibility for the Company's activity.

In order to improve this liquidity position, the Company takes measures in relation to:

- Constant management of its working capital, and in particular, actively manages collections from customers in respect of trade and other receivables.
- Optimisation of its financial position through constant monitoring of the cash projections.
- Management of the arrangement of lines of financing through capital markets.

The repayment schedule at 31 December 2016, of which EUR 380,691 thousand matures in 2017, is presented by the Company in Note 18.1.

The Company's liquidity position at 31 December 2016 consisted of:

- Current financial assets amounting to EUR 1,605,520 thousand (see Notes 9.2, 9.3.2 and 9.3.3).
- Cash and cash equivalents amounting to EUR 287,048 thousand (see Note 15).
- Drawable credit lines and discount facilities amounting to EUR 59,089 thousand (see Note 18.1).

In 2016 there were a total of four reductions in the Group's credit rating by rating agencies, three levels in the case of Moody's and one level in the case of Fitch, ultimately leaving it at Caa1 and B + (in both cases with a negative outlook), respectively, in November.

In order to mitigate the risk of reactions to these rating reductions from the banks with which the Group operates potentially having an adverse impact that might significantly affect the Group's liquidity profile, the Company initiated a process of dialogue and joint negotiation in November with its main relationship entities (the "Group of Entities"), with a twofold objective: (i) to ensure the maintenance of their support for the OHL Group by signing a formal standstill agreement to maintain

the terms and conditions, drawability and limits of the existing financing from that Group of Entities; and (ii) to negotiate a new financing package that would allow the OHL Group to ensure the coverage of its future working capital needs arising from the implementation of its business plan.

As a result of the foregoing, the OHL Group entered into the following with these entities on 30 December 2016: (i) a standstill agreement; and (ii) a multi-product syndicated financing agreement for a total amount of EUR 280 million for the issue of guarantees (EUR 233 million) and reverse factoring (EUR 47 million), both expiring on 31 March 2017.

Subsequently, and following the successful completion by the Group of Entities of an independent review of the Company's business plan for 2017-2020, on 27 February 2017 the Company reached an agreement with that Group of Entities, documented in the corresponding term sheet, to proceed before 31 March 2017 with the formal documentation and signing of a new multi-product syndicated financing agreement (which would fully novate and replace the previous agreement) for an aggregate amount of EUR 747 million, for the issue of guarantees (EUR 465 million) and reverse factoring (EUR 92 million), which also includes a revolving credit line of EUR 190 million. All maturing at 18 months, thereby extending the standstill period until that date, and secured by the shares of OHL Concesiones, S.A. and OHL Desarrollos, S.L., as well as the obligation to implement a non-strategic asset divestment plan. This agreement is subject to the usual terms and conditions in transactions of this nature.

The combination of this new financing package, which allows the OHL Group to guarantee the coverage of the working capital needs arising from its business plan, with the debt reduction measures planned for 2017 will significantly strengthen the Company's liquidity profile.

10.- DERIVATIVE FINANCIAL INSTRUMENTS

In order to mitigate the economic effects of exchange rate fluctuations to which the Company is exposed as a result of its business activities, the Company uses derivative financial instruments, such as foreign currency hedges.

The Company does not allow derivatives to be arranged for speculative purposes.

No collection risks are expected to arise in relation to the amounts that the banks have undertaken to pay to the Company in the future on the basis of the derivatives arranged, since the banks with which they were arranged are highly solvent.

The derivatives arranged by the Company are basically measured by discounting the future cash flows in accordance with the contractual and market conditions at the date of measurement.

The main criteria relating to derivatives are described in Note 4.7. Set forth below is a description of how the fair values of the derivatives arranged by the Company were accounted for at 31 December 2016 as other financial assets or liabilities, and of their impact, net of taxes, on equity.

Foreign currency derivatives

The Company arranges currency forwards in order to avoid the economic impact that currency fluctuations have on payment obligations and collection rights in foreign currencies.

Following is a detail of the outstanding currency forwards at 31 December 2016, indicating, on the one hand, the nominal amounts in euros of the currency forwards, i.e. the amounts that the Company and the banks have agreed to exchange in euros for paying or receiving certain amounts in foreign currencies, classified by maturity, and, on the other, the fair values of the currency forwards, grouped together as other financial assets or liabilities, and their impact, net of taxes, on equity. Also indicated is the range of exchange rates and the nominal amounts in foreign currency arranged.

	Thousands of euros						Foreign currency per euro	Nominal amount in thousands of foreign currency (on arrangement date)
	Nominal amount (on arrangement date)	Maturity		Fair value included in		Impact on profit or loss (net of tax effect)	Range of exchange rates	
		Within three months	After three months	Asset derivatives	Liability derivatives			
Derivatives not considered as hedges for accounting purposes at the decision of the Company.								
Future US dollar sales against euros	16,804	16,804	-	-	(198)	(148)	1.0679	17,945
Future US dollar purchases against euros	17,933	17,933	-	-	(146)	(109)	1.047	18,771
Future Mexican peso purchases against euros	461	461	-	-	(5)	(4)	21.682	10,000
Future Norwegian krone sales against euros	6,775	6,775	-	65	-	49	9.0034	61,000
Future Norwegian krone purchases against euros	2,203	2,203	-	-	(2)	(1)	9.0774	20,000
Future Turkish lira purchases against euros	389	389	-	-	(22)	(16)	3.5037-3.5357	1,370,846
Future Saudi riyal purchases against euros	4,962	4,962	-	93	-	70	4.0305	20,000
Total	49,527	49,527	-	158	(373)	(159)		

The detail of the currency forwards arranged at 31 December 2015 is as follows:

	Thousands of euros						Foreign currency per euro	Nominal amount in thousands of foreign currency (on arrangement date)
	Nominal amount (on arrangement date)	Expiry date		Fair value included in		Impact on profit or loss (net of tax effect)	Range of exchange rates	
		Within three months	After three months	Asset derivatives	Liability derivatives			
Derivatives not considered as hedges for accounting purposes at the decision of the Company.								
Future US dollar sales against euros	22,011	22,011	-	26	(162)	(98)	1.0942-1.1010	24,195
Future Mexican peso purchases against euros	16,201	16,201	-	44	(579)	(385)	18.1416-18.593	295,000
Future Norwegian krone purchases against euros	8,672	6,835	1,837	-	(265)	(191)	9.2309-9.5783	80,900
Total	46,884	45,047	1,837	70	(1,006)	(674)		

The column "Impact on Profit or Loss" includes the gains or losses net of tax corresponding to the measurement of the foreign currency derivatives outstanding at 31 December each year, the changes in which are recognised in the statement of profit or loss as they do not qualify for hedge accounting.

Interest rate derivatives

At 31 December 2016, the Company had not arranged any interest rate swaps.

Derivatives on treasury shares

In relation to the equity swaps tied to the Company's share price, the commitment is to pay or receive the result of the change in the share price with respect to the reference price until expiry of the derivative and to pay a floating interest rate during the term of the swap.

In 2013 the Company arranged an equity swap tied to its share price. In 2016 the 2013-2016 incentive plan and the associated derivative were settled (see Note 22.8).

At 31 December 2016, the cumulative loss "net of tax effect" amounted to EUR (25,506) thousand (31 December 2015: (EUR 25,419) thousand).

11.- NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In accordance with Recognition and Measurement Standard 7 of the Spanish National Chart of Accounts, "Non-Current Assets Classified as Held for Sale" includes assets relating to companies the disposal of which was completed in 2016.

The detail of these balances and of the gains or losses made on the sale of these assets is as follows:

ASSETS	2016	2015	Gain or loss
Superficialia los Bermejales, S.A.	-	9,022	13,008
Concessió Estacions Aeroport L9, S.A.	-	44,683	58,031
Phunciona, Gestión Hospitalaria, S.A.	-	5,525	852
Urbs Iudex et Causidicus, S.A.	-	7,780	(189)
Total assets	-	66,990	71,702

These gains or losses are recognised under "Financial Profit (Loss) - Gains or Losses on Disposals and Other" in the statement of profit or loss (see Note 22.7).

12.- INVENTORIES

The detail of "Inventories" at 31 December 2016 and 2015 is as follows:

2016

	Thousands of euros		
	Gross balance	Impairment losses	Net balance
Raw materials and other supplies	22,264	(494)	21,770
Auxiliary shop projects and site installations	16,732	-	16,732
Advances to suppliers and subcontractors	33,134	-	33,134
Total inventories	72,130	(494)	71,636

2015

	Thousands of euros		
	Gross balance	Impairment losses	Net balance
Raw materials and other supplies	25,661	(1,185)	24,476
Auxiliary shop projects and site installations	16,585	-	16,585
Advances to suppliers and subcontractors	30,347	-	30,347
Total inventories	72,593	(1,185)	71,408

At 31 December 2016, EUR 55,351 thousand of the total net balance of "Inventories" relate to UTEs (31 December 2015: EUR 42,489 thousand).

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

The changes in the write-downs relating to “Inventories” in the balance sheets in 2016 and 2015 were as follows:

	Thousands of euros	
	2016	2015
Beginning balance	1,185	1,191
Additions	-	-
Reversals	691	6
Ending balance	494	1,185

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

The detail of “Trade Receivables for Sales and Services” and “Customer Advances” at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Trade receivables for sales and services:		
Amounts to be billed for work or services performed	641,624	981,970
Progress billings	209,283	248,649
Trade notes receivable	5,774	7,563
Retentions	29,978	37,916
Subtotal	886,659	1,276,098
Provisions	(277,816)	(400,900)
Total net of provisions	608,843	875,198
Customer advances	(159,218)	(179,930)
Total, net	449,625	695,268

In 2016 EUR 90,067 thousand of trade bills corresponding to this balance sheet heading were traded at banks (2015: EUR 4,845 thousand).

At 31 December 2016, the balance of trade receivables was net of EUR 33,275 thousand (2015: EUR 64,112 thousand) relating to the accounts receivable from customers assigned without recourse to banks. Since these factoring arrangements are without recourse in the event of non-payment, they are treated as a reduction of trade receivables.

At 31 December 2016, EUR 170,373 thousand of the net balance of “Trade Receivables for Sales and Services” and “Customer Advances” relate to UTEs (31 December 2015: EUR 486,690 thousand).

The detail of "Trade Receivables for Sales and Services", by type of customer, is as follows:

Type of customer	Thousands of euros	
	2016	2015
Spain:	242,619	256,785
Public sector:	68,292	93,655
Central government	11,058	14,913
Autonomous community government	34,800	46,294
Local government	3,127	5,395
Other agencies	19,307	27,053
Private sector	174,327	163,130
Abroad:	664,040	1,019,313
Public sector	270,884	362,037
Private sector	373,156	657,276
Total	886,659	1,276,098

At 31 December 2016, 38% (EUR 339,176 thousand) of the balance of "Trade Receivables for Sales and Services" related to the public sector and 62% (EUR 547,483 thousand) to the private sector (31 December 2015: 36% and 64%, respectively).

Of the balance of "Progress Billings Receivable" and "Trade Notes Receivable", totalling EUR 215,057 thousand at 31 December 2016, 44% relates to the public sector (EUR 93,689 thousand) and 56% to the private sector (EUR 121,368 thousand).

The detail of the aging of this balance is as follows:

	Thousands of euros		
	Type of customer		
	Public	Private	Total
0-90 days past due	73,252	38,395	111,647
91-180 days past due	4,712	3,010	7,722
181-360 days past due	1,975	1,431	3,406
More than 360 days past due	13,750	78,532	92,282
Total	93,689	121,368	215,057

Most of the balances of retentions are recovered, as is standard practice, at completion and delivery of the work/projects.

"Trade Receivables for Sales and Services - Amounts to Be Billed for Work or Services Performed" includes the amount of the claims submitted to customers which are in litigation (judicial or arbitral) and are expected to be obtained, as indicated in Note 17.3.2. All the amounts recognised as a result of legal claims or requests for arbitration relate to projects that have already been completed.

The Company has lodged claims with customers totalling approximately EUR 661,600 thousand in relation to projects in progress (2015: EUR 812,500 thousand).

The change with respect to 2015 in claims in litigation is due mainly to the court decision in relation to the Military Hospital in Chile, which rejected the aforementioned claim, and to the reduction of the amount relating to UTE Marmaray as a result of agreements with the customer.

As described in Note 2.4, the Company reassessed the final estimates of revenue on certain projects, taking into consideration the outcome of the negotiations during the year, the legal and political environment of the countries in which the projects are being carried out and any agreements that might result from the current negotiations. This reestimate gave rise to a significant reduction in the

amounts recognised for accounting purposes in connection with claims.

Based on the foregoing, at 31 December 2016 the Company had recognised EUR 424,700 thousand in relation to claims submitted (31 December 2015: EUR 642,100 thousand), of which EUR 355,600 thousand correspond to the Hospital de Sidra project, which is subject to litigation. At 31 December 2015, EUR 374,600 thousand were subject to litigation.

However, since the Company fully retains the legitimate right to collect all of the related amounts, it will continue to take all the actions required to recover them.

In 2016 no claim in the negotiation phase with customers continued to litigation.

The changes in provisions in 2016 and 2015 were as follows:

	Thousands of euros	
	2016	2015
Beginning balance	(400,900)	(546,605)
Increases in provisions	(53,365)	(48,979)
Decreases in provisions	176,449	194,684
Ending balance	(277,816)	(400,900)

At 1 January 2015, the total balance of provisions included under "Trade Receivables for Sales and Services" amounted to EUR 546,605 thousand, including the amounts recognised in 2014.

In 2015 the period provisions recognised were not material. The provisions used included mainly those relating to claims already resolved (Oran Convention Centre and Gibraltar Airport border access road).

Of the total balance of provisions at 31 December 2015, EUR 322,798 thousand covered possible losses arising from claims recognised and the remaining EUR 78,102 thousand related to doubtful debts associated with other receivables.

Of the total balance of provisions at 31 December 2016, EUR 204,680 thousand covered possible losses arising from claims recognised and the remaining EUR 73,136 thousand related to doubtful debts associated with other receivables.

In 2016 provisions amounting to EUR 176,449 thousand were used, mainly in relation to completed projects, as the Company considered that it would be difficult to recover such balances (see Note 22.3).

To calculate the amount of the provisions to cover possible losses incurred as a result of the claims recognised, estimates are made for each project on an individual basis, taking into consideration:

- The negotiation status with each customer.
- The technical evaluation of the work performed and whether or not it conforms with the terms of the customer contract; this is carried out by the project managers taking into account, where applicable, any expert reports.
- Assessments made by the Company's internal and external legal advisers to estimate the feasibility and chances of success of the claim filed, based on the knowledge of the project and the related stage of completion; the status is updated on the basis of any new milestone or change.

For other provisions, mainly for doubtful debts, estimates are made considering any failure to meet contractual payment obligations and the probability of default, analysing each contract and each customer.

At the end of each reporting period the information is updated to determine the recoverable amount.

Other supplementary information on construction contracts and other contracts under which the related revenue and costs are recognised by reference to the stage of completion.

Contract revenue associated with construction contracts and certain services contracts is recognised by reference to the stage of completion in accordance with the criteria established in Note 4.11.

As indicated in that Note, the difference between the revenue recognised and the amounts actually billed to the customer is analysed systematically on a contract-by-contract basis. If the amount billed is lower than the revenue recognised, the difference is recognised as an asset under "Trade and Other Receivables - Trade Receivables for Sales and Services - Amounts to Be Billed for Work Performed", whereas if the amount of revenue recognised is lower than the amount billed, a liability is recognised under "Trade and Other Payables - Customer Advances - Amounts Billed in Advance for Construction Work".

Also, in certain construction contracts advances are agreed upon that are paid by the customer when work commences on the contract, the balance of which is offset against the various progress billings as the contract work is performed. This balance is recognised under "Trade and Other Payables" on the liability side of the balance sheet.

Also, in certain contracts the customer retains a portion of the price to be paid in each progress billing to guarantee the satisfaction of certain obligations under the contract. These retentions are not reimbursed until the contract is definitively settled. These balances are recognised under "Trade and Other Receivables" on the asset side of the balance sheet.

The detail of the amounts recognised in this connection at 31 December 2016 and 2015 is as follows:

	Thousands of euros			
	2016	2015	Difference	% change
Amounts to be billed for work performed, net	436,944	659,172	(222,228)	(33.71)%
Customer advances	(159,218)	(179,930)	20,712	(11.51)%
Construction contracts, net	277,726	479,242	(201,516)	(42.05)%
Retentions	29,978	37,916	(7,938)	(20.94)%
Net advances and retentions	307,704	517,158	(209,454)	(40.50)%

14.- TRADE RECEIVABLES FROM GROUP COMPANIES AND ASSOCIATES

14.1 Trade receivables from Group companies

The detail, by company, of “Trade Receivables from Group Companies” at 31 December 2016 and 2015 is as follows:

Company	Thousands of euros	
	2016	2015
Autopista del Norte, S.A.C.	78,269	78,040
Cercanías Móstoles Navalcarnero, S.A.	22,166	29,211
Autovía de Aragón-Tramo 1, S.A.	7,963	7,965
Constructora de Proyectos Viales de México, S.A. de C.V.	5,934	4,248
Sociedad Concesionaria Aguas de Navarra, S.A.	4,595	4,692
Terminal Cerros de Valparaíso, S.A.	2,146	5,653
OHL Industrial, S.L.	3,655	3,718
OHL Construction Canadá, Inc.	3,417	1,627
Sociedad Concesionaria Puente Industrial, S.A.	2,470	513
OHL Concesiones, S.A.	2,448	6,241
EyM Instalaciones, S.A.	1,720	162
Sociedad Concesionaria Nuevo Camino Nogales Puch, S.A.C.	1,221	-
OHL ZS, a.s.	695	1,020
OHL Arabia, LLC	557	1,679
Euroglosa 45 Concesionaria Comunidad Madrid, S.A.	-	3,001
Constructora TP, S.A.C.	196	2,087
Less than EUR 1,000 thousand in both years	8,844	8,038
Total trade receivables from Group companies	146,296	157,895

14.2 Trade receivables from associates

“Trade Receivables from Associates” includes the trade receivables from associates and the trade receivables at 31 December 2016 and 2015 resulting from the UTEs, after the proportionate consolidation of their balance sheets and the related eliminations, the detail being as follows:

Entity	Thousands of euros	
	2016	2015
UTE Rizzani Ohi Boodai Trevi (JV4). Kuwait	9,303	10,744
Consorcio Muna. Peru	8,893	-
Sociedad Concesionaria Vespucio Oriente, S.A. Chile	6,103	2,165
Nuevo Hospital de Toledo, S.A. Spain	3,186	878
Centro Canalejas Madrid, S.L. Spain	2,712	1,953
UTE Ayacucho Kishuara. Peru	1,761	3,952
Consorcio Huancabamba. Peru	-	1,044
Urbs Iudex et Causidicus, S.A. Spain	-	2,708
Less than EUR 1,000 thousand in both years	167	1,089
Total trade receivables from associates	32,125	24,533

The foregoing balances do not earn interest.

15.- CASH AND CASH EQUIVALENTS

“Cash and Cash Equivalents” relates to the Company's fully liquid assets and includes cash on hand and at banks and short-term bank deposits with an original maturity of three months or less. At 31 December 2016, EUR 70,555 thousand of the total balance of “Cash and Cash Equivalents” relate to UTEs (31 December 2015: EUR 125,938 thousand).

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

16.- EQUITY AND SHAREHOLDERS' EQUITY

16.1 Share capital

The changes in the share capital of the Company in 2016 and 2015 were as follows:

	Number of shares	Par value (Thousands of euros)
Number of shares and par value of the share capital at 1 January 2015	99,740,942	59,845
Capital increase - October 2015	199,018,056	119,410
Number of shares and par value of the share capital at 31 December 2015	298,758,998	179,255
Number of shares and par value of the share capital at 31 December 2016	298,758,998	179,255

On 30 October 2015, a deed was registered at the Mercantile Registry of Madrid for the capital increase performed by OHL, S.A. for a par value of EUR 119,410,833.60 through the issuance of 199,018,056 new shares of EUR 0.60 par value with a share premium of EUR 4.42, all of the same class and series as the outstanding shares. The effective amount of the capital increase -par value plus share premium-, disregarding the related expenses, was EUR 999,070 thousand.

Following this capital increase, the share capital of OHL, S.A. stood at EUR 179,255,398.80, divided into 298,758,998 shares of EUR 0.60 par value each, all of the same class and series. The shares are listed on the Madrid and Barcelona stock exchanges and are traded on the Spanish stock market interconnection system.

The detail of the companies with a direct or indirect ownership interest of 3% or more in the share capital of the Company at 31 December 2016 is as follows:

Company	% of ownership
Inmobiliaria Espacio, S.A.	46.104%
Tyrus Capital Event, S.A.R.L.	8.371 %
Hengistbury Investment Partners LLP	5.140 %
Invesco Limited	5.043 %
Société Générale, S.A.	4.285 %
Deutsche Bank, A.G.	4.243 %
Goldman Sachs Group Inc.	4.182 %
Santander Asset Management, S.A.	3.001 %

16.2 Legal reserve

Under the Spanish Limited Liability Companies Law, the Company must transfer 10% of net profit for each year to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

Until the legal reserve exceeds the indicated limit, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

16.3 Share premium

	Thousands of euros
Balance at 1 January 2015	385,640
Increase due to October 2015 capital increase	879,660
Balance at 31 December 2015	1,265,300
Balance at 31 December 2016	1,265,300

The Spanish Limited Liability Companies Law expressly permits the use of the share premium account balance to increase the capital of the entities at which it is recognised and does not establish any specific restrictions as to its use.

16.4 Other reserves

At 31 December 2016, "Other Reserves" included voluntary reserves amounting to EUR 63,763 thousand, the reserve for retired capital amounting to EUR 3,856 thousand and the reserve for the adjustment of share capital to euros amounting to EUR 91 thousand.

The reserve for retired capital arose as a result of the capital reductions carried out through the retirement of treasury shares in 2006 and 2009 and was set up pursuant to current legislation safeguarding the guarantee provided by equity vis-à-vis third parties.

This reserve is restricted as to its use and may only be used if the same requirements as those stipulated for capital reductions are met, i.e. the shareholders at the Annual General Meeting must decide on its use.

16.5 Limitations on the distribution of dividends

Until the balance of development expenditure has been fully amortised, no dividends may be distributed unless the unrestricted reserves are at least equal to the amount of the unamortised balances of this heading. Consequently, at the end of 2016 EUR 7,070 thousand of the Company's "Share Premium" and "Other Reserves" were restricted (see Note 5).

16.6 Treasury shares

At 2016 year-end the Company held 11,961,801 treasury shares with a total value of EUR 46,145 thousand.

The changes in treasury shares in 2016 and 2015 were as follows:

	No. of shares	Thousands of euros
Balance at 31 December 2014	240,455	5,104
Purchases	11,093,212	182,257
Sales and deliveries	(11,076,741)	(183,453)
Balance at 31 December 2015	256,926	3,908
Purchases	35,103,311	155,566
Sales and deliveries	(23,398,436)	(113,329)
Balance at 31 December 2016	11,961,801	46,145

16.7 Grants

The information on the grants received by the Company in 2016 and 2015, which form part of equity, and on the amounts taken to income in this connection is as follows:

2016

Grantor	Private sector/Level of government	Thousands of euros			
		Beginning balance	Increase	Amount taken to income	Ending balance
Spanish Ministry of Economy, Industry and Competitiveness	National government	25	-	(25)	-
Spanish Centre for Industrial Technological Development	National government	1,262	-	(405)	857
Madrid Development Institute	Local government	44	-	(13)	31
European Commission	Other agencies	405	120	-	525
Extremadura Autonomous Community Government	Local government	46	54	-	100
Tax effect		(446)	(43)	111	(378)
Total grants		1,336	131	(332)	1,135

2015

Grantor	Private sector/Level of government	Thousands of euros			
		Beginning balance	Increase	Amount taken to income	Ending balance
Ministry of Economy and Competitiveness	National government	35	-	(17)	18
Ministry of Industry, Energy and Tourism	National government	15	-	(8)	7
Spanish Centre for Industrial Technological Development	National government	1,544	123	(405)	1,262
Madrid Development Institute	Local government	57	-	(13)	44
European Commission	Other agencies	186	219	-	405
Extremadura Autonomous Community Government	Local government	-	46	-	46
Tax effect		(460)	(97)	111	(446)
Total grants		1,377	291	(332)	1,336

At the end of 2016 and 2015 the Company had met all the requirements for receiving and using the aforementioned grants.

17.- PROVISIONS AND CONTINGENT ASSETS AND LIABILITIES

17.1 Provisions

The detail of the provisions in the balance sheets as at 31 December 2016 and 2015 is as follows:

Long-term provisions	Thousands of euros			
	Balance at 31 December 2015	Increase	Decrease	Balance at 31 December 2016
Provisions for taxes	7,549	1,763	-	9,312
Provisions for investees	1,848	62,906	(1,494)	63,260
Other provisions	4,659	-	(3,575)	1,084
Total long-term provisions	14,056	64,669	(5,069)	73,656

The provisions for investees include the amount of the losses of Group companies and associates from the date at which their carrying amount was equal to zero (see Appendix II).

The main increases in 2016 are EUR 55,124 thousand in relation to OHL Industrial, S.L. and EUR 7,757 thousand in relation to OHL Construction Pacific PTY, LTD (see Note 22.5).

Short-term provisions	Thousands of euros			
	Balance at 31 December 2015	Increase	Decrease	Balance at 31 December 2016
Termination benefits	4,487	353	-	4,840
Project completion	32,175	6,081	(14,030)	24,226
Provisions for management and other fees	5,558	2,871	(716)	7,713
Other provisions	145,823	58,658	(119,029)	85,452
Total short-term provisions	188,043	67,963	(133,775)	122,231

Of the total short-term provisions at 31 December 2016, EUR 48,973 thousand related to UTEs (31 December 2015: EUR 32,381 thousand).

"Other Provisions" includes amounts relating to various items such as guarantees and deposits, insurance, taxes, third-party liability and costs due to losses on construction projects. These amounts relate to numerous contracts.

17.2 Contingent assets

There were no contingent assets at 31 December 2016.

17.3 Contingent liabilities

17.3.1.- Guarantee commitments to third parties

At 31 December 2016, the Company had provided guarantees totalling EUR 2,048,099 thousand (31 December 2015: EUR 4,370,956 thousand), the detail being as follows:

Type	Thousands of euros	
	2016	2015
Completion bonds and guarantees for project bids	2,046,267	4,332,782
Definitive guarantees	1,930,149	4,156,472
Provisional guarantees	116,118	176,310
Personal guarantees	1,832	38,174
Total	2,048,099	4,370,956

Completion bonds and guarantees for project bids were provided, as is standard practice in the industry, to guarantee the proper performance of construction and project contracts (definitive guarantees), and as guarantees for construction project bids (provisional guarantees).

The joint and several personal guarantees secure various transactions and are provided mainly to banks.

The detail of the guarantees by type of entity at 31 December 2016 and 2015 is as follows:

2016		Thousands of euros	
Secured entity		Completion bonds and guarantees for project bids	Personal guarantees
Obrascón Huarte Lain, S.A.		816,144	-
Group companies		929,400	1,802
Associates		300,723	30
Total		2,046,267	1,832

2015		Thousands of euros	
Secured entity		Completion bonds and guarantees for project bids	Personal guarantees
Obrascón Huarte Lain, S.A.		1,028,125	-
Group companies		3,078,175	6,719
Associates		226,482	31,455
Total		4,332,782	38,174

The Company also has secondary liability for the obligations of the subcontractors to the social security system with respect to their site employees.

The Company's directors do not expect any additional liabilities to arise in connection with these guarantees that might affect the 2016 financial statements.

17.3.2.- Litigation

At the end of 2016 certain proceedings were in progress against the Company, which arose in the ordinary course of its operations.

The most salient lawsuits, which all relate to the construction division, are as follows:

- In 2014 the Company reported that on 20 September 2013 it had filed a request for arbitration at the International Chamber of Commerce against the **Algerian Agence Nationale des Autoroutes (ANA)** in relation to the construction contract for the second Algiers ring road between Boudouaou and Zeralda, in the initial phase of which the Company made a claim for DZD 12,512 million (EUR 107,502 thousand) and ANA filed a counterclaim for an initial value of DZD 6,977 million (EUR 59,955 thousand). After agreeing to the stay of the arbitration proceedings on several occasions with a view to negotiating an amicable settlement to the controversy, the parties eventually reached a mutual agreement to finalise the current arbitration proceedings and to continue negotiations towards a final agreement without the need for these proceedings. The finalisation of these arbitration proceedings does not mean that the Company lost the legal actions it entered into.

At the reporting date, the negotiations between the parties aimed at reaching an agreement were ongoing.

- In 2014 the Company reported that as a consequence of the contract for the Design and Construction of the Sidra Medical Research Centre (Doha, Qatar), **Qatar Foundation for Education, Science and Community Development (QF)** and the joint venture (JV) between the Company and Contrack Cyprus Ltda. (55% - 45%, respectively) had initiated arbitration proceedings on 30 July 2014, at the International Chamber of Commerce.

At the end of 2015 a partial ruling was handed down on the existence or otherwise of an agreement to novate the construction contract, in relation to which the Company reached the conclusion that although there was an agreement, it lacked certain formalities required under Qatari legislation for it to be considered legally enforceable by the parties.

Subsequent to the aforementioned partial ruling, the arbitration process continued to consider the legality or illegality of the termination of the contract and the economic and financial consequences thereof. The amount of the claim is estimated to stand within a range of between EUR 270 million and EUR 376 million, with the inclusion of EUR 112 million relating to the incorrect execution of guarantees in both cases.

The proceeding continued in 2016, focusing on the submission by the JV of pleadings regarding deadlines, and no developments worthy of note occurred.

- On 28 July 2011, the **Government of Gibraltar** notified OHL of the termination of the contract it had been executing for the **Gibraltar airport border access road**. In response to this decision, OHL filed a claim for the decision to be revoked at the Queen's Bench Division of the High Court in London, which judged the Government of Gibraltar to have been within its rights to have declared the contract terminated, which was subsequently confirmed by the Court of Appeal (Civil Division) of London.

As regards the termination of the contract, served on 28 July 2011, in the sentence (handed down on 16 April 2014) the High Court ruled that the Government of Gibraltar had the right to declare the contract terminated.

On 9 July 2015, the Court of Appeal (Civil Division) of London confirmed the sentence. A request was made for permission to file an appeal at the Supreme Court, which was denied on 2 November 2015.

The Queen's Bench Division of the High Court debated the amount claimed by OHL and by the Government of Gibraltar, regarding the amount required by the state-owned company of the Government of Gibraltar (Gibraltar Joinery and Building Services Limited - GJBS) to execute and complete the project.

As a result of the negotiation with the Government of Gibraltar, the construction contract was reinstated and a joint request was submitted by both parties to file the legal proceeding and, therefore, this case is considered to have been terminated.

In addition to the aforementioned litigation, the Company is involved in other minor lawsuits arising from the ordinary course of its operations, none of which are for a significant individual amount.

The Company has recognised sufficient provisions (see Notes 13 and 17.1) to cater for any adverse economic effects that might arise.

The Company's directors do not expect any significant additional liabilities to arise in connection with the litigation in progress that might affect the financial statements for 2016.

18.- NON-CURRENT AND CURRENT PAYABLES

18.1 Financial liabilities

The detail of "Non-Current Payables" at 31 December 2016 and 2015 is as follows:

2016

Categories	Thousands of euros					
	Non-current financial instruments					
	Debt instruments and other marketable securities	Bank borrowings	Obligations under finance leases	Derivatives	Other financial liabilities	Total
Accounts payable	881,127	248,712	11	-	2,287	1,132,137
Total non-current payables	881,127	248,712	11	-	2,287	1,132,137

2015

Categories	Thousands of euros					
	Non-current financial instruments					
	Debt instruments and other marketable securities	Bank borrowings	Obligations under finance leases	Derivatives	Other financial liabilities	Total
Accounts payable	962,782	274	30	-	2,681	965,767
Total non-current payables	962,782	274	30	-	2,681	965,767

At 31 December 2016, all the "Non-Current Payables" related to the Parent.

"Non-Current Payables - Debt Instruments and Other Marketable Securities" and "Current Payables - Debt Instruments and Other Marketable Securities" include the outstanding principal and accrued interest at 31 December 2016 of the following long-term bond issues launched in Europe:

- Issue launched in March 2012 for an initial nominal amount of EUR 300,000 thousand, maturing in 2020. The annual interest rate was 7.625%.
- Issue launched in March 2014 for an initial nominal amount of EUR 400,000 thousand, maturing in 2022. The initial interest rate was 4.75%.
- Issue launched in March 2015 for an initial nominal amount of EUR 325,000 thousand, maturing in March 2023 and bearing interest at a fixed rate of 5.50%.

The amounts (including unmaturred accrued interest) and maturities of the bond issues at 31 December 2016 and 2015 were as follows:

	Thousands of euros		Year of final maturity	Issue currency
	2016	2015		
2012 issue	189,695	265,463	2020	Euros
2014 issue	394,127	398,652	2022	Euros
2015 issue	311,950	315,128	2023	Euros
Total	895,772	979,243		

In 2016 the Company partially repurchased bonds issued in 2012 for a nominal amount of EUR 75,338 thousand, at a purchase price of EUR 69,366 thousand, giving rise to a gain before costs of EUR 5,972 thousand. In September 2016 the Company partially repurchased bonds issued in 2014 and 2015 for nominal amounts of EUR 5,500 thousand and EUR 4,000 thousand, respectively, at a price of EUR 4,266 thousand and EUR 3,119 thousand, respectively, giving rise to gains before costs of EUR 1,234 thousand and EUR 881 thousand, respectively.

These results net of costs are recognised in the statement of profit or loss under "Impairment and Gains or Losses on Disposals of Financial Instruments - Gains or Losses on Disposals and Other" (see Note 22.7). In accordance with the terms of the issues, the repurchased bonds were retired.

The average interest rate accrued in 2016 on the bond issues was 5.70% (2015: 6.22%).

At 31 December 2016, "Bank Borrowings" included a syndicated credit facility for EUR 250,000 thousand which had been drawn down in full, with EUR 41,000 thousand maturing on 28 July 2018 and EUR 209,000 thousand on 28 July 2019.

In connection with the 2012, 2014 and 2015 issues and the syndicated loan, certain financial ratios and obligations must be achieved and were being achieved in full at 31 December 2016. This financing arrangement includes an acceleration clause that is triggered if the Company's majority shareholder changes.

The detail of "Current Payables" at 31 December 2016 and 2015 is as follows:

2016

Categories	Thousands of euros					
	Current financial instruments					
	Debt instruments and other marketable securities	Bank borrowings	Obligations under finance leases	Derivatives	Other financial liabilities	Total
Accounts payable	24,093	346,590	16	373	9,619	380,691
Total current payables	24,093	346,590	16	373	9,619	380,691

2015

Categories	Thousands of euros					
	Current financial instruments					
	Debt instruments and other marketable securities	Bank borrowings	Obligations under finance leases	Derivatives	Other financial liabilities	Total
Accounts payable	196,974	46,576	47	22,480	16,608	282,685
Total current payables	196,974	46,576	47	22,480	16,608	282,685

EUR 2,425 thousand of total current payables related to UTEs at 31 December 2016 (31 December 2015: EUR 1,515 thousand).

In April 2013 the Company registered a Euro Commercial Paper programme on the Irish Stock Exchange (ISE) whereby it may issue short-term notes (maturing at between 1 and 364 days) for a maximum amount outstanding of up to EUR 500 million. This programme affords the financial structure greater diversification and provides a new source of short-term financing in the capital market that serves as an alternative to the traditional banking market. At 31 December 2016, notes totalling EUR 731,816 thousand had been issued under this programme, with the outstanding balance totalling EUR 9,448 thousand. The average interest rate on the note issue was 1.623% in 2016.

At 31 December 2016, bank borrowings totalled EUR 346,590 thousand (31 December 2015: EUR 46,576 thousand).

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

	Thousands of euros						
	2017	2018	2019	2020	2021	Subsequent years	Total
Debt instruments and other marketable securities	24,093	-	-	185,533	-	695,594	905,220
Bank borrowings	346,590	40,786	207,849	14	15	48	594,603
Subtotal of debt instruments and other marketable securities and bank borrowings	370,683	40,786	207,849	185,547	15	695,642	1,500,522
Obligations under finance leases	16	11	-	-	-	-	27
Derivatives	373	-	-	-	-	-	373
Other financial liabilities	9,619	385	355	557	223	767	11,906
Total non-current and current payables	380,691	41,182	208,204	186,104	238	696,409	1,512,828

At 31 December 2016, the Company had been granted a loan of EUR 119 thousand (2015: EUR 268 thousand), which is secured by a mortgage on investment property consisting of housing units and garages in Fuengirola (see Note 7).

A 0.5% increase in the interest rates applicable to bank borrowings, without considering borrowings at fixed interest rates, would have an impact of EUR 2,689 thousand on the Company's loss before tax.

The Company had been granted discount lines and credit facilities at 31 December 2016 and 2015 with the following limits:

	Thousands of euros			
	2016		2015	
	Limit	Undrawn amount	Limit	Undrawn amount
Discount facilities	15,784	12,319	28,400	28,185
Credit facilities	639,182	46,770	884,270	838,150
Total	654,966	59,089	912,670	866,335

Of the credit facilities drawn down by the Company maturing in 2016, EUR 94,987 thousand relate to lines arranged with renewal clauses.

In 2016 the discount lines and credit facilities bore average interest at 1.85% and 1.89%, respectively (2015: 1.85% and 1.84%, respectively).

18.2 Non-current and current payables to Group companies and associates

The detail of "Non-Current Payables to Group Companies and Associates" and "Current Payables to Group Companies and Associates" at 31 December 2016 and 2015 is as follows:

2016

Entity	Thousands of euros		
	Group companies		Associates
	Non-current	Current	Current
OHL Concesiones, S.A.	-	623,479	-
OHL Investments, S.A.	394,800	4,049	-
Constructora de Proyectos Viales de México, S.A. de C.V.	-	108,911	-
Agrupación Guinovart Obras y Servicios Hispania, S.A.	-	85,489	-
OHL Industrial, S.L.	-	72,368	-
S.A. Trabajos y Obras (SATO)	-	54,113	-
OHL Andina, S.A.	-	50,132	-
Construcciones Adolfo Sobrino, S.A.	-	24,736	-
OHL Austral, S.A.	-	14,066	-
Asfaltos y Construcciones Elsan, S.A.	-	12,211	-
Avalora Tecnologías de la Información, S.A.	-	1,974	-
Obrascón Huarte Lain Desarrollos, S.L.	-	1,943	-
Ecolaire España, S.A.	-	1,530	-
Obrascón Huarte Lain, Construcción Internacional, S.L.	-	1,359	-
Terminales Marítimas del Sureste, S.A.	-	719	-
EyM Instalaciones, S.A.	-	707	-
Catalana de Seguretat i Comunicacions, S.L.	-	601	-
Josefa Valcárcel 42, S.A.	-	458	-
Less than EUR 300 thousand	-	1,327	-
UTE Marmaray. Turkey	-	-	5,070
UTE FFCC Ankara-Estambul. Turkey	-	-	5,036
Consorcio Túneles Cerro S. Eduardo. Guayaquil. Ecuador	-	-	2,119
UTE Kuwait JV2. Kuwait	-	-	1,081
UTE HW10 Pacific K2K. Australia	-	-	945
UTE Carretera de Panamá. Panama	-	-	934
UTE La Aldea. Spain	-	-	555
UTE Buenavista. Mexico	-	-	528
Consorcio Hospital Alajuela. Costa Rica	-	-	465
UTE Caldereta Corralejo. Spain	-	-	403
UTE Limpieza Defensa. Spain	-	-	358
Less than EUR 300 thousand	-	-	1,769
Total	394,800	1,060,172	19,263

2015

Entity	Thousands of euros		
	Group companies		Associates
	Non-current	Current	Current
OHL Concesiones, S.A.	-	581,637	-
OHL Investments, S.A.	394,800	3,935	-
Constructora de Proyectos Viales de México, S.A. de C.V.	-	134,509	-
Agrupación Guinovart Obras y Servicios Hispania, S.A.	-	51,197	-
S.A. Trabajos y Obras (SATO)	-	43,125	-
OHL Andina, S.A.	-	21,781	-
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	-	20,119	-
OHL Industrial, S.L.	-	19,229	-
Construcciones Adolfo Sobrino, S.A.	-	18,466	-
OHL Austral, S.A.	-	9,358	-
Obrascón Huarte Lain, Construcción Internacional, S.L.	-	7,362	-
Asfaltos y Construcciones Elsan, S.A.	-	6,229	-
Obrascón Huarte Lain Desarrollos, S.L.	-	5,486	-
Ecolaire España, S.A.	-	3,451	-
Pachira, S.L.	-	2,923	-
Sector Huesca Tres, S.A. (in liquidation)	-	1,841	-
OHL Industrial Power, S.A.	-	1,225	-
Terminales Marítimas del Sureste, S.A.	-	1,132	-
Tenedora de Participaciones Tecnológicas, S.A.	-	647	-
Comercial de Materiales de Incendios, S.L.	-	624	-
Josefa Valcárcel 42, S.A.	-	419	-
OHL Industrial Mining & Cement, S.A.	-	412	-
OHL Arabia, LLC	-	390	-
Catalana de Seguretat i Comunicacions, S.L.	-	380	-
OHL México, S.A.B. de C.V.	-	364	-
Premol, S.A. de C.V.	-	362	-
OHL Uruguay, S.A.	-	303	-
Less than EUR 300 thousand	172	1,076	-
UTE FFCC Ankara-Estambul. Turkey	-	-	4,901
Consorcio Túneles Cerro S. Eduardo. Guayaquil. Ecuador	-	-	2,167
UTE Lagares Vigo. Spain	-	-	1,126
UTE Kuwait JV2. Kuwait	-	-	1,013
UTE Carretera de Panamá. Panama	-	-	994
UTE HW10 Pacific K2K. Australia	-	-	743
UTE Buenavista. Mexico	-	-	582
UTE Aguas de Navarra. Spain	-	-	574
Consorcio Hospital Alajuela. Costa Rica	-	-	521
UTE Reina Sofía. Spain	-	-	366
Less than EUR 300 thousand	-	-	1,796
Total	394,972	937,982	14,783

The non-current payable to OHL Investments, S.A. relates to a loan maturing in 2019, the balance of which did not change in 2016 (see Note 9.3.1).

The "Group Companies - Current" column includes mainly loans and payables due to the tax effect. The finance costs on loans in 2016 amounted to EUR 53,560 thousand (2015: EUR 86,067 thousand).

The non-current and current financial contributions of Group companies bore average interest at 4.04% and 3.53%, respectively, in 2016 (2015: 5.61% and 4.39%, respectively). The other balances do not bear interest because they relate to trading transactions.

19.- TRADE PAYABLES

19.1 Disclosures on the average period of payment to suppliers Additional Provision Three. "Disclosure obligation" provided for in Law 15/2010, of 5 July.

Law 15/2010, of 5 July, establishes measures for combating late payment in commercial transactions, and the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 implements the disclosure obligation provided for in Additional Provision Three of the aforementioned law. This resolution repeals the immediately preceding resolution of 29 December 2010, which was based on the previous wording of Additional Provision Three of Law 15/2010, of 5 July.

The disclosures on the average payment period, ratios of paid and outstanding transactions, and total payments made and outstanding at 31 December 2016 and 2015 are as follows:

	Days	
	2016	2015
Average period of payment to suppliers	58.14	49.82
Ratio of transactions settled	55.74	42.34
Ratio of transactions not yet settled	63.19	60.01

	Thousands of euros	
	2016	2015
Total payments made	262,954	143,387
Total payments outstanding	124,658	105,285

The average period of payment to suppliers excluding transactions with Group companies is calculated as the quotient whose numerator is the sum of the ratio of transactions settled multiplied by the total amount of the payments made plus the sum of the ratio of transactions not yet settled multiplied by the total amount of outstanding payments, and whose denominator is the result of adding the total amount of the payments made to the total amount of the outstanding payments.

The ratio of transactions settled is the sum of the products of the amount of each transaction paid by the number of days in which payment has not been made divided by the total amount of the payments made.

The ratio of transactions not yet settled is the sum of the products of the amount of each transaction not yet settled by the number of days until the last day of the year divided by the total amount of the payments not yet settled.

The Company is implementing measures for the purpose of achieving the statutory ratio of transactions not yet settled, since its ratio exceeds slightly the number of days established by law.

19.2 Trade payables - Group companies and associates

The detail of “Trade Payables - Group Companies and Associates” at 31 December 2016 and 2015 is as follows:

2016

Entity	Thousands of euros	
	Group companies	Associates
Autopista del Norte, S.A.C.	73,638	-
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	23,127	-
Catalana de Seguretat i Comunicacions, S.L.	1,614	-
Sociedad Concesionaria Nuevo Camino Nogales, S.A.	1,026	-
OHL México, S.A.B de C.V.	1,009	-
Premol, S.A. de C.V.	921	-
Avalora Tecnologías de la Información, S.A.	757	-
Sociedad Concesionaria Aguas de Navarra, S.A.	753	-
S.A. Trabajos y Obras (SATO)	700	-
Constructora TP, S.A.C.	646	-
Constructora Proyectos Viales de México, S.A.	458	-
OHL Servicios - Ingesán, S.A.	366	-
Less than EUR 300 thousand	1,216	-
Centro Canalejas Madrid, S.L. Spain	-	5,280
Consortio Muna. Peru	-	8,642
Sociedad Concesionaria Vespucio Oriente, S.A. Chile	-	3,370
UTE Kuwait JV2. Kuwait	-	1,711
Less than EUR 1,000 thousand	-	3
Total	106,231	19,006

2015

Entity	Thousands of euros	
	Group companies	Associates
Autopista del Norte, S.A.C.	21,155	-
Cercanías Móstoles Navalcarnero, S.A.	7,000	-
Constructora TP, S.A.C.	2,313	-
Catalana de Seguretat i Comunicacions, S.L.	1,763	-
S.A. Trabajos y Obras (SATO)	1,358	-
OHL Construction Pacific PTY LTD	756	-
Sociedad Concesionaria Aguas de Navarra, S.A.	497	-
Concesionaria AT-AT, S.A. de C.V.	441	-
Avalora Tecnologías de la Información, S.A.	365	-
Less than EUR 300 thousand	996	-
UTE Kuwait JV2. Kuwait	-	2,450
Centro Canalejas Madrid, S.L. Spain	-	1,607
Less than EUR 1,000 thousand	-	620
Total	36,644	4,677

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

19.3 Trade and other payables

The Company has arranged reverse factoring lines with various banks to facilitate advanced payment to its suppliers, by which means suppliers can exercise their collection rights vis-à-vis the Company, and receive the amount billed less the discount finance costs and fees applied by the aforementioned banks.

These lines do not change the main payment conditions of the liabilities, such as terms or amounts and, therefore, they are still classified as trade payables.

At 31 December 2016, the reverse factoring balance under "Trade and Other Payables" was EUR 117,058 thousand (31 December 2015: EUR 84,651 thousand).

20.- TAX MATTERS

20.1 Current tax receivables and payables

The detail of the current tax receivables and payables at 31 December 2016 and 2015 is as follows:

Tax receivables

	Thousands of euros	
	2016	2015
Current tax assets:	26,367	52,029
Income tax prepayments	4,154	6,569
Withholdings from income from movable capital	9,094	8,956
Tax refunds	13,119	36,504
Other accounts receivable from public authorities:	36,705	33,249
Sales tax refundable	34,352	31,663
Other tax receivables	1,702	949
Social security taxes refundable	651	637
Total	63,072	85,278

Tax payables

	Thousands of euros	
	2016	2015
Current tax liabilities:	17,162	22,119
Income tax payable	17,162	22,119
Other accounts payable to public authorities:	23,221	33,961
Sales tax payable	11,135	22,434
Personal income tax withholdings payable	3,012	2,883
Tax on income from movable capital	643	605
Other tax payables	4,757	4,159
Accrued social security taxes payable	3,674	3,880
Total	40,383	56,080

20.2 Reconciliation of the accounting loss to the taxable profit

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

The 2016 income tax expense (benefit) includes the following items:

- EUR (5,469) thousand relating to Spanish income tax.
- EUR (14,305) thousand relating to a substantially similar foreign tax paid abroad by its branches and UTEs.

Income tax is calculated on the basis of accounting profit (loss) determined by application of generally accepted accounting principles, which does not necessarily coincide with taxable profit (tax loss).

The reconciliation of the accounting loss to the taxable profit at 31 December 2016 and 2015 is as follows:

2016	Thousands of euros		
	Increase	Decrease	Total
Accounting loss before tax			(445,433)
Permanent differences	1,008,833	762,312	246,521
Temporary differences:			
Arising in the year	4,503	21,337	(16,834)
Arising in prior years	51,963	53,229	(1,266)
Offset of tax losses			-
Tax loss			(217,012)

2015	Thousands of euros		
	Increase	Decrease	Total
Accounting loss before tax			(118,989)
Permanent differences	350,263	282,715	67,548
Temporary differences:			
Arising in the year	73,195	25,396	47,799
Arising in prior years	30,367	9,098	21,269
Offset of tax losses			-
Taxable profit			17,627

The permanent differences relate mainly to expenses not considered to be deductible for tax purposes, profits obtained abroad, the recognition and use of provisions treated as permanent differences, finance costs exceeding the legally-established limit and the elimination of dividends and gains on the sale of companies.

The temporary differences arose mainly from:

- The profit of UTEs, the recognition of which for tax purposes is deferred one year.
- The recognition and use of provisions not considered to be tax deductible or taxable.
- The depreciation and amortisation charge that was considered to be non-deductible for tax purposes in prior years.

20.3 Detail of the Spanish income tax expense

The detail of the Spanish income tax expense (benefit) at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Current tax	(10,203)	(4,080)
Deferred tax	4,602	10,517
Positive/negative adjustments to income tax	132	(4,405)
Total tax expense (benefit)	(5,469)	2,032

20.4 Tax recognised in equity

The detail of the taxes recognised directly in equity at 31 December 2016 and 2015 is as follows:

2016

	Thousands of euros		
	Increase	Decrease	Total
Current taxes			
Total current taxes			
Deferred taxes			
Arising in the year:			
Available-for-sale financial assets	918	-	918
Grants	-	43	(43)
Arising in prior years:			
Grants	111	-	111
Total deferred taxes	1,029	43	(986)
Total tax recognised directly in equity	1,029	43	(986)

2015

	Thousands of euros		
	Increase	Decrease	Total
Current taxes	-	-	-
Total current taxes	-	-	-
Deferred taxes			
Arising in the year:			
Grants	-	97	(97)
Arising in prior years:			
Grants	111	-	111
Total deferred taxes	111	97	14
Total tax recognised directly in equity	111	97	14

20.5 Deferred tax assets

The detail of "Deferred Tax Assets" at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Deductible temporary differences	70,277	66,852
Tax loss carryforwards	589	761
Total deferred tax assets	70,866	67,613

At 31 December 2016 and 2015, the deferred tax asset corresponding to tax loss carryforwards relates in full to the tax losses of certain companies in the tax group which were recognised by the Company pursuant to the agreement entered into with these companies. The balancing entry thereof is a payable to these companies for the same amount.

The deferred tax assets indicated above were recognised in the balance sheet because the Company's directors considered that, based on their best estimate of the future earnings of the companies making up the tax group, it is probable that these assets will be recovered.

At 31 December 2016, the Company had EUR 489,561 thousand in tax loss carryforwards available for offset in future tax returns which, in accordance with the new Spanish Income Tax Law, do not have a time limit for offset. These tax loss carryforwards were not recognised for accounting purposes.

On 3 December 2016, Royal-Decree Law 3/2016 was published, which introduced significant changes to the taxation of large companies, such as the requirement to reverse impairment losses on investments that were deductible for tax purposes in prior years. However, since the Company generated tax losses in 2016, these changes did not have a significant impact on the Company's tax situation.

At 31 December 2016, the detail of the tax credits available for deduction (not recognised for accounting purposes) in future tax returns filed with the tax authorities is as follows:

Type of tax credit	Thousands of euros	
	Amount	Last year for use:
International tax credits	1,163	No limit
Reinvestment tax credits	4,524	2017
R&D+i tax credits	9,757	2018
Other	7,399	2017

20.6 Deferred tax liabilities

The detail of "Deferred Tax Liabilities" at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Taxable temporary differences	10,435	17,351
Total deferred tax liabilities	10,435	17,351

20.7 Years open for review and tax audits

In prior years the Company earned tax credits for reinvestment, and the years and assets in which the reinvestments were made are as follows:

	Thousands of euros		
	2011	2012	2013
Property, plant and equipment	751	292	-
Investments in Group companies and associates	-	-	20,060

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the statute-of-limitations period has expired.

At 2016 year-end the Company and its UTEs had the tax returns open for review by the tax authorities for all the taxes applicable to them.

On 5 July 2016, the Spanish Tax Agency (AEAT) commenced general tax audits for 2011 to 2013 at the Company.

These audits are at a very early stage, and all the required documentation has been produced.

In July 2016 the National Appellate Court upheld the Company's appeal in relation to a VAT assessment for 2007, for the amount of EUR 21,711 thousand, of which EUR 18,187 thousand relate to the tax deficiency and the remainder to late-payment interest. An appeal was filed at the Supreme Court by the Spanish government's lawyers in relation to this decision. The point of contention is the tax point relating to the output VAT charged by the subcontractors and, accordingly, since it is a timing issue, the cost for the Company, in the worst-case scenario, would be limited to the interest for the period of time between the date on which the Company deducted the VAT, in 2007, and the date on which the tax authorities consider it should have been deducted, primarily in 2008.

The Company is also pending a decision by the Central Economic-Administrative Tribunal on a claim in relation to the income tax assessment for 2009 to 2011. The total amount of the provisional assessment contested by the Company is EUR 1,705 thousand of tax deficiency and interest (for which a provision has been recognised) and EUR 753 thousand of penalty.

The Company's directors consider that the tax returns for all the taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

21.- UTEs

The detail of the sales, assets and liabilities of the UTEs at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Revenue	125,509	332,633
Non-current assets	122,678	123,195
Current assets	589,705	740,641
Non-current liabilities	-	-
Current liabilities	1,180,566	1,103,392

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

22.- INCOME AND EXPENSES

22.1 Revenue

The revenue of Obrascón Huarte Lain, S.A. in 2016 amounted to EUR 508,633 thousand (2015: EUR 870,730 thousand). The detail, by activity, type of customer and geographical market, is as follows:

Business activity	Thousands of euros	
	2016	2015
Civil engineering work in Spain	135,617	186,064
Roads	39,634	51,617
Hydraulic works	50,353	47,832
Railways	27,974	49,333
Maritime	10,497	31,997
Other civil engineering work	7,159	5,285
Building construction in Spain	170,783	111,684
Residential building construction	6,209	6,503
Other buildings	164,574	105,181
Other	2,496	121
Total construction in Spain	308,896	297,869
International civil engineering work	125,005	495,205
Roads	73,600	240,898
Hydraulic works	12,794	25,587
Railways	19,892	193,776
Maritime	(1,699)	2,998
Other civil engineering work	20,418	31,946
Building construction abroad	74,732	77,656
Other buildings	74,732	77,656
Total construction abroad	199,737	572,861
Total revenue	508,633	870,730

Type of customer	Thousands of euros	
	2016	2015
Spain:		
Public-sector customers:	106,855	179,874
Central government	31,301	58,434
Autonomous community government	41,052	35,528
Local government	6,843	14,425
Other agencies	27,659	71,487
Private-sector customers	202,041	117,995
Total Spain	308,896	297,869
Abroad:		
Public-sector customers	141,780	222,798
Private-sector customers	57,957	350,063
Total abroad	199,737	572,861
Total revenue	508,633	870,730

Geographical market	Thousands of euros	
	2016	2015
Spain:		
Spain	308,896	297,869
Total Spain	308,896	297,869
Abroad:		
Chile	81,235	123,629
Peru	47,499	147,046
Central and Eastern Europe	12,548	53,248
Rest of the world	58,455	248,938
Total abroad	199,737	572,861
Total revenue	508,633	870,730

Of the total revenue at 31 December 2016, EUR 125,509 thousand relate to UTEs (31 December 2015: EUR 332,633 thousand).

The geographical areas in which the Company carries on its business on a permanent basis, since it has local structures, are Spain, Chile, Peru, and Central and Eastern Europe (the Czech Republic and its area of influence). The Company also has a presence in other countries which are currently considered to be local markets and are included under "Rest of the World".

22.2 Procurements

The detail of "Procurements" in the statements of profit or loss for the years ended 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Purchases of construction materials and machinery spare parts	167,722	226,654
Change in inventories of construction materials and machinery spare parts used	3,433	447
Cost of construction materials and machinery spare parts used	171,155	227,101
Work performed by other companies	425,329	217,618
Inventory write-downs	(691)	(5)
Total procurements	595,793	444,714

At 31 December 2016, "Procurements" included EUR 268,807 thousand relating to UTEs (31 December 2015: EUR 152,991 thousand).

22.3 Detail of purchases by origin

The detail, by origin, of the purchases made by the Company in 2016 and 2015 is as follows:

	Thousands of euros		
	Spain	EU countries	Imports
Purchases	70,459	7,747	89,515

	Thousands of euros		
	Spain	EU countries	Imports
Purchases	71,327	18,285	137,042

22.4 Losses on and write-down of trade receivables and changes in provisions for commercial transactions

The detail of "Losses on and Write-Down of Trade Receivables and Changes in Provisions for Commercial Transactions" is as follows:

	Thousands of euros	
	2016	2015
Changes in provisions and losses on commercial transactions	(23,296)	723
Changes in short-term provisions	65,812	(76,962)
Other changes	(3,133)	(21)
Total losses on and write-down of trade receivables and changes in provisions for commercial transactions	39,383	(76,260)

The changes in provisions and losses on commercial transactions relate mainly to finished projects and projects that are subject to a claim and are detailed in Note 13.

The changes in short-term provisions relate to various items detailed in Note 17.1.

22.5 Other current operating expenses

The detail of "Other Current Operating Expenses" is as follows:

	Thousands of euros	
	2016	2015
Recognition of provisions for investees	(62,906)	-
Current operating expenses and losses	(54,101)	(991)
Total other current operating expenses	(117,011)	(991)

The recognition of provisions for investees relates to the long-term provisions detailed in Note 17.1.

22.6 Third-party finance income and costs

The detail of third-party finance income and costs in the statement of profit or loss is as follows:

	Thousands of euros	
	2016	2015
Dividends	2	-
Total finance income from investments in equity instruments	2	-
Interest income on long- and short-term loans	3,629	1,124
Other finance income	14,688	16,185
Total finance income from marketable securities and other financial instruments	18,317	17,309
Interest and costs on bonds and marketable securities	(57,688)	(95,728)
Interest on bank borrowings	(6,722)	(7,066)
Other finance costs	(4,697)	(5,020)
Total finance costs on debts to third parties	(69,107)	(107,814)
Interest cost relating to provisions	(463)	-

The interest income on loans relates mainly to the long- and short-term loans detailed in Note 23.2.

Other finance income includes mainly the late-payment interest income described in Note 4.11.

The finance costs on bonds and marketable securities relate to the financial debt of this type described in Note 18.1.

The interest cost relating to provisions relates to the provisions for taxes detailed in Note 17.1.

22.7 Impairment and gains or losses on disposals of financial instruments

The detail of “Impairment and Gains or Losses on Disposals of Financial Instruments” in the statement of profit or loss is as follows:

	Thousands of euros	
	2016	2015
Impairment of equity instruments of Group companies	(229,245)	(67,019)
Reversal of impairment of equity instruments of Group companies	5,629	3,655
Other impairment and losses	(2,243)	1,673
Total impairment and other losses	(225,859)	(61,691)

The impairment of equity instruments of Group companies in 2016 relates mainly to OHL Industrial, S.L. and OHL Construcción Internacional, S.L. for a total amount of EUR 229,186 thousand and is detailed in Note 9.3.1.

The reversal of the impairment of equity instruments of Group companies relates to Construcciones Adolfo Sobrino, S.A. and Asfaltos y Construcciones Elsan, S.A. and is detailed in Note 9.3.1.

	Thousands of euros	
	2016	2015
Gains on disposal of non-current assets classified as held for sale	71,702	-
Gains on disposal of equity instruments of Group companies	27,004	3,294
Gains or losses on disposal of own debt instruments	7,551	(1,123)
Other gains	27	167
Total gains or losses on disposals and other	106,284	2,338

The gain on the disposal of non-current assets classified as held for sale relates to companies completing a divestment process in 2016 and is detailed in Note 11, “Non-Current Assets Classified as Held for Sale”.

The gain on the disposal of equity instruments of Group companies relates mainly to the sale to a Group company of Constructora de Proyectos Viales de México, S.A. de C.V. for EUR 26,022 thousand (see Notes 9.3.1 and 23.1).

The gain on the disposal of own debt instruments corresponds to the gains net of costs on the partial repurchases of bonds detailed in Note 18.1 “Financial Liabilities”.

22.8 Share-based payment transactions

Share-based payment plans

2013-2016 Incentives plan

On 22 March 2013, the Company's Board of Directors agreed to implement a loyalty-building incentive plan aimed at the members of the management team of the Company and of the Group companies controlled by it, under the terms of Article 4 of the Spanish Securities Market Law.

In 2013 the Company arranged an equity swap tied to its share price. The plan and the associated derivative expired on 21 March 2016.

The plan was measured and recognised in the statement of profit or loss as indicated in Note 4.15. At 31 December 2016, the staff costs in connection with this plan amounted to EUR 455 thousand (31 December 2015: EUR 1,857 thousand).

This swap qualifies as a derivative for accounting purposes but does not qualify for hedge accounting, as indicated in Note 4.15. At 31 December 2016, the gain associated with this contract amounted to EUR 1,297 thousand.

22.9 Transactions and balances in currencies other than the euro

The detail of the main transactions in currencies other than the euro in 2016 and 2015, by currency, for the main operating income and expense items, translated at the average exchange rates, is as follows:

2016

Currency	Thousands of euros			
	Revenue	Other operating income	Procurements	Other operating expenses
Norwegian krone	26,426	624	30,717	4,382
Algerian dinar	(31,909)	2,460	5,088	10,201
Kuwaiti dinar	35,240	331	97,588	24,820
Australian dollar	17,629	-	33,613	1,039
US dollar	1,736	204	10,489	58,471
Vietnamese dong	10,528	-	7,487	256
Pound sterling	1,610	-	21,287	4,289
Turkish lira	-	662	15,171	5,776
Argentine peso	-	706	91	2,806
Chilean peso	81,235	3,906	38,638	62,398
Mexican peso	3,684	7,149	2,837	6,955
Uruguayan pesos	9,083	-	3,158	4,709
Saudi Arabian riyal	-	-	-	1,287
Qatari riyal	21,420	14,105	26,197	27,543
Peruvian nuevo sol	45,762	10,118	7,814	29,325
Polish zloty	12,548	719	14,447	6,402
Other currencies	-	930	17	1,354
Total	234,992	41,914	314,639	252,013

2015

Currency	Thousands of euros			
	Revenue	Other operating income	Procurements	Other operating expenses
Norwegian krone	3,486	388	1,161	706
Algerian dinar	32,991	245	10,779	11,135
Kuwaiti dinar	61,029	604	42,846	12,785
Australian dollar	40,086	84	38,411	3,275
US dollar	67,593	1,158	3,048	2,215
Vietnamese dong	12,984	199	5,570	60,084
Pound sterling	-	-	160	7,708
Turkish lira	-	2,554	11,597	4,583
Argentine peso	-	4,160	2,655	695
Chilean peso	123,629	130	62,742	70,512
Mexican peso	7,789	5,350	6,867	5,512
Uruguayan pesos	1,551	-	1,245	752
Saudi Arabian riyal	-	-	-	1,878
Qatari riyal	48,061	15,960	33,150	10,710
Peruvian nuevo sol	79,453	3,047	35,301	40,058
Polish zloty	53,248	-	42,942	8,699
Other currencies	-	603	146	1,789
Total	531,900	35,236	298,620	243,871

The main balances payable in currencies other than the euro at 31 December 2016 and 2015, by currency and for the main liability items in the balance sheet, translated to euros at the year-end exchange rate, were as follows:

2016

Currency	Thousands of euros				
	Bank borrowings	Other financial liabilities	Trade payables	Other liabilities	
				Non-current	Current
Norwegian krone	-	-	10,655	-	2,142
Algerian dinar	-	-	15,841	-	5,148
Kuwaiti dinar	-	-	91,042	-	-
Australian dollar	-	-	13,621	-	676
US dollar	169	-	18,832	-	65,829
Vietnamese dong	-	-	1,932	-	-
Pound sterling	-	-	20,415	-	-
Turkish lira	-	-	5,516	-	306
Argentine peso	-	-	1,747	-	1,318
Chilean peso	1,862	27	75,457	-	17,552
Mexican peso	-	-	3,623	-	109,433
Uruguayan pesos	-	-	4,936	-	1,814
Qatari riyal	18,293	-	65,616	-	390
Peruvian nuevo sol	2,205	-	110,616	-	6
Polish zloty	-	-	4,283	-	44
Other currencies	-	-	432	-	1,730
Total	22,529	27	444,564	-	206,388

2015

Currency	Thousands of euros				
	Bank borrowings	Other financial liabilities	Trade payables	Other liabilities	
				Non-current	Current
Norwegian krone	-	-	20,898	-	248
Algerian dinar	-	-	24,266	-	18,308
Kuwaiti dinar	-	-	26,629	-	-
Australian dollar	-	-	10,908	-	104
US dollar	136	-	28,814	-	7,172
Vietnamese dong	-	-	6,265	-	55
Turkish lira	-	-	21,697	-	135
Argentine peso	-	-	1,023	-	3,866
Chilean peso	655	77	57,101	-	41,347
Mexican peso	-	-	2,519	-	133,966
Uruguayan pesos	-	-	3,756	-	1,329
Qatari riyal	-	-	42,078	-	781
Peruvian nuevo sol	2,610	-	43,295	-	3,441
Polish zloty	3,993	-	10,575	-	53
Other currencies	-	-	593	-	2,156
Total	7,394	77	300,417	-	212,961

The main balances receivable in currencies other than the euro at 31 December 2016 and 2015, by currency and for the main asset items in the balance sheet, translated to euros at the year-end exchange rate, were as follows:

Currency	Thousands of euros					
	2016			2015		
	Non-current financial assets	Current financial assets	Trade and other receivables	Non-current financial assets	Current financial assets	Trade and other receivables
Czech koruna	32,752	-	10,707	-	-	19
Algerian dinar	-	-	51,460	-	-	98,339
Kuwaiti dinar	-	-	45,641	-	-	49,745
Australian dollar	-	-	9,136	-	-	16,030
US dollar	313	-	20,337	244	-	18,416
Vietnamese dong	-	-	-	-	-	12,854
Turkish lira	-	-	17,849	-	-	25,756
Argentine peso	-	808	1,033	-	3,527	5,157
Chilean peso	-	-	136,585	-	-	122,397
Mexican peso	1	-	6,078	1	-	4,415
Uruguayan pesos	-	-	1,471	-	-	3,507
Qatari riyal	137,365	-	483,835	108,267	-	376,811
Peruvian nuevo sol	-	-	97,996	-	-	118,001
Polish zloty	8,095	-	13	-	-	96,346
Other currencies	-	-	566	-	-	983
Total	178,526	808	882,707	108,512	3,527	948,757

The sensitivity analysis of the foreign currency risks of financial instruments for the main currencies simulated a 10% increase in the foreign currency per euro exchange rate with respect to the rates applicable at 31 December 2016 and 2015, the net impact of which on profit or loss was as follows ((expense)/income):

Currency	Thousands of euros	
	2016	2015
Czech koruna	3,259	-
Norwegian krone	(930)	(1,519)
Algerian dinar	2,285	4,015
Kuwaiti dinar	(3,405)	1,664
US dollar	(4,814)	(1,257)
Argentine peso	(92)	273
Chilean peso	3,127	1,672
Mexican peso	(8,023)	(9,509)
Qatari riyal	40,268	31,840
Peruvian nuevo sol	(1,112)	4,943
Polish zloty	284	5,884
Total	30,847	38,006

If a sensitivity analysis were performed using the assumption of a 10% decrease in the foreign currency per euro exchange rate with respect to the rates applicable at 31 December 2016 and 2015, the net impact on profit or loss would be as follows ((expense)/income):

Currency	Thousands of euros	
	2016	2015
Czech koruna	(2,963)	-
Norwegian krone	845	1,381
Algerian dinar	(2,078)	(3,650)
Kuwaiti dinar	3,096	(1,513)
US dollar	4,376	1,143
Argentine peso	83	(248)
Chilean peso	(2,842)	(1,520)
Mexican peso	7,294	8,645
Qatari riyal	(36,607)	(28,945)
Peruvian nuevo sol	1,011	(4,494)
Polish zloty	(258)	(5,349)
Total	(28,043)	(34,550)

22.10 Backlog

At 31 December 2016, the Company's backlog amounted to EUR 2,645,727 thousand (2015: EUR 2,720,271 thousand).

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

Business activity	Thousands of euros	
	2016	2015
Civil engineering work in Spain	382,791	539,305
Roads	189,050	223,368
Hydraulic works	58,878	106,395
Railways	100,684	194,019
Maritime	23,388	7,088
Other civil engineering work	10,791	8,435
Building construction in Spain	332,229	328,452
Residential building construction	10,573	7,512
Other buildings	321,656	320,940
Other	5,397	32
Total construction in Spain	720,417	867,789
International civil engineering work	1,645,061	1,544,370
Roads	797,541	839,828
Hydraulic works	-	9,900
Railways	593,596	689,700
Maritime	175,248	-
Other civil engineering work	78,676	4,942
Building construction abroad	280,249	308,112
Other buildings	280,249	308,112
Total construction abroad	1,925,310	1,852,482
Total backlog	2,645,727	2,720,271

Geographical market	Thousands of euros	
	2016	2015
Spain:		
Spain	720,417	867,789
Total Spain	720,417	867,789
Abroad:		
Chile	1,044,514	736,536
Peru	215,687	18,842
Central and Eastern Europe	-	13,333
Rest of the world	665,109	1,083,771
Total abroad	1,925,310	1,852,482
Total backlog	2,645,727	2,720,271

Of the total backlog at 31 December 2016, EUR 1,377,829 thousand related to direct construction work and EUR 1,267,898 thousand to UTEs (2015: EUR 1,001,195 thousand and EUR 1,719,076 thousand, respectively).

Also, at 31 December 2016, EUR 1,464,031 thousand related to public-sector works and EUR 1,181,696 thousand to private-sector works (2015: EUR 1,811,368 thousand and EUR 908,903 thousand, respectively).

23.- RELATED-PARTY TRANSACTIONS AND BALANCES

23.1 Transactions with Group companies and associates

The detail of the transactions with Group companies in 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Revenue	14,636	96,288
Other operating income	80,073	56,762
Finance income	64,396	69,686
Dividends received	268,528	165,960
Non-current asset disposals	484	10,474
Non-current financial asset disposals	37,475	-
Procurements	1,592	3,040
Other operating expenses	11,029	10,605
Finance costs	53,560	86,067
Non-current asset purchases	2,083	-

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

Company	Thousands of euros	
	2016	2015
OHL Concesiones, S.A.	250,000	155,000
OHL Arabia, LLC	11,319	-
Agrupación Guinovart Obras y Servicios Hispania, S.A.	3,837	-
S.A. Trabajos y Obras (SATO)	3,372	-
Constructora de Proyectos Viales de México, S.A. de C.V.	-	8,950
Other dividends of less than EUR 2,000 million	-	2,010
Total	268,528	165,960

On 15 December 2016, OHL Concesiones, S.A. resolved to distribute an extraordinary dividend of EUR 250,000 thousand.

The detail of the transactions with associates in 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Revenue	19,055	18,416
Other operating income	315	1,415
Finance income	21	3,337
Dividends received	-	2,990
Other operating expenses	17	14

23.2 Related party transactions and balances

The detail of the transactions with related companies in 2016 and 2015 is as follows:

	Thousands of euros			
	2016	% of total	2015	% of total
Income and expenses				
Revenue	20,900	4.11	18,144	2.08
Other operating income	1,245	1.07	1,850	1.91
Finance income	3,069	-	-	-
Procurements	17	-	672	0.15
Outside services	3,577	1.52	16,052	6.12
Finance costs	-	-	9	0.01
Other transactions				
Financing agreements: loans granted	180,209	-	-	-
Financing agreements: repayment of loans granted	103,000	-	-	-
Dividends paid	5,003	-	18,896	-
Non-current asset purchases	848	-	2,874	-
Acquisitions of financial assets	9,999	-	-	-

In addition, at 31 December 2016 the Company had provided guarantees to related entities amounting to EUR 32,936 thousand.

The breakdown of the aforementioned transactions in 2016 is as follows:

Employer identification number of the related company	Name of the related company		Thousands of euros
B-86092145	Centro Canalejas Madrid, S.L.	Revenue	15,496
B-86413846	Espacio Arpada Desarrollos, S.L.	Revenue	4,521
A-28027399	Inmobiliaria Colonial, S.A.	Revenue	883
B-86830536	Alse Park, S.L.	Other operating income	1
B-86092145	Centro Canalejas Madrid, S.L.	Other operating income	24
A-80400351	Espacio Information Technology, S.A.U.	Other operating income	76
B-87238689	Espacio - OHL Desarrollos proyectos singulares, S.L.	Other operating income	1
A-28165298	Fertiberia, S.A.	Other operating income	1
A-82500257	Grupo Villar Mir, S.A.U.	Other operating income	1,126
A-85255370	Grupo Ferroatlántica, S.A.U.	Other operating income	(15)
A-28294718	Inmobiliaria Espacio, S.A.	Other operating income	7
A-39007943	Rocas, Arcillas y Minerales, S.A.	Other operating income	15
B-84996362	Torre Espacio Gestión, S.L.U.	Other operating income	9
A-82500257	Grupo Villar Mir, S.A.U.	Finance income	3,040
A-28032829	Pacadar, S.A.U.	Finance income	29
A-28032829	Pacadar, S.A.U.	Procurements	17
B-87588349	Akebia interiores, S.L.	Other operating expenses	11
B-86830536	Alse Park, S.L.	Other operating expenses	17
B-83393066	Energía VM Gestión de Energía, S.L.U.	Other operating expenses	159
A-80400351	Espacio Information Technology, S.A.U.	Other operating expenses	2,636
B-84481506	Fórmula Jet, S.L.U.	Other operating expenses	673
B-84996362	Torre Espacio Gestión, S.L.U.	Other operating expenses	35
B-86727500	Torre Espacio Restauración, S.L.U.	Other operating expenses	46
A-82500257	Grupo Villar Mir, S.A.U.	Financing agreement: loans granted	75,609
A-82500257	Grupo Villar Mir, S.A.U.	Financing agreement: loans granted	103,000
A-82500257	Grupo Villar Mir, S.A.U.	Financing agreement: repayment of loans granted	103,000
A-28032829	Pacadar, S.A.U.	Financing agreement: loans granted	1,600
B-28166320	Espacio Activos Financieros, S.L.U.	Dividends paid	921
A-82500257	Grupo Villar Mir, S.A.U.	Dividends paid	4,082
B-87588349	Akebia interiores, S.L.	Non-current asset purchases	29
A-80400351	Espacio Information Technology, S.A.U.	Non-current asset purchases	819
A-28000727	Banco Popular Español, S.A.	Acquisitions of financial assets	9,999

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

At 31 December 2016 and 2015, the balances with related companies were as follows:

	Thousands of euros			
	2016	% of total	2015	% of total
Assets:				
Long-term loans to third parties	77,614	96.7	-	-
Trade receivables for sales and services	3,489	0.54	2,577	0.29
Other accounts receivable	490	0.96	226	0.33
Current equity instruments	6,326	99.9	-	-
Short-term loans to third parties	1,604	14.01	-	-
Liabilities:				
Trade payables	5,381	0.95	2,673	0.61
Other current financial liabilities	199	2.07	40	0.24

In December 2016 the Company entered into an agreement with Grupo Villar Mir (GMV) to annul the agreement for the acquisition of all the shares of Pacadar, S.A., leader in the prefabricated structures market, entered into in July 2016. The reimbursement of the price paid (EUR 75,609 thousand), which had to take place within a maximum of two years, was secured by a security interest in all the shares of Pacadar, which earned annual interest at 5.0%. This amount is included under "Long-Term Loans to Third Parties" in the foregoing table.

23.3 Remuneration of directors and senior executives and conflicts of interest

The remuneration of the Board of Directors is regulated by Article 24 of the bylaws and it was the Annual General Meeting of the Company held on 10 May 2007 that established annual fixed remuneration for the directors, in their capacity as directors, for attendance at meetings of seven hundred and fifty thousand euros (EUR 750,000) for 2007 and successive years, with the distribution criteria that the Board of Directors itself approved and which was set by it for distribution among the independent directors. In 2016, as in prior years, the non-executive directors did not receive any kind of variable remuneration or benefits. This fixed remuneration is compatible with, and independent from, remuneration, termination benefits, pensions and compensation of any kind received by those members of the Board of Directors as a result of the employment relationship with or the rendering of services to the Company.

The Board of Directors of the Company, on this same date, prepared the Annual Report on Directors' Remuneration, as established in Article 541 of the Spanish Limited Liability Companies Law, with an individualised breakdown of all items accrued in 2016 for each director. Following is an individualised detail of the remuneration accrued by each director in his or her capacity as such, excluding the accrued remuneration subsequently disclosed:

Directors	Euros		
	Attendance fees	Other attendance fees	Total remuneration
Juan-Miguel Villar Mir (Proprietary) (1)	-	37,228	37,228
Juan Villar-Mir de Fuentes (Proprietary) (2)	-	69,803	69,803
Silvia Villar-Mir de Fuentes (Proprietary) (2)	-	51,189	51,189
Tomás García Madrid (Executive) (2)	-	22,337	22,337
Juan Luis Osuna Gómez (Executive)	-	-	-
Josep Piqué Camps (Executive) (1)	-	-	-
Reyes Calderón Cuadrado (Independent)	58,500	67,011	125,511
Mónica de Oriol e Icaza (Independent)	56,250	61,427	117,677
Macarena Sainz de Vicuña Primo de Rivera (Independent) (3)	45,000	40,951	85,951
Juan José Nieto Bueso (Independent) (4)	9,000	3,723	12,723
José Luis Díez García (Independent) (2)	33,750	22,337	56,087
Alberto Terol Esteban (Independent) (1)	33,750	22,337	56,087
Javier López Madrid (Proprietary)	-	37,228	37,228
Juan Antonio Santamera Sánchez (Proprietary) (2)	-	18,614	18,614
Álvaro Villar-Mir de Fuentes (Proprietary)	-	37,228	37,228
Manuel Garrido Ruano (Proprietary) (2)	-	22,337	22,337
TOTAL	236,250	513,750	750,000

- (1) Removed in the first half of 2016.
(2) Appointed in the first half of 2016.
(3) Removed in the second half of 2016.
(4) Appointed in the second half of 2016.

In 2016 the executive directors earned total remuneration of EUR 6,263 thousand for the performance of their executive duties (2015: EUR 2,906 thousand), including the amount received by the then CEO of the Company, Josep Piqué Camps, as express economic compensation for non-competition and EUR 12 thousand (2015: EUR 12 thousand) for other benefits relating to life insurance policies. No contributions were made to pension plans in 2016 or 2015.

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

Remuneration of senior executives

The remuneration earned by the Company's senior executives in 2016 -excluding those who are also members of the Board of Directors (whose remuneration is detailed above)- amounted to EUR 4,239 thousand (2015: EUR 4,922 thousand), of which EUR 2,664 thousand correspond to fixed remuneration and EUR 1,575 thousand to an estimate of the variable remuneration which at the reporting date is pending final determination through the formal approval processes. This variable remuneration will under no circumstances exceed the amount disclosed herein.

No advances or loans have been granted to the Company's senior executives.

Conflicts of interest

At 31 December 2016, none of the directors had notified the Board of Directors of any direct or indirect conflict of interest that they or persons related to them might have had with respect to the Company in 2016.

24.- INFORMATION ON THE ENVIRONMENT

In 2016 the Company incurred environmental expenses amounting to EUR 991 thousand (2015: EUR 713 thousand). At 31 December 2016 and 2015, the Company had not recognised any environmental assets in the balance sheets.

25.- OTHER DISCLOSURES

25.1 Headcount

The average number of employees in 2016 and 2015, by category, was as follows:

Professional category	Average number of employees	
	2016	2015
Senior executives	8	8
Executives	35	38
Directors/Managers	206	537
Middle managers	630	685
Other line personnel	1,045	1,133
Clerical staff	606	491
Manual workers	4,250	4,685
Total	6,780	7,577
Permanent employees	2,979	3,126
Temporary employees	3,801	4,451
Total	6,780	7,577

Also, the average number of temporary employees at UTEs in 2016 was 1,431 (2015: 1,439 employees).

The average number of employees at the Company with a disability equal to or greater than 33% in 2016 was as follows:

Professional category	2016
Directors/Managers	1
Middle managers	3
Other line personnel	4
Clerical staff	4
Manual workers	3
Total	15

Of this total four correspond to UTEs. The average number of employees at the Company with a disability equal to or greater than 33% in 2015 was 12.

The number of employees at the end of 2016 and 2015, by gender and professional category, was as follows:

Professional category	Number of employees at year-end					
	31/12/16			31/12/15		
	Men	Women	Total	Men	Women	Total
Senior executives	8	-	8	8	-	8
Executives	33	3	36	73	9	82
Directors/Managers	142	14	156	51	3	54
Middle managers	557	78	635	546	69	615
Other line personnel	740	201	941	742	151	893
Clerical staff	289	244	533	383	298	681
Manual workers	3,769	158	3,927	4,958	336	5,294
Total	5,538	698	6,236	6,761	866	7,627

Also, the number of temporary employees at UTEs at 31 December 2016 was 1,082 (31 December 2015: 1,537 employees).

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

25.2 Fees paid to auditors

The fees for financial audit and other services provided by the Company's principal auditor, Deloitte, S.L., or by other firms related to the auditors or by other auditors, were as follows:

	Thousands of euros					
	Principal auditor		Other auditors		Total	
	2016	2015	2016	2015	2016	2015
Audit services	682	558	249	70	931	628
Other attest services	23	373	6	60	29	433
Total audit and related services	705	931	255	130	960	1,061
Tax counselling services	106	21	23	146	129	167
Other services	430	206	-	2	430	208
Total professional services	536	227	23	148	559	375
Total	1,241	1,158	278	278	1,519	1,436

"Financial Audit Services" includes the fees for professional services performed by the auditor, normally due to Spanish and international regulatory requirements, such as statutory audits, internal control review reports, limited reviews of periodic public information performed at listed companies, etc.

"Other Attest Services" includes the fees for professional services in which some kind of assurance is expressed, but which are not regulated by any mandatory legislation, such as one-off limited reviews, special reports on security placement processes, agreed-upon procedures reports, covenant reports, etc.

"Tax Counselling Services" includes the fees for the provision of services relating to all forms of tax counselling.

"Other Services" includes the fees for the other professional services not included in the above line items which, by nature, are more akin to consultancy or independent third-party services.

25.3 Statement of cash flows

The Company's statement of cash flows was prepared in accordance with the information detailed in Note 4.19. The following aspects are worthy of mention in relation to each of the main sections thereof:

Cash flows from operating activities

"Cash Flows from Operating Activities" in 2016 amounted to EUR (279,274) thousand, and it should be noted that:

The loss before tax for 2016 amounted to EUR (445,433) thousand and includes the negative impact of the change in the estimates of revenue detailed in Note 1.2.

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

	Thousands of euros	
	2016	2015
Changes in provisions	23,101	76,056
Financial profit or loss	(118,353)	10,120
Impairment and gains or losses on disposals of non-current assets	(8,884)	2,537
Grants	(443)	(443)
Total	(104,579)	88,270

"Other Cash Flows from Operating Activities" includes dividends received, amounting to EUR 268,530 thousand, most notably the dividend received from OHL Concesiones, S.A. amounting to EUR 250,000 thousand.

Cash flows from investing activities

"Cash Flows from Investing Activities" amounted to EUR 10,363 thousand in 2016.

Payments for investments amounted to EUR (180,605) thousand and corresponded to investments in Group companies, mainly OHL Industrial, S.L., and loans granted to OHL Central Europe, a.s. and to related companies.

"Proceeds from Disposal", amounting to EUR 190,968 thousand, include most notably proceeds from:

- The sale of 36% of Concessió Estacions Aeroport L9, S.A. for EUR 105,121 thousand.
- The sale of 33.33 % of Phunciona Gestión Hospitalaria, S.A for EUR 6,536 thousand.
- The sale of 100% of Superficialia los Bermejales, S.A. for EUR 22,495 thousand.
- The sale of 20% of Urbs Iudex et Causidicus, S.A. for EUR 7,895 thousand.

Cash flows from financing activities

"Cash Flows from Financing Activities" in 2016 amounted to EUR 237,716 thousand and include most notably:

- The increase in bank borrowings of EUR 548,452 thousand.
- The decrease in marketable bonds and debt instruments due to partial repurchases amounting to EUR 76,751 thousand.

As a result of the foregoing, cash and cash equivalents at the end of the year amounted to EUR 287,048 thousand, mainly comprising bank balances.



26.- EVENTS AFTER THE REPORTING PERIOD

No significant events have taken place since the end of the reporting period.

27.- EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company in Spain (see Note 2.1.). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

APPENDIX I
OBRASCÓN HUARTE LAIN, S.A.
UTES

Name of UTE	Percentage of ownership	Thousands of euros	
		UTE revenue in 2016	Construction work contracted by the UTE
A.M.A.S.	50.00	2,875	4,500
A-3 BUÑOL-VALENCIA	65.00	3,026	84,720
ACCESO FERROVIARIO APB	22.50	2,325	11,996
AGUAS DE NAVARRA	77.11	29,226	68,268
ALAGON	60.00	2,976	3,357
ARRAZOLA	50.00	-	56,781
BARRANCO FOIETES	55.00	3,716	5,218
BINTER	65.00	3,119	8,707
BÚRDALO	75.00	-	39,655
BUSINESS	25.00	2,417	40,931
CALDERETA-CORRALEJO	99.50	6,233	62,351
CAMP CLAR	50.00	3,636	3,636
CANAL DE MURCIA TRAMO III	60.00	1,372	6,054
CELT EL PRAT	30.00	11	4,940
CENTRAL VILLORIA	50.00	34	1,460
CENTRO BOTIN	55.00	17,145	62,038
CONSERVACION A-1 MADRID	20.00	9,139	40,747
COSTA CALMA	99.50	5,665	48,982
DECMIL AUSTR. Y OHL 7TH AVENUE	50.00	38	6,400
EDAR DE SEGOVIA	50.00	3,925	22,735
EDAR EL FRANCO FASE II	50.00	1,218	1,717
EDAR LAGARES-VIGO	25.00	11,220	113,626
EDIFICIO CISGA FASE II	50.00	-	4,787
ESTACIONES LINEA 9 BARCELONA	17.00	-	215,443
ESTACIONES METRO DOHA	30.00	71,399	1,333,333
ESTACIONES TARRASA	36.00	3,716	52,545
ETAP LLANURA MANCHEGA	50.00	235	23,822
ETAP PILONES	50.00	-	16,444
GUÍA-PAGADOR	87.50	-	96,449
HOSPITAL DE CUENCA	50.00	398	109,420
HOSPITAL UNIV. TOLEDO	33.33	6,065	156,800
HUANCABAMBA	70.00	13,519	29,678
IFA	55.50	35	19,007
INTERFICIES AEROP L-9	36.00	600	9,370
ITES LOTE 2	50.00	539	1,651
J.V. 2 KUWAIT	50.00	70,480	648,800
LA ALDEA	50.00	20,825	105,551
LEZUZA	50.00	125	8,316
LIMPIEZA DEFENSA	30.00	8,257	18,087
LINEA 9 BARCELONA	17.00	401	595,665
LOCALES RENFE	50.00	1,358	1,552
LOGISTICA	33.33	148	8,740
MANIOBRA AEROPUERTO L9	36.00	246	3,406
MANTENIMIENTO PRESAS	50.00	489	1,232
MARINA PORT VELL	50.00	-	19,691
MARMARAY	70.00	(109,285)	1,262,442
MCCONNELL DOWELL CONST Y OHL K2K	50.00	25,584	103,400
MEL9	36.00	12,391	158,310
MUELLE FERTIBERIA	70.00	1,099	1,099
MUNA	25.00	4,886	91,505
OHL Y YORK JV SCHOFIELDS 2	50.00	9,637	49,000
PINOS PUENTE-ATARFE	85.00	19,594	81,112
POLIDEPORTIVO HORTA	50.00	-	4,614
POZOS L-6	50.00	-	4,940
POZOS METRO MADRID	50.00	-	1,075
RAE	65.00	23,646	23,646
TERMINAL MARITIMA Nº6	70.00	-	12,040
TRAMO II CATARROJA-BENIFAYO	65.00	-	14,363

APPENDIX I
OBRASCÓN HUARTE LAIN, S.A.
UTEs

Name of UTE	Percentage of ownership	Thousands of euros	
		UTE revenue in 2016	Construction work contracted by the UTE
TUNEL ESPINO VIA IZQUIERDA	70.00	27,358	95,378
TÚNELES NORTE SEVILLA	40.00	-	203,647
URBANIZACION EL PORTAL	70.00	22	2,857
ZONA MANIOBRA	50.00	477	7,305
ZONAS VERDES BOADILLA	20.00	-	12,097
TOTAL		323,560	6,307,438

APPENDIX II
OBRASCÓN HUARTE LAIN, S.A.

Equity of Group companies

Thousands of euros											
COMPANY	Share capital	Capital payments payable	Reserves	2016 profit (loss)	Interim dividend	Total shareholders' equity	Valuation adjustments	Grants	Total equity	Participating loan	Total equity + participating loan
Agrupación Guinovart Obras y Servicios Hispania, S.A.	30,050	-	49,649	30,469	-	110,168	-	-	110,168	-	110,168
Asfaltos y Construcciones Elsan, S.A.	7,603	-	(2,455)	2,133	-	7,281	-	558	7,839	5,000	12,839
Community Asphalt Corp.	2	-	70,345	1,102	-	71,449	-	-	71,449	-	71,449
Consorcio Aura - OHL, S.A.	212	(212)	-	-	-	-	-	-	-	-	-
Construcciones Adolfo Sobrino, S.A.	1,520	-	8,386	3,508	-	13,414	-	-	13,414	-	13,414
Construcciones Colombianas OHL, S.A.S.	88	-	12,350	(10,053)	-	2,385	-	-	2,385	-	2,385
Constructora e Inmobiliaria Huarte, Ltda.	736	-	(143)	(38)	-	555	-	-	555	-	555
Elsengrund Bau GmbH	1,534	-	(5,240)	(12)	-	(3,718)	-	-	(3,718)	-	(3,718)
Empresa Constructora Huarte San José, Ltda.	18	(17)	245	(18)	-	228	-	-	228	-	228
Entorno 2000, S.A.	601	(225)	(1,272)	-	-	(896)	-	-	(896)	466	(430)
Golf de Mayakoba, S.A. de C.V.	44,690	-	(25,868)	(674)	-	18,148	-	-	18,148	-	18,148
Golf de Mayakoba Servicios, S.A. de C.V.	3	-	66	14	-	83	-	-	83	-	83
Josefa Valcárcel 42, S.A.	69	-	(685)	(278)	-	(894)	-	-	(894)	962	68
L 6 Hotel Mayakoba, S.R.L. de C.V.	27,913	-	(22,796)	(9)	-	5,108	-	-	5,108	-	5,108
Marina Urola, S.A.	503	-	770	145	-	1,418	-	-	1,418	-	1,418
Mongas, S.A.	-	-	-	-	-	-	-	-	-	-	-
Obrascón Huarte Lain, Construcción Internacional, S.L.	41,330	-	60,625	(257,107)	-	(155,152)	-	-	(155,152)	-	(155,152)
Obrascón Huarte Lain, Desarrollos, S.L.	80,334	-	239,542	(11,562)	-	308,314	-	-	308,314	-	308,314
OHL Andina, S.A.	3,293	-	20,626	2,391	-	26,310	-	-	26,310	-	26,310
OHL Arabia, LLC	126	-	46,724	(9,598)	-	37,252	-	-	37,252	-	37,252
OHL Brasil, S.A.	376	-	(210)	(21)	-	145	-	-	145	-	145
OHL Concesiones Argentina, S.A.	538	(500)	(185)	(107)	-	(254)	-	-	(254)	-	(254)
OHL Concesiones Chile, S.A.	61,787	-	2,054	(5,637)	(112)	58,092	-	-	58,092	-	58,092
OHL Concesiones, S.A.	167,455	-	788,987	53,484	-	1,009,926	-	-	1,009,926	-	1,009,926
OHL Construction India Private Limited	521	-	13	(98)	-	436	-	-	436	-	436
OHL Construction Pacific PTY LTD	-	-	(6,333)	(1,424)	-	(7,757)	-	-	(7,757)	-	(7,757)
OHL Desarrollos México, S.A. de C.V.	347,027	-	(40,622)	(5,782)	-	300,623	-	-	300,623	-	300,623
OHL Industrial Chile, S.A.	33,677	-	(34,742)	(10,117)	-	(11,182)	(254)	-	(11,436)	-	(11,436)
OHL Industrial, S.L.	46,394	-	858	(100,832)	-	(53,580)	-	-	(53,580)	-	(53,580)
OHL México, S.A.B. de C.V.	704,327	-	663,797	60,239	-	1,428,363	-	-	1,428,363	-	1,428,363
OHL Servicios - Ingesán, S.A.U.	790	-	10,485	1,224	-	12,499	-	-	12,499	-	12,499
OHL Uruguay, S.A.	-	-	31	(13)	-	18	-	-	18	-	18
S.A. Trabajos y Obras	1,854	-	43,182	27,673	-	72,709	-	71	72,780	-	72,780
Sociedad Concesionaria Aguas de Navarra, S.A.	7,370	-	2,218	547	-	10,135	(2,953)	-	7,182	-	7,182
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	14,732	-	7,550	651	-	22,933	-	-	22,933	-	22,933
Tenedora de Participaciones Tecnológicas, S.A.	601	-	(33,261)	(1,498)	-	(34,158)	-	-	(34,158)	38,162	4,004
Vacua, S.A.	16,230	-	(15,580)	19	-	669	-	-	669	-	669
Vincida Grupo de Inversiones 2006, S.L.	3	-	(6)	(3)	-	(6)	-	-	(6)	-	(6)

APPENDIX III
OBRASCÓN HUARTE LAIN, S.A.

Investments in Group companies

COMPANY	% ownership interest			Thousands of euros				
	Direct	Indirect	Total	Cost at 31/12/15	Additions	Reductions	Transfers	Cost at 31/12/16
Agrupación Guinovart Obras y Servicios Hispania, S.A.	100.00	-	100.00	69,056	-	-	-	69,056
Asfaltos y Construcciones Elsan, S.A.	100.00	-	100.00	25,983	-	-	-	25,983
Community Asphalt Corp.	6.50	85.75	92.25	8,425	-	-	-	8,425
Construcciones Adolfo Sobrino, S.A.	100.00	-	100.00	21,818	-	-	-	21,818
Construcciones Colombianas OHL, S.A.B.	30.00	70.00	100.00	-	32	-	-	32
Constructora de Proyectos Viales de México, S.A. de C.V.	-	100.00	100.00	1,208	-	(1,208)	-	-
Constructora e Inmobiliaria Huarte, Ltda.	89.90	10.10	100.00	850	-	-	-	850
Consorcio Aura OHL, S.A.	65.00	-	65.00	-	138	-	-	138
Elsengrund Bau GmbH	100.00	-	100.00	1,426	-	-	-	1,426
Empresa Constructora Huarte San José, Ltda.	95.00	5.00	100.00	17	-	-	-	17
Entorno 2000, S.A.	100.00	-	100.00	323	-	-	-	323
Golf de Mayakoba, S.A. de C.V.	0.00	100.00	100.00	-	-	-	-	-
Golf de Mayakoba Servicios, S.A. de C.V.	0.00	100.00	100.00	-	-	-	-	-
Josefa Valcárcel 42, S.A.	100.00	-	100.00	45,469	-	-	-	45,469
L 6 Hotel Mayakoba, S.R.L. de C.V.	30.35	69.65	100.00	12,632	-	-	-	12,632
Marina Urola, S.A.	39.17	39.17	78.34	353	-	-	-	353
Mongas, S.A.	100.00	-	100.00	2,583	-	-	-	2,583
Obrascón Huarte Lain, Construcción Internacional, S.L.	100.00	-	100.00	121,064	-	-	-	121,064
Obrascón Huarte Lain, Desarrollos, S.L.	100.00	-	100.00	391,796	-	-	-	391,796
OHL Andina, S.A.	99.00	1.00	100.00	3,246	-	-	-	3,246
OHL Arabia, LLC	95.00	5.00	100.00	100	-	-	-	100
OHL Brasil, S.A.	1.00	99.00	100.00	4.00	-	-	-	4
OHL Concesiones Argentina, S.A.	10.00	90.00	100.00	161	-	-	-	161
OHL Concesiones Chile, S.A.	0.00	100.00	100.00	-	-	-	-	-
OHL Concesiones, S.A.	100.00	-	100.00	600,078	-	-	-	600,078
OHL Construction India Private Limited	1.00	99.00	100.00	13	5	-	-	18
OHL Construction Pacific PTY LTD	100.00	-	100.00	-	-	-	-	-
OHL Desarrollos México, S.A. de C.V.	0.00	100.00	100.00	-	-	-	-	-
OHL Industrial Chile, S.A.	0.01	99.99	100.00	1	-	-	-	1
OHL Industrial, S.L.	100.00	-	100.00	129,800	34,401	-	-	164,201
OHL México, S.A.B. de C.V.	0.00	56.14	56.14	1	-	-	-	1
OHL Servicios-Ingesán, S.A.U.	100.00	-	100.00	1,172	-	-	-	1,172
OHL Uruguay, S.A.	100.00	-	100.00	130	-	-	-	130
S.A. Trabajos y Obras	100.00	-	100.00	43,348	-	-	-	43,348
Sector Huesca Tres, S.A., in liquidation	-	-	-	6,619	-	(6,619)	-	-
Sociedad Concesionaria Aguas de Navarra, S.A.	65.00	-	65.00	4,791	-	-	-	4,791
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	100.00	-	100.00	10,757	987	-	-	11,744
Superficialia los Bermejales, S.A.	100.00	-	100.00	-	-	-	-	-
Tenedora de Participaciones Tecnológicas, S.A.	100.00	-	100.00	526	-	-	-	526
Vacua, S.A.	99.11	0.89	100.00	599	-	-	-	599
Víncida Grupo de Inversiones 2006, S.L.	25.00	75.00	100.00	1	-	-	-	1
ZPSV, a.s.	-	96.63	96.63	9,785	-	(9,785)	-	-
Totals				1,514,135	35,563	(17,612)	-	1,532,086

APPENDIX IV
OBRASCÓN HUARTE LAIN, S.A.

Investments in associates

COMPANY	% ownership interest			Thousands of euros				
	Direct	Indirect	Total	Cost at 31/12/15	Additions	Reductions	Transfers	Cost at 31/12/16
Consortio Español Alta Velocidad Meca Medina, S.A.	6.29	-	6.29	3	-	-	-	3
Consortio Ruta 1, S.A.	10.00	-	10.00	161	-	-	-	161
E.M.V. Alcalá de Henares, S.A.	34.00	-	34.00	409	-	-	-	409
Navarra Gestión del Agua, S.A.	30.00	-	30.00	18	-	-	-	18
Nuevo Hospital de Burgos, S.A.	20.75	-	20.71	11,405	15	-	-	11,420
Nuevo Hospital de Toledo, S.A.	33.34	-	33.34	7,934	-	-	-	7,934
Port Torredembarra, S.A.	24.08	-	24.08	403	-	-	-	403
Sociedad Mixta de Gestión y Promoción del Suelo, S.A.	1.20	-	1.20	9	-	-	-	9
Urbs Iustitia Commodo Opera, S.A.	-	-	-	1,960	-	(1,960)	-	-
Totals				22,302	15	(1,960)	-	20,357

APPENDIX V OBRASCÓN HUARTE LAIN, S.A.

Identification of the companies included in investments in Group companies

COMPANY	REGISTERED OFFICE	MAIN LINE OF BUSINESS
Concessions		
OHL Concesiones Argentina, S.A. OHL Concesiones Chile, S.A. OHL Concesiones, S.A. OHL México, S.A.B. de C.V. Vincida Grupo de Inversiones 2006, S.L.	C/ Avenida Córdoba 632 - Piso 7, C1054AA5 Buenos Aires Argentina C/ Cerro El Plomo, nº 5855 Piso 16. Las Condes oficina 1607 y 1608 ,Santiago de Chile - Chile Torre Espacio, Pº de la Castellana nº 259 D, planta 16, (28046 Madrid) Avda. Paseo de la Reforma , nº 222 piso 25, Colonia Juárez, Delegación Cuauhtemoc, C.P. 06600 Mexico City Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Operation of concessions Operation of concessions Operation of concessions Operation of concessions Financial studies
Construction		
Agrupación Guinovart Obras y Servicios Hispania, S.A. Asfaltos y Construcciones Elsan, S.A. Community Asphalt Corp. Consorcio Aura OHL, S.A. Construcciones Adolfo Sobrino, S.A. Construcciones Colombianas OHL, S.A.S. Constructora e Inmobiliaria Huarte, Ltda. Empresa Constructora Huarte San José, Ltda. Obrascón Huarte Lain, Construcción Internacional, S.L. OHL Andina, S.A. OHL Arabia, LLC OHL Brasil, S.A. OHL Construction India Private Limited OHL Construction Pacific PTY LTD OHL Uruguay, S.A. S.A. Trabajos y Obras Sociedad Concesionaria Aguas de Navarra, S.A. Sociedad Concesionaria Centro de Justicia de Santiago, S.A. Vacua, S.A.	C/ Tarragona, 149-157 planta 15 (08014 Barcelona) Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid) 9725 N.W. 117 th Avenue, Suite 108, Miami, FL, 33178 USA Territorio del Registro de Comercio del Conservador de Bienes Raices de Santiago de Chile. Chile C/ Gran Vía de Don Diego López De Haro, 33 - 4º 48009 Bilbao Ctra. 17 no. 93-09 Piso 8 Edificio Ecotower. Colombia C/ Cerro El Plomo, nº 5855 Piso 15. Las Condes (Santiago de Chile). Chile C/ Cerro El Plomo, nº 5855 Piso 16. Las Condes oficina 1607 y 1608 ,Santiago de Chile - Chile Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid) C/ Cerro El Plomo, nº 5855 Piso 16. Las Condes oficina 1607 y 1608 ,Santiago de Chile - Chile Jameel Square - Thalia, Po Box 8909 - Jeddah 23326. Saudi Arabia. Rua Tabapuã, ,1.123 - 16º Andar. Brazil Unit No.701, 7th floor Tower 4A DLF, Corporate Park, DLF Phase 3, Gurgaon, 122010, Haryana, India 40 Creek Street Level 11, 4000 Brisbane - Australia Edificio Argela, calle Rio Negro, 1354, piso 3, escritorio 16, Montevideo, CP 11105, Uruguay Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid) Camino de la Biano, 45, Mutilva Alta (31192 Navarre) C/ Cerro El Plomo, nº 5855 Piso 16. Las Condes oficina 1607 y 1608 ,Santiago de Chile - Chile Los Militares 6191, piso 8.Las Condes.Santiago de Chile - Chile	Construction Infrastructure and urban services Construction Construction Construction Construction Construction Construction and operation Construction Construction and maintenance Construction Construction Construction Construction Operation of concessions Construction Investment company
Industrial		
OHL Industrial Chile, S.A. OHL Industrial, S.L.	Los Militares 6191, Piso 8. Las Condes. Santiago de Chile - Chile Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Engineering, technical advisory services, water treatment and distribution Industrial engineering and maintenance at industrial plants
Services		
OHL Servicios - Ingesán, S.A.U.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Building maintenance and upkeep
Development		
Golf de Mayakoba, S.A. de C.V. Golf de Mayakoba Servicios, S.A. de C.V. L 6 Hotel Mayakoba, S.R.L. de C.V. Obrascón Huarte Lain, Desarrollos, S.L. OHL Desarrollos México, S.A. de C.V.	Carretera Federal Chetumal-Puerto Juárez Km. 298, Playa del Carmen, Solidaridad, Quintana Roo, C.P. 77710, Mexico Carretera Federal Chetumal-Puerto Juárez Km. 298, Playa del Carmen, Solidaridad, Quintana Roo, C.P. 77710, Mexico Carretera Federal Chetumal-Puerto Juárez KM 298 Ent. Hotel Capitán Lafitte Playa Del Carmen Solidaridad CP 77712 Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid) Carretera Federal Chetumal-Puerto Juárez Km. 298, Playa del Carmen, Solidaridad, Quintana Roo, C.P. 77710, Mexico	Operation of golf courses Operation of golf courses Real estate project development Real estate project development services Real estate project development services
Other		
Elsengrund Bau Gmbh Entorno 2000, S.A. Josefa Valcárcel 42, S.A. Marina Urola, S.A. Mongas, S.A. Tenedora de Participaciones Tecnológicas, S.A.	LG Berliner Stadtbank, A.G. Berlin - Germany Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid) Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid) Barrio Santiago - Puerto deportivo- (Zumaya - Guipúzcoa) Rb de Cataluña, 20 (Barcelona) Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Other Other Other Concession and operation of marina in Zumaya (Guipúzcoa) Other New technologies



OBRASCÓN HUARTE LAIN, S.A.

2016 Directors' Report



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OBRASCÓN HUARTE LAIN, S.A.

2016 DIRECTORS' REPORT

1.- ECONOMIC OVERVIEW

2016 was a year of major volatility in the securities markets, influenced by unprecedented political questions such as the Brexit referendum, the difficulties in forming the Spanish Government or the advance of the populist parties in both Europe and the Americas. The same volatility affected the money market, influenced by the policies of the central banks and commodities prices.

In Spain, Spanish GDP growth in 2016 was once more + 3.2%, one of the economies with the highest growth despite the caretaker nature of the government. The IMF expects GDP to continue to grow at rates above that of the European Union (+2.1% vs. +1.6% for the eurozone) over the next two years, but it will be foreseeably be heavily influenced by possible changes in the monetary policies of the central banks, Brussels' deficit dictates that might require budgetary adjustments and the political instability that may result from having a minority government that will have to reach agreements point-by-point in order to successfully implement its political agenda.

Also, according to the FUNCAS Spanish Economic Forecasts Panel average for gross fixed capital formation in the construction industry, investment in construction increased in 2016 by +2.4% compared to 2015. This same source, in its review after the approval of the General State Budgets, expects that it will grow by +2.8% with respect to 2016.

2.- OUTLOOK

2017 is expected to see a continuation of recent volatility because of the various challenges arising from the events of 2016 mentioned above, such as the implementation of Brexit, the shift towards protectionism in the US undertaken by the new Government or the possible reduction of quantitative easing measures as a result of changes in Central Bank policies.

Against this backdrop, the IMF has not yet changed its growth forecasts for the next few years and in its report of January 2017 it is still predicting growth in GWP of around +3.5%, due to the upturn in economic activity in the second half of 2016 and the fiscal stimuli envisaged in the US. This growth is expected to continue driven by the emerging economies with growth of +4.5%, as compared with the +2.0% expected in the advanced economies. For the eurozone in particular, growth of +1.6% is predicted, a figure very similar to that achieved in 2016.

Focusing on the geographical areas that most affect the Company, the IMF forecasts five more years of growth for Spain, with average annual GDP growth of +2.0%, a CPI of 1.7% and an unemployment rate at the end of the period in 2021 of 15.3%. It is considered that Spain will continue to be one of the driving forces behind the growth of the eurozone, although political risk stands out as a negative factor for its economy. The GDP growth outlook for Latin America is also positive for both 2017 (+1.2%) and 2018 (2.1%). Specifically, the growth outlook for Chile is +2.1% for 2017 and +2.7% for 2018, and for Peru is +4.3% for 2017 and +3.5% for 2018. These two geographical areas are very important for the Company since they account for approximately 41% of its sales and 48% of its investments.

However, in the same report the IMF includes certain caveats arising from the potential risks facing the world economy due to the events indicated above, meaning that there is a degree of downside risk in its next review of estimates scheduled for April 2017, once it becomes clearer what their possible impact on the economy might be and there is more certainty regarding possible mitigating factors.

3.- COMPANY PERFORMANCE

Revenue totalled EUR 508,633 thousand in 2016, of which 75.3% related to direct construction work and the remaining 24.7% to work executed by unincorporated temporary joint ventures (UTEs).

The breakdown by type of activity is as follows:

Business activity	Thousands of euros				
	2016	%	2015	%	% change
Construction in Spain	308,896	60.7	297,869	34.2	3.7
Construction abroad	199,737	39.3	572,861	65.8	(65.1)
Revenue	508,633	100.0	870,730	100.0	(41.6)

In 2016, 48.9% of **revenue** stemmed from the public sector and the remaining 51.1% from the private sector.

The loss from operations amounted to EUR (563,786) thousand. In 2016, following an updated analysis of the status of the claims brought against customers, taking into account the situation of each negotiation, the period for their possible resolution, the technical assessment, the assessment of internal and external legal advisers and the situation of each country in which our customers' activities are located, the final objectives of these projects were re-estimated.

This re-estimation led to construction project revenue being revised downwards from previously considered levels for certain projects, and the Company estimates that it is now more in line with the projects' current situation and the legal and political environment of the countries in which these projects are being carried out. However, in cases where litigation proceedings are in process, the Company considers that it is entitled to recover the amounts claimed and will continue with these claim proceedings until their resolution.

The loss after tax amounted to EUR (425,659) thousand.

At year-end **share capital** amounted to EUR 179,255 thousand, represented by 298,758,998 fully subscribed and paid bearer shares of EUR 0.60 par value each.

The Company's **equity** totalled EUR 733,274 thousand at year-end.

The short-term **backlog** at 31 December 2016 amounted to EUR 2,645,727 thousand, representing 62.4 months of activity, with a significant international component, comprising 73% of the total.

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

Business activity	Thousands of euros				
	2016	%	2015	%	% change
Construction in Spain	720,417	27.2	867,789	31.9	(17.0)
Construction abroad	1,925,310	72.8	1,852,482	68.1	3.9
Total backlog	2,645,727	100.0	2,720,271	100.0	(2.7)

52.1% of this backlog relates to direct construction work and the remaining 47.9% to work to be executed by UTEs.

The average headcount in 2016 was 6,780, 43.9% of whom were permanent employees and the remaining 56.1% were temporary employees.

The information relating to the average payment period and the ratios of transactions settled and transactions not yet settled at 31 December 2016 and 2015 is as follows:

	Days	
	2016	2015
Average period of payment to suppliers	58.14	49.82
Ratio of transactions settled	55.74	42.34
Ratio of transactions not yet settled	63.19	60.01

The Company is implementing measures for the purpose of achieving the statutory ratio of transactions not yet settled, since its ratio exceeds slightly the number of days established by law.

4.- TREASURY SHARES

At 2016 year-end the Company held 11,961,801 treasury shares with a total value of EUR 46,145 thousand.

The changes in "Treasury Shares" in 2016 were as follows:

	No. of shares	Thousands of euros
Balance at 31 December 2014	240,455	5,104
Purchases	11,093,212	182,257
Sales and deliveries	11,076,741	183,453
Balance at 31 December 2015	256,926	3,908
Purchases	35,103,311	155,566
Sales and deliveries	23,398,436	113,329
Balance at 31 December 2016	11,961,801	46,145

5.- DEVELOPMENT

In 2016 the Company invested EUR 783 thousand in development projects and incurred expenditure of EUR 940 thousand. Also, EUR 19,782 thousand relating to 41 research and development projects were capitalised to "Intangible Assets - Development Expenditure" in the balance sheet as at 31 December 2016, whose carrying amount net of amortisation was EUR 7,070 thousand.

6.- MAIN RISKS AND UNCERTAINTIES

The Company is exposed to the financial risks inherent to its business activities.

Financial risks are those that mainly affect the obtainment of necessary financing when required and at a reasonable cost and the maximisation of the available financial resources. The most significant risks are as follows:

- Interest rate risk.
- Foreign currency risk.
- Credit risk.
- Liquidity risk.
- Risk relating to financial instruments associated with the Company's shares.

Interest rate risk

Interest rate fluctuations change the future flows from assets and liabilities tied to floating interest rates.

The Company finances its operations with fixed- or floating-rate financial products based on the estimates made regarding changes in interest rates and debt structure objectives. Hedging transactions can be performed by arranging derivatives that mitigate these risks, and a sensitivity analysis is also conducted in this connection, or fixed-interest financing is used.

None of the Company's total gross debt at 31 December 2016 was hedged, while 64.16% was bearing interest at a fixed rate.

The sensitivity of the Company's earnings to an interest rate increase of 0.5%, without taking into consideration bank borrowings tied to fixed interest rates, would have an impact of EUR 2,689 thousand on the Company's pre-tax loss.

Foreign currency risk

The Company operates internationally and is therefore exposed to foreign currency risk on the transactions it performs in foreign currencies.


Foreign currency risk management is centralised and various hedging mechanisms are applied to minimise the impact of the changes in foreign currencies against the euro.

The foreign currency risks basically arise on:

- Debt denominated in foreign currencies arranged by the Company or its branches abroad.
- Payments to be made in international markets for procurements or non-current assets.
- Payments receivable from projects tied to currencies other than the Company's functional currency or that of its branches.
- Investments in foreign subsidiaries.

In order to mitigate this risk, the Company arranges foreign currency derivatives and currency forwards to hedge significant future transactions and cash flows, in keeping with acceptable risk limits.

Also, the net assets stemming from net investments in foreign branches with a functional currency other than the euro are exposed to the risk of exchange rate fluctuations on the translation of the financial statements of these foreign branches during the integration process.



On other occasions, non-current assets denominated in currencies other than the euro are financed in that same currency with a view to creating a natural hedge.

Credit risk

Credit risk is the probability that a counterparty to a contract does not meet its contractual obligations, giving rise to a loss.

The Company has adopted a policy of only trading with solvent third parties and obtaining sufficient guarantees to mitigate the risk of financial loss in the event of non-compliance. The Company obtains information on its counterparty through independent company valuation agencies, other public sources of financial information or the information it obtains from its own relationships with customers and third parties.

The Company's financial assets exposed to credit risk are:

- Non-current financial assets.
- Hedging instruments.
- Trade and other receivables.
- Current financial assets.
- Financial assets included in "Cash and Cash Equivalents".

The balances of these items constitute the Company's total exposure to credit risk.

The credit risk of financial hedging instruments with a positive fair value is limited by the Company, since derivatives are arranged with highly solvent banks with high credit ratings and no single counterparty concentrates significant levels of total credit risk.

The balances of trade receivables for sales and services are made up of a high number of customers from various industries and geographical areas. Private customers account for 61.7% of the total (19.6% from Spain and 42.1% from abroad).

In all cases, customers are assessed prior to entering into contracts. This assessment includes a solvency study. Over the course of the contract term, changes in debt are monitored on a constant basis and the recoverable amounts are reviewed, and valuation adjustments are recognised whenever necessary.

Liquidity risk

This risk is managed by maintaining adequate levels of cash and marketable securities as well as by arranging and maintaining sufficient financing lines to cover all financing needs and to maintain at all times adequate levels of financial flexibility for the Company's activity.

In order to improve this liquidity position, the Company takes measures in relation to:

- Constant management of its working capital, and in particular, actively manages collections from customers in respect of trade and other receivables.
- Optimisation of its financial position through constant monitoring of the cash projections.
- Management of the arrangement of lines of financing through capital markets.

The Company presents in the notes to the financial statements the repayment schedule at 31 December 2016, of which EUR 380,691 thousand mature in 2017.

The Company's liquidity position at 31 December 2016 consisted of:

- Current financial assets amounting to EUR 1,605,520 thousand.
- Cash and cash equivalents amounting to EUR 287,048 thousand.
- Drawable credit lines and discount facilities amounting to EUR 59,089 thousand.

In 2016 there were a total of four reductions in the Group's credit rating by rating agencies, three levels in the case of Moody's and one level in the case of Fitch, ultimately leaving it at Caa1 and B+ (in both cases with a negative outlook), respectively, in November.

In order to mitigate the risk of reactions to these rating reductions from the banks with which the Group operates potentially having an adverse impact on the Group's liquidity profile, the Company initiated a process of dialogue and joint negotiation with its main relationship entities (the "Group of Entities"), with a twofold objective: (i) to ensure the maintenance of their support for the OHL Group by signing a formal standstill agreement to maintain the terms and conditions, drawability and limits of the existing financing from that Group of Entities; and (ii) to negotiate a new financing package that would allow the OHL Group to ensure the coverage of its future working capital needs arising from the implementation of its business plan.

As a result of the foregoing, the OHL Group entered into the following with these entities on 30 December 2016: (i) a standstill agreement; and (ii) a multi-product syndicated financing agreement for a total amount of EUR 280 million for the issue of guarantees (EUR 233 million) and reverse factoring (EUR 47 million), both maturing on 31 March 2017.

Subsequently, and following the successful completion by the Group of Entities of an independent review of the Company's business plan for 2017-2020, on 27 February 2017 the Company reached an agreement with that Group of Entities, documented in the corresponding term sheet, to proceed before 31 March 2017 with the formal documentation and signing of a new multi-product syndicated financing agreement (which would fully novate and replace the previous agreement) for an aggregate amount of EUR 747 million, for the issue of guarantees (EUR 465 million) and reverse factoring (EUR 92 million), which also includes a revolving credit line of EUR 190 million. All maturing at 18 months, thereby extending the standstill period until that date, and secured by the shares of OHL Concesiones, S.A. and OHL Desarrollos, S.L., as well as the obligation to implement a non-strategic asset divestment plan. This agreement is subject to the usual terms and conditions in transactions of this nature.

The combination of this new financing package, which allows the OHL Group to guarantee the coverage of the working capital needs arising from its business plan, with the debt reduction measures planned for 2017 will significantly strengthen the Company's liquidity profile.

Risk relating to financial instruments associated with the Company's shares

The Company does not have any financial instruments associated with its shares.

7.- EVENTS AFTER THE REPORTING PERIOD

No significant events have taken place since the end of the reporting period.

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

ANNEX I

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

ISSUER'S PARTICULARS

END OF FISCAL YEAR DATE	31/12/2016
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EMPLOYER'S IDENTIFICATION NUMBER	A-48010573
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CORPORATE NAME
OBRASCÓN HUARTE LAIN, S.A.

REGISTERED OFFICE
PASEO DE LA CASTELLANA, 259 D – TORRE ESPACIO, MADRID

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

A - OWNERSHIP STRUCTURE

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

Date of last change	Share capital (€)	Number of shares	Number of voting rights
30/10/2015	179,255,398.80	298,758,998	298,758,998

Indicate if there are different classes of shares that carry different rights:

Yes ☐ No ☒

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

Name or company name of shareholder	Number of direct voting rights	Number of indirect voting rights	% over total voting rights
SOCIETE GENERALE, S.A.	10,474,423	0	3.51%
INMOBILIARIA ESPACIO, S.A.	0	162,749,733	54.48%
INVESCO LTD	0	14,890,148	4.98%
DEUTSCHE BANK AG	6,563,453	0	2.20%
SANTANDER ASSET MANAGEMENT, S.A. SGIIC	8,965,750	0	3.00%
THE GOLDMAN SACHS GROUP, INC	21,064	0	0.01%

Name or company name of indirect holder of ownership interest	Via: Name or company name of direct holder of ownership interest	Number of voting rights
INMOBILIARIA ESPACIO, S.A.	GRUPO VILLAR MIR, S.A.U.	100,092,519
INMOBILIARIA ESPACIO, S.A.	GVM DEBENTURES LUX1, S.A.	17,468,367
INMOBILIARIA ESPACIO, S.A.	ESPACIO ACTIVOS FINANCIEROS, S.L.U.	20,188,847
INMOBILIARIA ESPACIO, S.A.	TYRUS CAPITAL EVENT, S.A.R.L.	25,000,000
INVESCO LTD	INVESCO ASSET MANAGEMENT LIMITED	14,806,496
INVESCO LTD	INVESCO HONG KONG LIMITED	56,764
INVESCO LTD	INVESCO POWERSHARES CAPITAL MANAGEMENT, LLC	26,888

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

Name or corporate name of shareholder	Date of the transaction	Description of the transaction
INVESCO LTD	05/01/2016	Ownership interest has risen above 5% of share capital
INVESCO LTD	03/03/2016	Ownership interest has risen above 5% of share capital
DEUTSCHE BANK AG	21/03/2016	Ownership interest has risen above 5% of share capital
SANTANDER ASSET MANAGEMENT, S.A. SGIIC	23/12/2016	Ownership interest has risen above 3% of share capital

Name or corporate name of shareholder	Date of the transaction	Description of the transaction
INVESCO LTD	01/12/2016	Ownership interest has risen above 5% of share capital
DEUTSCHE BANK AG	24/08/2016	Ownership interest has risen above 3% of share capital
INVESCO LTD	16/12/2016	Ownership interest has risen above 5% of share capital
INVESCO LTD	28/12/2016	Ownership interest has risen above 5% of share capital

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

Name or company name of director	Number of direct voting rights	Number of indirect voting rights	% over total voting rights
JUAN LUIS OSUNA GÓMEZ	7,351	0	0.00%
JAVIER LÓPEZ MADRID	0	6,000	0.00%

Name or company name of indirect holder of ownership interest	Via: Name or company name of direct holder of ownership interest	Number of voting rights
JAVIER LÓPEZ MADRID	FINANCIERA SIACAPITAL, S.L.	6,000

% of total voting rights held by the Board of Directors	0.00%
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Fill out the following tables on the members of the Company's Board of Directors who hold rights over shares in the Company

A.4 Indicate, as appropriate, any relationships of a family, commercial, contractual or corporate nature existing between the holders of significant ownership interests, insofar as they are known to the company, unless they have scant relevance or arise from the ordinary course of business:

A.5 Indicate, as appropriate, any relationships of a commercial, contractual or corporate nature existing between the holders of significant ownership interests and the company and/or its Group, unless they have scant relevance or arise from the ordinary course of business:

Related name or company name
GRUPO VILLAR MIR, S.A.U.
OBRASCÓN HUARTE LAIN, S.A.

Type of relationship: Corporate

Brief description of the agreement:

In December 2016, the Company came to an agreement with Grupo Villar Mir (GVM) on the rescission for the acquisition of the entire capital of Pacadar, S.A., market leader in prefabricated structures, signed in July 2016. The reimbursement of the price paid (€75,609 thousand), fixed for a maximum of two years, has been secured through a pledge of 100% of shares in Pacadar, accruing interest at 5.5% per annum. During 2016, the OHL Group granted GVM short-term loans for €134,600 thousand, of which €133,000 thousand were settled with interest payments at an annual rate of 5.5% during the third quarter of 2016. Moreover, during 2016, the OHL Group acquired, from GVM, under market conditions, 74.6% of Controladora L 4-5 Mayakoba, S.A. de

C.V. (€6,613 thousand), 10% of Alse Park S.L. and Centro Canalejas Madrid, S.L. (€29,405 thousand) and 25% of Avalora Tecnologías de la Información, S.A. (€3,265 thousand).

- A.6 Indicate whether the company has been notified of any shareholders agreements that may affect it pursuant to Sections 530 and 531 of Companies Law. Provide a brief description and list the shareholders bound by the agreement, as applicable.

Yes ☒ No ☐

Parties to the shareholders' agreement
INMOBILIARIA ESPACIO, S.A.
TYRUS CAPITAL EVENT, S.A.R.L

Percentage of share capital affected: 8.37%

Brief description of the agreement:

In the context of the Company's share capital increase approved on 7 September 2015, the Company was informed by Grupo Villar Mir, S.A.U. about the agreement reached with Tyrus Capital Event S.à.R.L. under the terms that were reported in the Significant Event filed by the Company on 12 October 2015 (number 22958)

The content of the said Significant Event is reproduced in section H.1 of this report.

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable:

Yes ☐ No ☒

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

As already communicated by the Company, under the Significant Event announced on 30 November 2016 (No. 245639), on such date it was informed, by Grupo Villar Mir, S.A., the agreement, originally signed on 12 October 2015, between Tyrus Capital Event S.à.rl and Grupo Villar Mir, S.A. was to proceed with amendments having been made therein.

The content of the said Significant Event is reproduced in section H.1 of this report.

- A.7 Indicate whether any individuals or bodies corporate currently exercise control or could exercise control over the company in accordance with article 4 of the Securities' Market Act. If so, identify:

Yes ☒ No ☐

Name or corporate name
INMOBILIARIA ESPACIO, S.A.
Comments
-

- A.8 Fill out the following tables on the company's treasury shares:

At year-end:

Number of direct shares	Number of shares indirectly (*)	% Total % over share capital
11,961,801	0	4.00%

(*) Through:

Give details of any significant changes during the year, pursuant to Royal Decree 1362/2007:

Explain significant changes

Date Notice/ Number of shares/ %Treasury Shares

12/01/2016 / 256,926 / 0.086%
16/02/2016 / 264,926 / 0.089%
21/03/2016 / 3,716,708 / 1.244%
25/04/2016 / 3,689,332 / 1.235%
13/05/2016 / 3,689,332 / 1.235%
03/06/2016 / 3,708,332 / 1.241%
27/06/2016 / 3,700,332 / 1.239%
28/07/2016 / 3,721,339 / 1.246%
29/08/2016 / 6,723,962 / 1.251%
29/11/2016 / 9,787,606 / 3.276%

A.9. Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back and/or transfer treasury stock.

Pursuant to Article 146 of the Companies Law, the Annual General Meeting held, on first call, on 21 June 2016, resolved to authorise the Company's Board of Directors to acquire treasury shares under any transfer mode approved by law, directly or through a subsidiary or affiliated company, up to the maximum amount legally accepted. The authorisation has 5 years duration and the shares shall be acquired at a maximum price of 60 euros per share, with no minimum price limit and voids for the unused part, the authorisation granted to this end in the General Meeting held on 27 May 2015.

Pursuant to Article 146.1a) of the Companies Law, acquired shares may be granted to company employees or directors according to remuneration or as a result of timely agreed options or shareholding plans.

Furthermore, the General Shareholders' Meeting has authorised the Board of Directors to issue shares approved by the Annual General Meeting, held on first call, on 12 May 2014, where the Board of Directors of the Company was delegated, under the provisions of Article 297 of the Spanish Capital Companies Act, the power to agree, on one or more occasions, the capital increase of the Company with pre-emptive rights of subscription. In this regard, it has authorised the Board of Directors so that it may increase the share capital at the deemed moment and amount, without having to consult the General Meeting, on one or more occasions, at any moment, during a period no longer than five years from the date of this Meeting, for the maximum provided under law for €29,922,282.6 euros, being equivalent to half of the then capital, through the issuance of new shares (with or without premiums) consisting of the equivalent value of the new shares to be issued in cash contributions.

The Board of Directors may establish the terms and conditions of the capital increase, to freely offer shares not subscribed within the preferential subscription period, resolving that, in the event of an incomplete subscription, the capital shall be increased only by the amount of the subscribed shares and that the Articles of Association relating to the capital and shares be redrafted.

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

A.9.bis Estimated floating capital

	%
Estimated floating capital	23.42

A.10 Explain any restrictions on the transfer of securities and on voting rights. Indicate, in particular, the existence of any restrictions on the takeover of the company by means of share purchases on the market.

Yes ☐ No ☒

A.11 State if the General Meeting has resolved to adopt measures to neutralise a take-over bid pursuant to the provisions of Law 6/2007.

Yes ☐ No ☒

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted.

A.12 Indicate whether the company has issued securities not traded in a regulated market of the European Union.

Yes ☐ No ☒

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer.

B - GENERAL SHAREHOLDERS' MEETING

B.1 State if there are differences with the quorum provisions of the Companies Law in respect of General Meetings. If so, give details.

Yes ☐ No ☒

B.2 State if there are differences with the rules laid down in the Companies Law regarding the adoption of resolutions. If so, give details:

Yes ☐ No ☒

Describe how they differ from the rules established in the LSC.

B.3 Indicate the rules governing amendments to the company's Bylaws. Specifically, the required majorities for amending the bylaws shall be informed, as well as the provisions set forth for safeguarding the rights of the shareholders during the bylaw amendments, as the case may be.

Pursuant to the provisions of Article 17 of the Bylaws, in order to make any amendments to the Bylaws, the shareholders' meeting, on the first call, must be attended by shareholders or proxies holding at least fifty percent of the subscribed share capital entitled to vote. On the second call, attendance by twenty-five percent of the Company's capital share entitled to vote shall suffice.

If shareholders attend that represent twenty-five percent or more of the subscribed Capital entitled to vote, without reaching fifty percent of the share capital, the adoption of the agreement shall only be validly adopted with the favourable vote of two thirds of the capital present or represented by proxy at the Shareholders' Meeting.

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

Date of Annual General Meeting	Attendance data				
	% attendance in person	% attendance by proxy	% remote voting		Total
			Electronic vote	Other	
27/05/2015	37.13%	27.93%	0.00%	0.00%	65.06%
07/09/2015	31.91%	33.05%	0.00%	0.00%	64.96%

	Attendance data				
Date of Annual General Meeting	% attendance in person	% attendance by proxy	% remote voting		Total
			Electronic vote	Other	
21/06/201	29.05%	30.07%	0.00%	0.00%	59.42%

B.5 Indicate whether the Bylaws impose any minimum requirement on the number of shares required to attend the Annual General Meetings:

Yes ☒ No ☐

Number of shares required to attend a Annual General Meeting	1
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B.6 Section repealed.

B.7 Indicate the address and mode of accessing corporate governance content on your company's website as well as other information on Annual General Meetings which must be made available to shareholders on the website.

Website: www.ohl.es

Information on Corporate Governance: path: OHL/info accionista e inversores/Gobierno corporativo.

Other disclosures on Annual General Meetings: path: OHL/ info accionistas e inversores/Gobierno Corporativo/Junta General de Accionistas.

C - MANAGEMENT STRUCTURE OF THE COMPANY

C.1 Board of directors

C.1.1 List the maximum and minimum number of directors included in the Bylaws:

Maximum number of directors	13
Minimum number of directors	7

C.1.2 Complete the following table with Board members' details:

Name or corporate name of director	Representative	Director's condition	Board office	Date of first appoint.	Date of last appoint.	Procedure for election
JUAN LUIS OSUNA GÓMEZ		Executive	DIRECTOR	08/05/2012	08/05/2012	AGREEMENT ON ANNUAL GENERAL MEETING
MÓNICA SOFÍA DE ORIOL ICAZA		Independent	DIRECTOR	08/05/2012	08/05/2012	AGREEMENT ON ANNUAL GENERAL MEETING
ÁLVARO VILLAR-MIR DE FUENTES		Proprietary	DIRECTOR	23/03/2010	21/06/2016	AGREEMENT ON ANNUAL GENERAL MEETING
REYES CALDERON CUADRADO		Independent	DIRECTOR	27/05/2015	27/05/2015	AGREEMENT ON ANNUAL GENERAL MEETING
SILVIA VILLAR-MIR DE FUENTES		Proprietary	FIRST DEPUTY CHAIRMAN	15/01/2008	12/05/2014	AGREEMENT ON ANNUAL GENERAL MEETING
JUAN VILLAR-MIR DE FUENTES		Proprietary	CHAIRMAN	25/06/1996	27/05/2015	AGREEMENT ON ANNUAL GENERAL MEETING

Name or corporate name of director	Representative	Director's condition	Board office	Date of first appoint.	Date of last appoint.	Procedure for election
JAVIER LÓPEZ MADRID		Proprietary	DIRECTOR	23/06/1996	27/05/2015	AGREEMENT ON ANNUAL GENERAL MEETING
TOMÁS GARCÍA MADRID		Executive	DEPUTY CHAIRMAN AND CEO	25/06/1996	27/05/2015	AGREEMENT ON ANNUAL GENERAL MEETING
JOSÉ LUIS DíEZ GARCÍA		Proprietary	DIRECTOR	21/06/2016	21/06/2016	AGREEMENT ON ANNUAL GENERAL MEETING
MANUEL GARRIDO Y RUANO		Proprietary	DIRECTOR	23/06/2016	23/06/2016	COOPTION
JUAN ANTONIO SANTAMERA SÁNCHEZ		Independent	DIRECTOR	23/06/2016	27/05/2015	COOPTION
JUAN JOSÉ NIETO BUESO		Independent	DIRECTOR	14/11/2016	27/05/2015	COOPTION
Total number of directors						12

Indicate any removals of directors during the reporting period:

Name or corporate name of director	Director's condition upon termination	Date of termination
ALBERTO MIGUEL TEROL ESTEBAN	Independent	18/05/2016
JUAN-MIGUEL VILLAR MIR	Proprietary	23/06/2016
JOSEP PIQUÉ CAMPS	Executive	23/06/2016
MACARENA SAINZ DE VICUÑA PRIMO DE RIVERA	Independent	14/11/2016

C.1.3 Complete the following tables on board members and their respective categories:

EXECUTIVE DIRECTORS

Name or corporate name of director	Office per Company organisation chart
JUAN LUIS OSUNA GÓMEZ	DIRECTOR AND GENERAL MANAGER OF THE CONCESSIONS DIVISION
TOMÁS GARCÍA MADRID	SECOND DEPUTY CHAIRMAN AND CEO

Total number of executive directors	2
% of the board	16.67%

NON-EXECUTIVE PROPRIETARY DIRECTORS

Name or corporate name of director	Name or company name of significant shareholder represented or proposing appointment
ÁLVARO VILLAR-MIR DE FUENTES	GRUPO VILLAR MIR, S.A.U.
SILVIA VILLAR-MIR DE FUENTES	GRUPO VILLAR MIR, S.A.U.
JUAN VILLAR-MIR DE FUENTES	GRUPO VILLAR MIR, S.A.U.
JAVIER LÓPEZ MADRID	GRUPO VILLAR MIR, S.A.U.
MANUEL GARRIDO Y RUANO	GRUPO VILLAR MIR, S.A.U.
JUAN ANTONIO SANTAMERA SÁNCHEZ	GRUPO VILLAR MIR, S.A.U.

Total number of proprietary directors	6
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% of the board	50.00%
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INDEPENDENT NON-EXECUTIVE DIRECTORS

Name or corporate name of director:

REYES CALDERÓN CUADRADO

Profile:

Holds a Degree in Economics and Business Administration, Doctorate in Economics and Ph.D., specialising in Board Leadership, from the University of Navarra. She is a Professor of Corporate Governance at the Faculty of Economics and Business Science at the University of Navarra and lectures ethics at IESE. She has been Board of Directors' Secretary at Instituto de Empresa y Humanismo; Independent Director of the Corporación Pública Empresarial de Navarra, and a member and Chair of the Audit Committee of such Corporation; visiting lecturer at Hass School (University of Berkeley), at the School of Economics at the University College of London and La Sorbonne, Paris; Dean of the Faculty of Economics and Business Science at University of Navarra, and Director of the University's Reputation Department. She is currently a Coordinating Director and the Chair of the Appointments, Corporate Governance and Social Responsibility Committee of the Board of Directors of Banco Popular and a member of the International Advisory Board of Corporate Excellence.

Name or corporate name of director:

MÓNICA SOFÍA DE ORIOI ICAZA

Profile:

Degree in Business and Economics from Universidad Complutense de Madrid and undergraduate degree in Economy of the European Union from the London School of Economics. She has held offices in companies and associations, at the same time that she performed teaching activities at Universidad Complutense de Madrid and at Saint Louis University's campus in Madrid. Since 1989 she has been a main shareholder and Chief Executive Officer of the Seguriber Group, Chairwoman of Secot member of the Protective Board of the Vizcaina Aguirre Foundation, member of the Board of Trustees of the Rafael Pino Foundation, member and former Chairwoman of YPO Madrid's Chapter, member of IWF, and independent director of Indra Sistemas, S.A., until March 2015, Chairwoman of Círculo de Empresarios.

Name or corporate name of director:

JOSÉ LUIS DÍEZ GARCÍA

Profile:

Holds a Degree in Economics. For over thirty years he has worked at one of the major firms providing audit services, Ernst & Young Auditors and Consultants, who as Chair from 1989 to 2002. Was an independent member of the Spanish Accounting and Auditing Institute (ICAC). Until 2015, had been an independent director of Jazztel PLC and Chair of the Audit Committee until 2011. Currently, he is an independent director and Chair of the Audit Committee of Aegon Unión Aseguradora, S.A. and Non-Executive Chair of Renta Inmobiliaria, S.A.

Name or corporate name of director:

JUAN JOSÉ NIETO BUESO

Profile:

Holds a Degree in Business Administration from ICADE and has completed studies at the London Business School and Stanford University. Some of his professional experience was gained at Goldman Sachs and Bankers Trust and he has been the CEO at Antena 3, Chair of Telefonica Media and General Manager of Telefonica, among other companies. He is currently the Chair of the investment firm NKS and is a member of the Board of Directors of: COEMAC, Diario de Navarra, VBA Socimi and Norfin in Portugal. Furthermore, he is a member of the Advisory Board of Banco Sabadell Este and the Havas Group.

Total number of independent directors	4
Total % of the Board	33.33%

Indicate whether any independent director receives any sums of money or benefits from the Company or from the Company's group, other than the directors' remuneration, or whether he or she currently has or formerly had, over the last year, a business relationship with the Company or with any Group company, whether on his/her behalf or as a significant shareholder, director or senior executive of an entity currently or formerly maintaining such a relationship.

NO

If so, please include a well-founded statement by the Board of Directors regarding the reasons why it considers this director suitable to perform duties as an independent director.

OTHER NON-EXECUTIVE DIRECTORS

Other non-executive directors will be identified and reasons will be provided on why these other non-executive directors cannot be considered either proprietary or independent members and their relations, whether with the company or its officers, or with its shareholders:

Indicate any variations in the status of each director that may have occurred during the year:

Name or corporate name of director	Date of change	Previous status	Current status
TOMÁS GARCÍA MADRID	23/06/2016	Proprietary	Executive

C.1.4 Fill out the following table with the information regarding the number of female directors during the last 4 fiscal years, as well as the nature of those female directors:

	Number of female directors				% of total directors of each type			
	Fiscal year 2016	Fiscal year 2015	Fiscal year 2014	Fiscal year 2013	Fiscal year 2016	Fiscal year 2015	Fiscal year 2014	Fiscal year 2013
Committee	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	1	1	1	1	16.67%	16.67%	16.67%	16.67%
Independent	2	3	1	1	50.00%	75.00%	25.00%	25.00%
Other non-executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	3	4	2	2	25.00%	33.33%	16.67%	16.67%

C.1.5 Explain the measures that would have been adopted, as the case may be, to attempt to include a number of women in the Board of Directors so as to reach a balanced number of men and women:

Explanation of measures

In 2016, as foreseen under the Board's Regulations, given the need to fill the vacancies for the removal of two directors, the candidates' election was sought to fall upon persons of recognized solvency, competence and experience. The Appointments and Remuneration Committee especially ensured that when filling vacancies, the selection procedure was not vitiated by bias that hinders the election of women directors; and potential women candidates were deliberately sought to fill the positions.

- C.1.6 Explain the measures that would have been decided by the Appointments Committee, as the case may be, so that the selection processes are free of implicit biases hindering the selection of female directors, and so that the Company may deliberately headhunt and include among the potential candidates, women with the sought-after professional profile:

Explanation of measures

The Board Regulations states that the Appointments and Remuneration Committee shall be especially responsible for avoiding all kinds of biases that may hinder the appointment of female directors when a position opens up and for deliberately seeking women that may potentially cover those positions. In compliance with this principle, the Appointments and Remuneration Committee collects from its members the nomination of candidates that a priori are able to meet the professional and speciality requirements that are deemed relevant in each case to cover the open positions in question.

If in spite of the measures that have been adapted, as the case may be, the number of female directors is low or nil, please provide the reasons:

Description of the reasons

For the most part of 2016, the membership of the Board of Directors of the Company has been filled by four women directors. Two of such had been appointed in 2015, following the measures adopted by the Appointments and Remuneration Committee during the selection process to fill vacancies to compose 33% of the board membership.

- C.1.6 bis Explain the Appointments Committee's conclusions on the verification of the compliance with the directors' selection policy. In particular, how the policy is promoting the objective that by 2020 the number of female directors represents at least 30% of total board members.

Explanation of conclusions

The Appointments and Remuneration Committee complied with the intention of filling vacancies on the board through the selection process that deliberately searches for women who are potential candidates. Until November 2016, there had been four women directors, which exceeded the target of 30% of the membership of the Board of Directors. Following the resignation of Ms. Macarena Sainz de Vicuña Primo de Rivera, for personal reasons, the current percentage stands at 25%. The Appointments and Remunerations Committee remains committed to specifically ensure that when filling vacancies, the selection process is not biased whereby hindering the appointment of female directors and to deliberately seek women who to be potential candidates for the role.

- C.1.7 Explain how shareholders with significant holdings are represented on the board.

Article 8.3 of the Regulations of the Board of Directors states that "The Board shall also strive to ensure that most of the non-executive directors are owners or are representatives of owners of major stable shareholdings in the capital of the company (proprietary directors) (...)".

The six directors representing Grupo Villar Mir, S.A.U. have been appointed in conformity with the above.

No other shareholder has applied for his right to appoint a director.

- C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 3% of the share capital.

State if formal requests for a presence of the Board have been rejected from shareholders with a shareholding equal to or greater than that of others who have been successfully appointed proprietary directors. If so, explain why these requests have not been entertained:

Yes ☐ No ☒

C.1.9 Indicate whether any director has resigned from office before their term of office has expired, whether that director has given the board their reasons and through which channel. If made in writing to the whole board, list below the reasons given by that director:

Name of board member:

JUAN-MIGUEL VILLAR MIR

Reasons for resignation:

He had announced, during the 2016 General Shareholders' Meeting, his intention to stand down from his duties as Chairman and Director of the Company, after being appointed for 29 years, and, as he had already announced years ago, he proposed to the Appointments and Remuneration Committee that, as Chairman, his position would be filled by First Deputy-Chairman of the Company, Mr. Juan Villar-Mir de Fuentes.

Name of board member:

JOSEP PIQUÉ CAMPS

Reasons for resignation:

He announced his resignation as CEO of the Company upon the completion of the contractual relationship.

Name of board member:

MACARENA SAINZ DE VICUÑA PRIMO DE RIVERA

Reasons for resignation:

She stepped down for personal reasons on 14 November 2016.

C.1.10 Indicate what powers, if any, have been delegated to the Chief Executive Officer(s):

Name or corporate name of director:

TOMÁS GARCÍA MADRID

Brief description:

All of the powers of the Board of Directors, save for those that cannot be delegated pursuant to law and the provisions of Article 5 of the Board Regulations, including: approval of the Company's general strategies and basic criteria for organisation; appointment, compensation, and, if applicable, dismissal of Company's senior executives; approval of matters related to

dividend policy and treasury stock policy; control of executives' management and evaluation;

identification of the company's main risks; determination of policy of information and communication with the shareholders, the markets and public opinion; the creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens; and, in general, any other transactions involving Company's substantial assets and the large corporate transactions; all the other provisions specifically stated in the board of directors regulations.

C.1.11 Identify, as appropriate, the Board members who hold office as directors or executives at other companies forming part of the listed company's group:

Name or company name of director	Company name of the group entity	Position	Does he hold any executive positions?
JUAN LUIS OSUNA GÓMEZ	OHL INFRAESTRUCTURE, INC	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	OHL CONCESIONES PERU, S.A.	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	ORGANIZACION DE PROYECTOS DE INFRAESTRUCTURA, SAPI DE CV	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	OHL INVESTMENTS 1407, S.A.	DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	PRESTADORA DE SERVICIOS VIA RAPIDA PONIENTE, S.A.P.I. DE C.V.	DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	OPERADORA VIA RAPIDA POET AS, S.A.P.I. DE C.V.	DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	LIBRAMIENTO ELEVADO DE PUEBLA, S.A. DE C.V.	DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	OPCEM, SAPI DE CV	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	CONSTRUCTORA LIBRAMIENTO ELEVADO DE PUEBLA, S.A. DE C.V.	DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	OHL INVESTMENTS, S.A.	DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	OHL CONCESSOES BRASIL, L TDA	JOINT ADMINISTRATOR	NO
JUAN LUIS OSUNA GÓMEZ	TERMINAL CERROS DE VALPARAISO, S.A.	DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	OHL CONCESIONES COLOMBIA, S.A.S.	MEMBER OF THE BOARD OF DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	NOVA DARSENA ESPORTIVA DE BARA, S.A.	REPRESENTATIVE NATURAL PERSON OF DIRECTOR "OHL CONCESIONES, S.A.U."	NO
JUAN LUIS OSUNA GÓMEZ	TRAFICO Y TRANSPORTE SISTEMAS, S.A.U.	JOINT ADMINISTRATOR	NO
JUAN LUIS OSUNA GÓMEZ	EUROGLOSA 45, CONCESIONARIA DE LA COMUNIDAD DE MADRID, S.A.U.	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	OHL CONCESIONES, S.A.U.	CHIEF EXECUTIVE OFFICER	Yes
JUAN LUIS OSUNA GÓMEZ	METRO LIGERO OESTE, S.A.	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	CERCANIAS MÓSTOLES NAVALCARNERO, S.A.	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	OHL EMISIONES, S.A.U.	REPRESENTATIVE NATURAL PERSON OF DIRECTOR "OHL CONCESIONES, S.A.U."	NO
JUAN LUIS OSUNA GÓMEZ	OHL C.EMISIONES, S.A.U.	JOINT AND SEVERAL DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	ADMINISTRADORA MEXIQUENSE DEL AEROPUERTO INTERNACIONAL DE TOLUCA, S.A. DE C.V.	DIRECTOR	NO

Name or company name of director	Company name of the group entity	Position	Does he hold any executive positions?
JUAN LUIS OSUNA GÓMEZ	AUTOPISTA URBANA NORTE, S.A. DE C.V.	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	PACHIRA, S.L.U.	SOLE DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	VINCIDA GRUPO DE INVERSIONES 2006, S.L.	JOINT ADMINISTRATOR	NO
JUAN LUIS OSUNA GÓMEZ	EUROCONCESIONES, S.L.U.	JOINT ADMINISTRATOR	NO
JUAN LUIS OSUNA GÓMEZ	PARTICIPES EN METRO LIGERO OESTE, S.L.U.	SOLE DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	CONSTRUCCIONES AMOZOC PEROTE, S.A. DE C. V.	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	CONCESIONARIA MEXIQUENSE, S.A. DEC.V.	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	CONTROLADORA VIA RÁPIDA POETAS, S.A.P.I. DE C.V.	DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	GRUPO AUTOPISTAS NACIONALES, S.A.	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	LATINA MÉXICO, S.A. DE C.V.	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	OHL MÉXICO, S.A.B. DE C.V.	CHAIRMAN	NO
JUAN LUIS OSUNA GÓMEZ	OHL TOLUCA, S.A. DE C.V.	CHAIRMAN	NO
JUAN VILLAR-MIR DE FUENTES	OHL CONCESIONES, S.A.U.	CHAIRMAN	NO
JUAN VILLAR-MIR DE FUENTES	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	DIRECTOR	NO
JUAN VILLAR-MIR DE FUENTES	CENTRO CANALEJAS MADRID, S.L.	CHAIRMAN	NO
JAVIER LÓPEZ MADRID	OHL CONCESIONES, S.A.U.	DIRECTOR	NO
TOMAS GARCÍA MADRID	AVALORA TECNOLOGÍAS DE LA INFORMACIÓN, S.A.	CHAIRMAN	NO
TOMAS GARCÍA MADRID	OHL CONCESIONES, S.A.U.	DIRECTOR	NO
TOMAS GARCÍA MADRID	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	DIRECTOR	NO
TOMAS GARCÍA MADRID	CENTRO CANALEJAS MADRID, S.L.	DIRECTOR	NO
TOMAS GARCÍA MADRID	OHL MÉXICO, S.A.B. DE C.V.	DIRECTOR	NO
JUAN LUIS OSUNA GÓMEZ	MAGENTA INFRAESTRUCTURA, S.L.U.	SOLE DIRECTOR	NO
TOMAS GARCÍA MADRID	OHL INDUSTRIAL, S.L.U.	CHAIRMAN	NO
MANUEL GARRIDO Y RUANO	CENTRO CANALEJAS MADRID, S.L.U.	DIRECTOR	NO

C.1.12 List any company board member who likewise sit on the boards of directors of other non-group companies that are listed on securities markets in Spain, insofar as these have been disclosed to the company:

Name or corporate name of director	Company name of the group entity	Position
JUAN VILLAR-MIR DE FUENTES	FERROGLOBE PLC	DIRECTOR
JUAN VILLAR-MIR DE FUENTES	ABERTIS INFRAESTRUCTURAS, S.A.	DIRECTOR
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA COLONIAL, S.A.	DIRECTOR
TOMÁS GARCÍA MADRID	FERROGLOBE PLC	DIRECTOR

Name or corporate name of director	Company name of the group entity	Position
JUAN JOSÉ NIETO BUESO	CORPORACIÓN EMPRESARIAL DE MATERIALES DE CONSTRUCCIÓN, S.A. (COAMAC)	DIRECTOR
JUAN JOSÉ NIETO BUESO	VBARE IBERIAN PROPERTIES SOCIMI, S.A.	DIRECTOR
REYES CALDERÓN CUADRADO	BANCO POPULAR ESPAÑOL, S.A	DIRECTOR
JAVIER LÓPEZ MADRID	FERROGLOBE PLC	DIRECTOR

C.1.13 Indicate and, where appropriate, explain whether the company has established rules about the number of boards on which its directors may sit:

Yes ☒ No ☐

Explanation of rules

Pursuant to the Company's Board of Directors Regulations, in general and save exception duly justified by the Appointments and Remuneration Committee, members of more than five boards of directors cannot be proposed as directors.

C.1.14 Section repealed.

C.1.15 List the total remuneration paid to the Board of Directors in the year:

Board of Directors remuneration (thousands of euros)	7,013
Amount of the pension rights accumulated by current directors (thousand of euros)	0
Amount of the pension rights accumulated by former directors (thousand of euros)	0

C.1.16 Identify the senior executives who are not executive Directors, and indicate the total remuneration accrued for them during the year:

Name or corporate name	Position
ANDRÉS PAN DE SORALUCE MUGUIRO	CHAIRMAN OF OHL DESARROLLOS
ALFONSO GORDON GARCÍA	HUMAN RESOURCES AND ORGANIZATION GENERAL MANAGER
LUIS ANTONIO GARCÍA- LINARES GARCÍA	CORPORATE GENERAL MANAGER
ALBERTO SICRE DIAZ	INDUSTRIAL GENERAL MANAGER
ENRIQUE WEICKERT MOLINA	CHIEF FINANCIAL OFFICER
JOSE MARÍA DEL CUVILLO PEMÁN	GENERAL MANAGER LEGAL SERVICES
ALFONSO GORDON GARCIA	CORPORATE STRATEGY AND SYSTEMS GENERAL MANAGER
JUAN CARLOS PEÑA FERNÁNDEZ	INTERNAL AUDIT MANAGER
JOSE ANTONIO DE CACHAVERA SANCHEZ	GENERAL MANAGER - OHL SERVICES
IGNACIO BOTELLA RODRÍGUEZ	GENERAL MANAGER - OHL CONSTRUCTION

Total remuneration received by senior management (thousands of euros)	4,239
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C.1.17 List, if applicable, the identity of those directors who are likewise members of the boards of directors of companies that own significant holdings and/or group companies:

Name or corporate name of director	Name or corporate name of significant shareholder	Position
ÁLVARO VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	DIRECTOR
ÁLVARO VILLAR-MIR DE FUENTES	GRUPO VILLAR MIR, S.A.U.	DIRECTOR
ÁLVARO VILLAR-MIR DE FUENTES	PROMOCIONES Y PROPIEDADES INMOBILIARIAS ESPACIO, S.L.U.	DIRECTOR
SILVIA VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, SA	DIRECTOR
SILVIA VILLAR-MIR DE FUENTES	GRUPO VILLAR MIR, S.A.U.	DIRECTOR
SILVIA VILLAR-MIR DE FUENTES	FONDO CULTURAL VILLAR MIR, S.L.	CHIEF EXECUTIVE OFFICER
SILVIA VILLAR-MIR DE FUENTES	PROMOCIONES Y PROPIEDADES INMOBILIARIAS ESPACIO, S.L.U.	DIRECTOR
JUAN VILLAR-MIR DE FUENTES	PLAYAS ESPANOLAS, SAU.	SOLE DIRECTOR
JUAN VILLAR-MIR DE FUENTES	ALNAB, S.A.U.	SOLE DIRECTOR
JUAN VILLAR-MIR DE FUENTES	FERTIBERIA, SA	DEPUTY CHAIRMAN CHIEF EXECUTIVE OFFICER
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, SA	DEPUTY CHAIRMAN CHIEF EXECUTIVE OFFICER
JUAN VILLAR-MIR DE FUENTES	ESPACIO CONIL, SAU.	SOLE DIRECTOR
JUAN VILLAR-MIR DE FUENTES	ESPACIO INFORMATION TECHNOLOGY, SA	JOINT AND SEVERAL DIRECTOR
JUAN VILLAR-MIR DE FUENTES	CARTERA VIMIRA 20, S.L.U.	SOLE DIRECTOR
JUAN VILLAR-MIR DE FUENTES	MOTHERCARE IBERICA, SA	JOINT AND SEVERAL DIRECTOR
JUAN VILLAR-MIR DE FUENTES	GRUPO VILLAR MIR, S.A.U.	DEPUTY CHAIRMAN CHIEF EXECUTIVE OFFICER
JUAN VILLAR-MIR DE FUENTES	GESTION INTEGRAL DE SERVICIOS INMOBILIARIOS, S.L.U.	SOLE DIRECTOR
JUAN VILLAR-MIR DE FUENTES	ARINVER, S.L.U.	SOLE DIRECTOR
JUAN VILLAR-MIR DE FUENTES	PROMOCIONES Y PROPIEDADES INMOBILIARIAS ESPACIO, S.L.U.	CHAIRMAN AND CEO
JAVIER LÓPEZ MADRID	FERTIBERIA, SA	DIRECTOR
JAVIER LÓPEZ MADRID	GRUPO FERROATLANTICA, S.A.U.	DEPUTY CHAIRMAN CHIEF EXECUTIVE OFFICER
JAVIER LÓPEZ MADRID	GRUPO VILLAR MIR, S.A.U.	CHIEF EXECUTIVE OFFICER
JAVIER LÓPEZ MADRID	GRUPO FERROATLANTICA, S.A.U.	DEPUTY CHAIRMAN CHIEF EXECUTIVE OFFICER
JAVIER LÓPEZ MADRID	ESPACIO ACTIVOS FINANCIEROS, S.L.U.	SOLE DIRECTOR
MANUEL GARRIDO Y RUANO	CARTERA VIMIRA 17, S.L.U.	SOLE DIRECTOR
MANUEL GARRIDO Y RUANO	ALLOYS INTERNATIONAL, A.G.	CHAIRMAN
MANUEL GARRIDO Y RUANO	CALATRAVA RE, SA	CHAIRMAN

Name or corporate name of director	Name or corporate name of significant shareholder	Position
MANUEL GARRIDO Y RUANO	CARTERA VIMIRA 18, S.L.U.	SOLE DIRECTOR
MANUEL GARRIDO Y RUANO	CARTERA VIMIRA 21, S.L.U.	SOLE DIRECTOR
MANUEL GARRIDO Y RUANO	ESPACIO ADRIANO, S.L.U.	SOLE DIRECTOR
MANUEL GARRIDO Y RUANO	PACADAR, S.A.U.	SOLE DIRECTOR
MANUEL GARRIDO Y RUANO	ESPACIO AVIATION MANAGEMENT, S.L.U.	SOLE DIRECTOR
MANUEL GARRIDO Y RUANO	FORMULA JET, S.L.U.	SOLE DIRECTOR
MANUEL GARRIDO Y RUANO	FONDO CULTURAL VILLAR MIR, S.L.	DIRECTOR
MANUEL GARRIDO Y RUANO	GVM DEBENTURES LUX1, S.A.	DIRECTOR
MANUEL GARRIDO Y RUANO	GVM DEBENTURES LUX4, S.A.	DIRECTOR
MANUEL GARRIDO Y RUANO	HIDRO NITRO ESPANOLA, S.A.U.	DIRECTOR
MANUEL GARRIDO Y RUANO	VILLAR MIR ENERGÍA, S.L.U.	DIRECTOR
MANUEL GARRIDO Y RUANO	MOTHERCARE IBERICA, S.A.	JOINT AND SEVERAL DIRECTOR
MANUEL GARRIDO Y RUANO	ESPACIO INFORMATION TECHNOLOGY, S.A.	JOINT AND SEVERAL DIRECTOR

List, if appropriate, any relevant relationships, other than those included under the previous heading, that link members of the Board of Directors with significant shareholders and/or their group companies:

Name or company name of associated director:

Name or company name of associated director:

JUAN VILLAR-MIR DE FUENTES

Name or company name of significant associated shareholder:

ESPACIO ACTIVOS FINANCIEROS, S.L.U.

Description of relationship:

General Legal Representative

Name or company name of associated director:

JAVIER LÓPEZ MADRID

Name or company name of significant associated shareholder:

CARTERA VILLAR MIR, S.L.U.

Description of relationship:

General Legal Representative

C.1.18 Indicate the amendments, if any, to the Board Regulations during the year:

Yes ☐ No ☒

C.1.19 Indicate the procedures for the appointment, re-election, evaluation and removal of directors. List the competent bodies, procedures and criteria used for each of these procedures.

Any appointment or re-election proposal submitted by the Board of Directors to the General Meeting for approval and any appointments made by the Board by its legally stipulated powers of cooption are preceded by a proposal or report by the Appointments and Remuneration Committee. The Committee will attempt to ensure that the members elected are competent, solvent and experienced (art. 20 Board Regulations), and in the cases of re-election it shall assess the quality of the work and dedication of the directors to their office (art. 21 Board Regulations).

Directors removal shall be effective at the end of the period for which they were appointed, and when so resolved by the Annual General Meeting or the Board of Directors as per the powers legally or statutory granted. In addition, they must tender their resignation to the Board of Directors if they are disqualified on the grounds pursuant to the Board Regulations, upon prior report by the Appointments and Remuneration Committee.

During the past years, the evaluation of board members was conducted through a self-assessment, where both the Board of Directors and its Committees have carried out on a voluntarily and internal basis. During 2016, the company took a further step in following the best practices and good governance best practices and this self-assessment process involved the external consultancy provided by PwC, so as to provide a more objective and independent view of the process, whereby adhering the recommendations of good corporate governance referred to, among others, in the Spanish Capital Companies Act and the Code of Good Governance of Listed Companies. After the analysis of the results of the evaluation process, conducted by PwC, through interviews with board members, structured in accordance with the self-assessment questionnaire, the report drafted by PwC indicated, among other aspects, that there was an appropriate structure and membership in terms of background, capabilities, knowledge or expertise with regard to Board of Directors and its Committees.

C.1.20. Explain, if applicable, to what extent this evaluation has prompted significant changes in its internal organisation and the procedures applicable to its activities:

Description of changes
<p>The annual assessment for 2016 did not result in any changes in the internal organisation or procedures. However, the Board of Directors, following an analysis of the report issued by the external advisers decided to:</p> <ul style="list-style-type: none">- Take the necessary measures to improve the documentation submission times- Differentiate any items on the agenda that are informative in nature and those that require a decision-making process.- Encourage participation and discussions during sessions.

C.1.20.bis Describe the assessment process and the areas evaluated by the Board of Directors assisted, if necessary, by an external consultant, regarding diversity in its composition and powers, operation and composition of its committees, performance of the Board of Directors' Chairman and the company's chief executive, as well as performance and contribution of each director.

In 2016, the Company, while following the best national and international practices and, specifically, Recommendation 36 of the Code of Good Governance of Listed Companies, was assisted and given external advice from PwC for the evaluation process on the Board of Directors and its Committees. The self-assessment process was conducted through interviews with all board members on the basis of a questionnaire on the quality and effectiveness of the performance of the Board of Administration and its Committees. The areas under assessment were, among others, the structure, membership and performance of the Board of Directors and its committees, the roles and performance of the governing bodies, as well as the individuals on the governing bodies and the remuneration policy.

After analysing the outcomes of the PwC assessment, a report on the effectiveness and proper functioning of the governing bodies of OHL emphasised, among other matters, an appropriate structure, a proper assessment of the internal performance of the Board of Directors and an effective and satisfactory decision-making process. Furthermore, it concluded a very positive assessment on the performance of the Chairman on the development of the areas of responsibility entrusted to him and the performance of the CEO, highlighting aspects such as communication between the Board of Directors and senior management, his leadership of the management team, ensuring the proper functioning of the organisation and planning and control systems. The report drafted by PwC also expressed its satisfaction of the board members with regard to the performance of both the Committee for Audit, Compliance and Corporate Social Responsibility and as the Appointments and Remuneration Committee, as well as the Secretariat of the Board.

C.1.20.ter Break down, if any, business relationships between the consultancy firm or any company in its group and the company or any company in its group.

N/A

C.1.21 Indicate the cases in which directors must resign.

Pursuant to Article 23 of the Board Regulations, directors must tender their resignation to the Board of Directors and formalise their resignation, if the latter deems it appropriate, in the following events:

- a) Proprietary directors, when transferring their equity interest.
- b) Upon removal from executive positions to which their appointment as director is linked.
- c) When they are disqualified on the grounds of conflict of interest with those of the company or any other legal grounds.
- d) When indicted for any presumed crime or when subjected to disciplinary measures for serious or very serious breach determined by supervising authorities.
- e) When seriously reprimanded by the Audit and Compliance Committee upon breaching of director's obligations.
- f) When their continuity in the Board can jeopardise the interests of the Company or when the reasons for their appointment no longer apply.

C.1.22 Section repealed.

C.1.23 Are qualified majorities other than those prescribed by law required for any type of decision?

Yes ☐ No ☒

If applicable, describe the differences.

C.1.24 Explain whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairman.

Yes ☐ No ☒

C.1.25 Indicate whether the Chairman has the casting vote:

Yes ☐ No ☒

C.1.26 Indicate whether the bylaws or the board regulations set any age limit for directors:

Yes ☐ No ☒

C.1.27 Indicate whether the Bylaws or the Board Regulations set a limited term of office for independent directors other than that established in the relevant rules:

Yes ☐ No ☒

- C.1.28 Indicate whether the Bylaws or board regulations stipulate specific rules on appointing a proxy to the board, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold. Also indicate whether any limitation has been set forth regarding the right delegating conditions beyond the limitations established by law. If so, give brief details.

Directors who cannot attend the meeting shall delegate their vote in favour of a member of the same group in the Board, including the corresponding instructions (Article 18 of the Board of Directors Regulations).

- C.1.29 Indicate the number of Board meetings held during the year and how often the Board has met without the Chairman's attendance. For this purpose, appointments of representatives with specific instructions will be considered attendances.

Number of board meetings	14
Number of board meetings held without the Chairman's attendance	0

Should the chairman be an executive director, state if the number of meetings held without attendance of any executive director in person or by proxy and with the chairmanship of the coordinating director.

Number of meetings	0
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Indicate how many meetings of the various Board Committees were held during the year:

Committee	Number of Meetings
AUDIT, COMPLIANCE AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE	17
APPOINTMENTS AND REMUNERATION COMMITTEE	14

- C.1.30 State the number of meetings held by the Board of Directors during the year, with the attendance of all members. For this purpose, appointments of representatives without specific instructions will be considered attendance:

Number of meeting with the attendance of all directors	10
% of attendances of the total votes cast during the year	71.43%

- C.1.31 Indicate whether the consolidated and individual financial statements submitted for authorisation for issue by the board are certified previously:

Yes ☒ No ☐

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior to their authorisation for issue by the board:

Name	Position
ENRIQUE WEICKERT MOLINA	CHIEF FINANCIAL OFFICER

- C.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements prepared by it from being submitted at the Annual General Meeting with a qualified auditors' report.

The annual accounts, as for the rest of the periodic financial information or any other information that is required to be made available to the markets, are examined by the Committee for Audit and Compliance and Corporate Social Responsibility at a meeting before that in which the external auditors report on the progress of their auditing tasks. Subsequently, the annual accounts are re-examined during a final session in which the auditor's report on the prevention of the audit report, all in accordance with the provisions of Article 15 of the Regulations of the Board of Directors.

Finally, the auditors presented their forecast report before the Board of Directors, which met for the preparation of the annual accounts.

Article 42 of the Regulations states that the Board shall produce the financial statements leaving room for amendments by the auditor, a recommendation that the Company has been compliant with since being listed on the securities market.

- C.1.33 Is the Board Secretary a director?

Yes ☐ No ☒

Complete the following table if the secretary is not a director:

Name or corporate name of secretary	Representative
JOSÉ MARÍA DEL CUVILLO PEMÁN	

- C.1.34 Section repealed.

- C.1.35 Indicate and explain, where applicable, the mechanisms implemented by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

The Audit, Compliance and Corporate Social Responsibility Committee is responsible for gathering information on matters that may call the auditor's independence into question, as well as any other matters relating to the auditing process, including receiving information and the other disclosures stipulated in accounting and auditing legislation and auditing standards. The Committee examines the independence of such report at an annual meeting, while paying particular attention to the amounts for fees relating to services other than auditing. Pursuant to Article 42 of the Board of Directors Regulations, the latter shall not hire those audit firms whose fees for all concepts may exceed 10% of its overall revenues during the last period.

- C.1.36 State whether the Company has changed its external auditor during the period. If so, identify the incoming audit firm and the outgoing auditor:

Yes ☐ No ☒

Explain any disagreements with the outgoing auditor and the reasons for the same.

- C.1.37 Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the company and/or its group:

Yes ☒ No ☐

	Company	Group	Total
Amount of other non-audit work (Thousand of Euros)	536	371	907
Amount of non-audit work as a % of the total amount billed by the audit firm	43.19%	17.15%	26.65%

C.1.38 State whether the audit report on the Approved financial statements for the previous year contained reservations or qualifications. Indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of those reservations or qualifications.

Yes ☐ No ☒

C.1.39 Indicate the number of Fiscal years that the current audit firm has been uninterruptedly auditing the financial statements of the Company and/or the Group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited.

	Company	Group
Number of consecutive years	15	15
Number of years audited by current firm/number of years the company has been audited (as a %)	51.72%	57.69%

C.1.40 Indicate and give details of any procedures through which directors may receive external advice:

Yes ☒ No ☐

Details of procedure

Article 26 of the Board of Directors Regulations states that non-executive directors shall propose expert advice on legal, accounting, technical, financial, commercial or other matters at the Company's expense to be aided during furtherance of their duties.

C.1.41 Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for the meetings of the governing bodies:

Yes ☒ No ☐

Details of the procedure

As a general rule, the required documents and information under review at each meeting are to be submitted well in advance for each board member via a digital platform that is accessible to all members of the Board of Directors.

C.1.42 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might harm the company's name or reputation, tendering their resignation as the case may be:

Yes ☒

No ☐

Explain the rules

Directors must report all legal, administrative, and any sort of claims that because of their importance may seriously affect the Company's reputation, tendering their resignation to the Board of Directors and formalizing it if deemed appropriate when, among other cases, they are prosecuted for an allegedly criminal act or subject to disciplinary proceedings instructed by the supervisory authorities for a serious or very serious offense.

C.1.43 State whether any Board member has advised the Company that he or she has been prosecuted or ordered to stand trial for any of the criminal offences referred to in Section 213 of the Companies Law:

Yes ☒

No ☐

Name of board member:

JAVIER LÓPEZ MADRID

Criminal Case:

Item 1: Part separated from credit cards of the Prior Proceedings No. 59-12 from the Central Court of Instruction No. 4 of the Spanish National High Court.

Item 2: Proceedings filed before the Central Court of Instruction No. 6 of the National Court by the so-called "Punic Operation".

Observations:

Item 1: The legal situation of Mr. López Madrid remains unchanged with respect to that reported in 2015.

Item 2: Calling upon Mr. López Madrid as the investigated party.

Indicate whether the Board of Directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the director should continue to hold office or, if applicable, detail the actions taken or to be taken by the board.

Yes ☒

No ☐

Decision/action taken:

Item 1: Applies.

Item 2: Applies.

Justified explanation:

Item 1: Mr. López Madrid reported on his legal situation, which still remains unchanged with respect to that reported in 2015. The Board of Directors has made a note to the record.

Item 2: The Board deems that there is no substantiation for the resignation of Mr. López Madrid as a board member of the Company.

- C.1.44 List the significant agreements entered into by the company which come into force, are amended or terminate in the event of a change of control of the company due to a takeover bid, and their effects.

N/A

- C.1.45 Identify, in aggregate form and provide detailed information on agreements between the company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other.

Number of beneficiaries: 11

Type of beneficiary:

Chief Executive Officer and Senior Management

Description of resolution:

Chief Executive Officer: The employment contract for the CEO contemplates a compensation of up to two years of his total remuneration in the event of (i) a unilateral termination without cause by the Company, or if there is (ii) a change in the controlling shareholder of the Company, (iii) a change in the Chair of the Board of Directors, (iv) a corporate transaction that substantially modifies the current organisation of the OHL Group, (v) a substantial change in his roles, in his areas of competence, basic organisational chart and/or the removal of any person that directly reports to him. The employment contract also includes the possibility that, in the event of the termination of his special employment relationship, the Board may request a two-year non-competition period and a compensation based on two full years of remuneration.

Senior Executives: The senior manager contract covers a severance pact of a greater amount, which results from (a) the application of the rule for unfair dismissal provided under the law for ordinary employment relationships or (b) one full year's remuneration for the event of a unilateral termination of contract without just cause by the Company and in the event of the voluntary termination of a senior manager during the change of control of the company and/or in the event of organisational modifications thereof affecting more than fifty percent of its equity, in addition to the grounds provided under Article 10.3 of Royal Decree 1382/1985.

The senior executive contract includes the possibility, in the event of the termination of an employment relationship, of a two-year non-competition period, along with a compensation between a fixed yearly remuneration and two full years of remuneration.

State if such agreements should be reported and/or approved by the bodies of the Company or its group:

	Board of Directors	Annual General Meeting
Body approving clauses	Yes	No

	Yes	NO
Is the General Shareholders' Meeting informed of such clauses?		X

C.2. Committees of the Board of Directors

- C.2.1 Give details of all the board committees, their members and the proportion of executive, proprietary and independent and other non-executive directors:

**AUDIT AND COMPLIANCE AND
CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

Name	Position	Category
REYES CALDERON CUADRADO	CHAIRMAN	Independent
JOSÉ LUIS DíEZ GARCÍA	MEMBER	Independent
MANUEL GARRIDO Y RUANO	MEMBER	Proprietary
% of proprietary directors		33.33%
% of independent directors		66.67%
% of other non-executive directors		0.00%

Explain the functions assigned to this committee, describe the procedures and rules of organization and operation thereof and summarize their most important performances during the year.

The functions attributed to this Committee and the procedures and rules of organization and functioning are included in the Article 15 of the Board of Directors' Regulations, whose full text is reproduced in section H.1. of this report along with a detail of the most important actions taken during the year.

Identify the directors in the Audit Committee assigned as per their skills and expertise in accounting, auditing or both areas, and report on the number of years the current Chairman of this Committee has been in this position.

Name of the experienced director	JOSÉ LUIS DíEZ GARCÍA
Number of years of chairman in office	1

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Category
MÓNICA SOFÍA DE ORIOL ICAZA	CHAIRMAN	Independent
JUAN VILLAR-MIR DE FUENTES	MEMBER	Proprietary
JUAN JOSÉ NIETO BUESO	MEMBER	Independent
% of proprietary directors		33.33%
% of independent directors		66.67%
% of other non-executive directors		0.00%

Explain the functions assigned to this committee, describe the procedures and rules of organization and operation thereof and summarize their most important performances during the year.

The functions attributed to this Committee and the procedures and rules of organization and functioning are included in the Article 16 of the Board of Directors' Regulations, whose full text is reproduced in section H.1. of this report along with a detail of the most important actions taken during the year.

- C.2.2 Fill out the following table with the information regarding the number of female directors in the Board of Directors' committees during the last four years:

	Number of female directors							
	Fiscal year 2016		Fiscal year 2015		Fiscal year 2014		Fiscal Year 2013	
	Number	%	Number	%	Number	%	Number	%
AUDIT, COMPLIANCE AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE	1	33.33%	1	33.33%	1	25.00%	1	25.00%
APPOINTMENTS AND REMUNERATION COMMITTEE	1	33.33%	2	66.66%	0	0.00%	0	0.00%

C.2.3 Section repealed.

C.2.4 Section repealed.

C.2.5 Indicate, as appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the year. Also, indicate whether an annual report on the activities of each committee has been prepared voluntarily.

The Board committees are governed by the Board Regulations and an updated version is available on the Company's website: www.ohl.es (path OHL/info accionistas e inversores/Gobierno Corporativo/Comisiones del Consejo)

C.2.6 Section repealed.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Explain and identify the competent body and explain, if applicable, the procedures for approving related-party or intragroup transactions.

Procedure to notify the approval of related-party transactions

In 2016, the Board of Directors of the Company approved a rule that implements the provisions of the Regulations of the Board of Directors to enhance and detail the procedures and controls of transactions that the Company or any of its Group Companies decides to undertake for its board members or significant shareholders or their respective related parties.

Transactions that are covered by this procedure are all those that involve the transfer of resources, services, rights or obligations, regardless of whether or not there is any compensation, which is undertaken by any of the persons mentioned in the previous section with the Company or with any of the Group Companies.

Related-party transactions under this rule are subject to the prior approval of the Board of Directors of the Company shall require a prior favourable report of the Appointments and Remuneration Committee. The Board of Directors shall, through the Appointments and Remuneration Committee, in order that the transactions for board members and significant shareholders or with the respective associated persons are appropriate for the Company and pertinent, ensure that they are made at market conditions and that they abide by the principle of equal treatment of shareholders so that are respected by the same conditions. Failure to comply with the rules and obligations established in the foregoing rule may be considered as a wrongdoing for the persons receiving such after having been implemented and authorised, as well as for those being obliged to notify such without doing so.

In accordance with article 260 of the Spanish Capital Companies Act, the Company shall announce, in the Notes to the Financial Statements, any significant transactions between the Company and associated third parties, indicating the nature, association, amount and any information for the transactions required to determine the financial position of the Company. Furthermore, in compliance with Order EHA 3050/2004 of 15 September, in its capacity as issuing company of securities admitted for trading on official secondary markets, it shall provide all information on related-party transactions specified in the half-yearly financial reports.

D.2 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders:

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (in thousands of euros)
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Sales of goods (finished or in progress)	20,900
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Contractual	Sales of goods (finished or in progress)	3,781
INMOBILIARIA ESPACIO, S.A.	CHEMTROL-PROYECTOS Y SISTEMAS, S.L.U.	Contractual	Sales of goods (finished or in progress)	1
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Services rendered	1,245
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Contractual	Interest charged	433
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Dividends and other benefits distributed	5,003
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Purchases of goods (finished or in progress)	17
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Services received	3,577
INMOBILIARIA ESPACIO, S.A.	CHEMTROL-PROYECTOS Y SISTEMAS, S.L.U.	Contractual	Services received	23
INMOBILIARIA ESPACIO, S.A.	CONSTRUCTORA DE PROYECTOS VIALES DE MÉXICO, S.A. DE C.V.	Contractual	Services received	191
INMOBILIARIA ESPACIO, S.A.	CATALANA DE SEURETAT I COMUNICACIONS, S.L.	Contractual	Services received	9
INMOBILIARIA ESPACIO, S.A.	ASFALTOS Y CONSTRUCCIONES ELSAN, S.A.U.	Contractual	Services received	100
INMOBILIARIA ESPACIO, S.A.	EYM INSTALACIONES, S.A.	Contractual	Services received	43
INMOBILIARIA ESPACIO, S.A.	AGRUPACIÓN GUINOVART OBRAS Y SERVICIOS HISPANIA, S.A.U.	Contractual	Services received	116
INMOBILIARIA ESPACIO, S.A.	OHL CONCESIONES, S.A.U.	Contractual	Services received	313
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, CONSTRUCCIÓN INTERNACIONAL, S.L.U.	Contractual	Services received	1,787
INMOBILIARIA ESPACIO, S.A.	OHL INDUSTRIAL MINING AND CEMENT, S.A.	Contractual	Services received	8
INMOBILIARIA ESPACIO, S.A.	OHL INDUSTRIAL, S.L.U.	Contractual	Services received	93
INMOBILIARIA ESPACIO, S.A.	SOCIEDAD ANÓNIMA TRABAJOS Y OBRAS	Contractual	Services received	77
INMOBILIARIA ESPACIO, S.A.	TRÁFICO Y TRANSPORTE SISTEMAS, S.A.U.	Contractual	Services received	45
INMOBILIARIA ESPACIO, S.A.	CONSTRUCCIONES ADOLFO SOBRINO, S.A.U.	Contractual	Services received	58
INMOBILIARIA ESPACIO, S.A.	OHL SERVICIOS-INGESAN, S.A.U.	Contractual	Services received	77
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Purchases of property, plant and equipment	29
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Interest charged	3,069
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Purchases of intangible assets	819
INMOBILIARIA ESPACIO, S.A.	OHL CONCESIONES, S.A.U.	Contractual	Purchases of intangible assets	90
INMOBILIARIA ESPACIO, S.A.	OHL USA, INC	Contractual	Services received	200
INMOBILIARIA ESPACIO, S.A.	CONSTRUCCIONES ADOLFO SOBRINO, S.A.U.	Contractual	Purchases of goods (finished or in progress)	145
INMOBILIARIA ESPACIO, S.A.	OHL INDUSTRIAL MINING AND CEMENT, S.A.U.	Contractual	Sales of goods (finished or in progress)	139
INMOBILIARIA ESPACIO, S.A.	AUTOVIA DE ARAGÓN TRAMO 1, S.A.	Contractual	Purchases of goods (finished or in progress)	417

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (in thousands of euros)
INMOBILIARIA ESPACIO, S.A.	CONSTRUCTORA DE PROYECTOS VIALES DE MEXICO, S.A. DE C.V.	Contractual	Purchases of goods (finished or in progress)	7,668
INMOBILIARIA ESPACIO, S.A.	TERMINALES MARÍTIMAS DEL SURESTE, S.A.	Contractual	Services received	235
INMOBILIARIA ESPACIO, S.A.	OHL COLOMBIA, S.A.S.	Contractual	Services received	15
INMOBILIARIA ESPACIO, S.A.	OHL DESARROLLOS MÉXICO, S.A. DE C.V.	Contractual	Services received	4
INMOBILIARIA ESPACIO, S.A.	COMERCIAL DE MATERIALES DE INCENDIO, S.L.	Contractual	Sales of goods (finished or in progress)	36
INMOBILIARIA ESPACIO, S.A.	TENEDORA DE PARTICIPACIONES TECNOLOGICAS, S.A.	Contractual	Purchases of non-current financial assets	3,265
INMOBILIARIA ESPACIO, S.A.	OHL SERVICIOS-INGESAN, S.A.	Contractual	Sales of goods (finished or in progress)	784
INMOBILIARIA ESPACIO, S.A.	AVALORA TECNOLOG[AS DE LA INFORMACIÓN, S.A.U.	Contractual	Sales of goods (finished or in progress)	1,507
INMOBILIARIA ESPACIO, S.A.	AVALORA TECNOLOGIAS DE LA INFORMACIÓN, S.A.U.	Contractual	Rendering of services	6
INMOBILIARIA ESPACIO, S.A.	OHL CONCESIONES, S.A.U.	Contractual	Interest charged	669
INMOBILIARIA ESPACIO, S.A.	AVALORA TECNOLOGIAS DE LA INFORMACIÓN, S.A.U.	Contractual	Interest charged	36
INMOBILIARIA ESPACIO, S.A.	AVALORA TECNOLOG[AS DE LA INFORMACIÓN, S.A.U.	Contractual	Purchases of goods (finished or in progress)	2,086
INMOBILIARIA ESPACIO, S.A.	OHL Arabia, L.L.C.	Contractual	Services received	33
INMOBILIARIA ESPACIO, S.A.	OHL CONSTRUCTION CANADA, INC	Contractual	Services received	63
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Contractual	Purchases of non-current financial assets	29,405
INMOBILIARIA ESPACIO, S.A.	AVALORA TECNOLOGIAS DE LA INFORMACIÓN, S.A.U.	Contractual	Purchases of non-current financial assets	6,613
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Financing agreements: loans	180,209
INMOBILIARIA ESPACIO, S.A.	OHL CONCESIONES, S.A.U.	Contractual	Financing agreements: loans	30,000
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Financing agreements: other	103,000
INMOBILIARIA ESPACIO, S.A.	OHL CONCESIONES, S.A.U.	Contractual	Financing agreements: other	63,000
INMOBILIARIA ESPACIO, S.A.	OHL CONCESIONES COLOMBIA, S.A.S.	Contractual	Financing agreements: other	20,553

D.3 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's managers or directors:

D.4 List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens:

D.5 Indicate the amount from related-party transactions.

9,999 (in thousands of euros).

D.6 Give details of the mechanisms in place for detecting, identifying and resolving any potential conflicts of interest between the Company and/or its Group and its directors, executives or significant shareholders.

The Regulations of the Board of Directors establishes, among others, as basic obligations arising from the duty of board member loyalty, to adopt the necessary measures so as to avoid any situations where their interests, either on their own account or someone else's account, may be in conflict with the company's interests and their duties towards it and specifically obliges the directors to abstain from:

- a) Making transactions with the Company except in the case of ordinary transactions made under standard conditions for customers and of little relevance, defined as those whose information is not necessary to express the true and fair view of the Company's equity, financial position and results.
- b) Using the Company's name or invoke their status as director to improperly influence the performance of private transactions.
- c) Making use of corporate assets, including confidential company information, for private purposes.
- d) Taking advantage of the Company's business opportunities.
- e) Obtaining benefits or remuneration from third parties other than the Company and its group related to the performance of their duties, except in the case of mere courtesy attentions.

Developing self-employed or employed activities involving existing or prospective effective competition with the Company or otherwise placing them at a permanent conflict with Company's interest.

2. The foregoing provisions apply to cases where the beneficiary of any such prohibited actions or activities is a person related to the director.

3. In any case, the Directors shall inform the Board of Directors of any situation of conflict, either direct or indirect, in which such or the persons related to such may have with the interests of the Company.

Situations where there are conflicts of interest that involve the Directors shall be reported in the Notes to the Financial Statements.

The company may waive the foregoing requirements in individual cases authorising a director or a related person for a specific transaction with the company, the use of certain company assets, the exploitation of a specific business opportunity, or the attainment of an advantage or remuneration from a third party. Such authorisation must be approved by the general meeting when it relates to waiving the prohibition on gaining an advantage or remuneration from third parties, or when it affects a transaction the value of which exceeds ten percent of the company's assets. For all other cases, authorisation may also be granted by the Board of Directors, as long as the independence of those granting authorisation is guaranteed in relation to the Directors receiving any such authorisation. In addition, it will be necessary to ensure the authorised operation does not harm the company's assets or, where applicable, its execution under market conditions and process transparency. The obligation not to compete with the Company may only be waived in the event that no harm is expected to result for the company or where any harm is expected to be compensated by the expected benefits of a waiver. The waiver shall individually and expressly be granted by the general meeting. In any event, at the request of any partner, the General Meeting may resolve to suspend any director performing competitive activities when the risk of harm to the company becomes relevant. Exceptionally, when the use of company assets has been authorised, directors may be dispensed of the obligation to pay the consideration, but in such cases the economic advantage will be considered an indirect remuneration and must be authorised by the Board, subject to a report from the Appointments and Remuneration Committee. If the Director receives the economic advantage as a partner, the advantage will be acceptable only if the principle of equal treatment of shareholders is abided by.

The Council shall be informed, in any case, of economic or trade relations occurring between the Board Member and the Company.

Likewise, the procedural Rule for related-party transactions of the Company, approved in 2016, requires that all persons receiving such (board members and senior management) to understand the procedure contained therein, to comply and to implement the necessary measures to be adhered to by OHL and the Group.

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

Yes ☐ No ☒

Identify the listed subsidiaries in Spain:

Listed Subsidiary

Indicate whether they have provided detailed disclosure on the type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;

Define any possible business relations between the parent company and the listed subsidiary and between the latter and the other Group companies

Indicate the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies:

Mechanisms to resolve possible conflicts of interest

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Describe the risk management system in place at the company, including the tax risks.

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

E.2 Identify the bodies responsible for preparing and implementing the risk management system, including the tax system.

RESPONSIBILITIES ATTRIBUTED TO THE BOARD OF DIRECTORS:

The Board of Directors is the most senior decision-making body of the Company and, as detailed in section 5 e) of its Regulations, it takes on the obligation of being directly liable for the "identification of Company's main risks and, in particular, those arising from transactions with derivatives, and implementation and follow-up of internal control systems, risk management systems and appropriate information systems".

The Board of Directors' role in the Risk Management System is to assume the responsibility and follow-up of the risk management system; approve the Group's risk management policy; uphold Management's commitment to improve performance in Risk management; review and approve OHL Group's risk Map; and issue guidelines on how to address risks so as to keep the level of exposure to them within the set limits of tolerance.

The Board carries out its supervisory work through the Audit, Compliance and Corporate Social Responsibility Committee (hereinafter, the Audit Committee)

RESPONSIBILITIES ATTRIBUTED TO THE AUDIT COMMITTEE:

Notwithstanding any other duty imposed by Law, the General Owners' Meeting or the Board of Directors, the Audit Committee's responsibilities include the following, as indicated in section 23 f) of the Bylaws and Art. 15 of the Board Regulations, "Overseeing the efficiency of the company's internal control, internal audit services and risk management systems, reviewing the appointment and replacement of responsible parties, as well as discussing with account auditors the most relevant internal control system weaknesses detected during the audit".

The specific work performed on the Audit Committee's Risk Management System focus on reviewing and approving the Group's risk management policy, the risk tolerance limits, the risk governance model and other documentation related to risk management, such as risk categories, valuation scales and risk maps; maintaining knowledge and an understanding of the set risk tolerance levels, of the main risks that can affect the attainment of the Group's objectives and of the actions that are being carried out to maintain the levels of exposure to risk within the set limits; to issue guidelines for the treatment of risks with the purpose of maintaining their exposure levels within the set tolerance levels; to keep a direct and independent line of communication open with the Risks and Internal Control Manager at least one every three months and whenever circumstances call for it, and ensure the implementation of adequate procedures to identify, analyse, assess, follow-up and report risks.

E.3 Indicate the main risks, including tax risks, which may prevent the company from achieving its targets.

The Risk Management System considers all risks that can affect the achievement of the business objectives. These risks are classified into four large risk categories. Risk categories are defined risk groups that enable a consistent organisation of risk identification, evaluation, assessment and follow-up. The use of standardised risk categories in the Group enables aggregation of risks of the different Divisions in order to determine their global impact on the Group.

The main risks which may prevent the company from achieving its targets are related to:

1.- Strategic risks: They are related to the market and environment, to the diversity of markets/countries in which the Group operates, to those derived from partnerships and joint projects, to those arising from the Group's organisational structure, as well as to the risks incidental to the Group's reputation and image.

2.- Operating risks: They are related to the Group's operating processes according to the value chain of each of the Group's Divisions. This category identifies more accurately those risks related to contracting and supply, subcontracting and suppliers, production, execution and operation, asset management, labour, environment, technology and systems, force majeure and fraud, and corruption.

3.- Compliance risks: They are related to the compliance with applicable legislation, with contracts with third parties and with the Group's internal procedures, rules, and policies.

4.- Financial risks: They are related to access to financial markets, cash and tax management, reliability of the economic and financial information, and management of insurance.

E.4 Identify if the company has a risk tolerance level, including the tax risk.

OHL Group has a risk tolerance level (level of acceptable risk) that is established at the corporate level.

Risk tolerance is the expression of the acceptable or unacceptable level of risk, as defined by Group OHL. Risk tolerance reflects OHL's willingness to accept the risk derived from its risk appetite. Risk capacity describes the Group's capacity to assume risks. As an international group of concessions and construction, the Group's risk capacity is based on its capacity to handle both the current risks as well as emerging ones, particularly financial, project and operating risks arising as a result of the main activities of the Group, divided into its five operating divisions: Concessions (financing, transport infrastructure development and management), Construction (civil works and selective building), Industrial (engineering and construction of industrial plants), Developments (development of singular projects in areas of tourist and historical interest) and Services (services handling infrastructure and people). The risk capacity includes the ability to make the most of opportunities, as well as the capacity to adapt to adverse situations or setbacks, or recover from catastrophes.

Risk tolerance focuses on the main risk areas faced by the Group, is included in OHL Group's Risk Management Policy approved by the Group's Board of Directors. To determine the accepted level of risk, factors that are taken into considering include the philosophy towards risk-taking, the profitability-risk ratio, the main focus on risk response and the risk response decision-making criteria.

Likewise, in line with the Strategic Plan 2015 – 2020, the Group has determined for itself a risk tolerance level (risk level accepted in pursuit of sustainable and profitable growth that ensures cash generation) at project level. This translates into the creation of red lines with different levels involving approval ratings according to the risk level assigned.

At the specific risk level, OHL Group expresses its level of tolerance for key risks by valuing them based on their impact and likelihood, and taking into consideration the level of control over them and the speed with which they occur. Valuation scales are allocated to these risks, depending on a series of valuation criteria. After the risk assessment based on their impact and likelihood, they are qualified. For each key risk, OHL Group establishes a level of tolerance through key risk indicator and handles it in such a way as to minimize its impact and/or likelihood and keep it, as far as possible, below the set tolerance level, provided it is feasible and economically possible to do so.

E.5 Identify any risks, including tax risks, which have occurred during the year.

The update on the main risks for the Group are:

- i. The bankruptcy and liquidation of Autopista Eje Aeropuerto Concesionaria Española S.A. and Aeropistas S.L.U.: these companies are under insolvency proceedings as of January 2014 and as of October 2015 their liquidation was requested. The legal proceedings are still ongoing for the various aspects of the liquidation for the concession and other contracts (see Note 4.6.2.5 in the Notes to the Financial Statements).
- ii. Bankruptcy of Cercanías Móstoles Navalcarnero: during May 2016, voluntary bankruptcy was filed, where it was admitted and entered into insolvency proceedings on 16 August 2016. It is currently within the regular phase (see Note 4.6.2.5 of the Notes to the Financial Statements). It is not expected that this procedure will generate any additional liabilities and it is envisaged that the Group's investment in this concession can be recuperated.
- iii. Litigious situations for Construction projects: the Group is still involved in litigious situations with certain projects (see Note 4.6.2.5 of the Notes to the Financial Statements), where it is doing its best to reach a settlement for payment. Notwithstanding the foregoing and as a consequence of a careful assessment on the current situation for each of these, while considering the technical, legal and the negotiation status of the Clients, it has been decided to undertake a reassessment of its objectives, which has resulted in a lower income, standing at €669,900 thousand (see Note 1.3 of the Notes to the Financial Statements).
- iv. OHL Mexico - Investigations: as for the investigations on the Mexican Concessionaire Companies, initiated in 2016 by CNBV and other agencies, these have practically come to a close where there has been no case determining the existence of mens rea or any fraudulent action, nor the existence of any impact on the Mexican financial system or for third parties, nor any infringement by issuers or natural persons (see Note 4.6.2.6 of the Notes to the Financial Statements). Furthermore, the Group has no plans to change the accounting treatment used in the consolidated financial statements to date.
- v. Liquidity Risk. The update of the main risks for the Group's liquidity is reported in Section H.1.

E.6 Explain the response and monitoring plans for the main risks the company is exposed to, including tax risks.

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

- a) Untreatable Risks: Risks without economic mitigation possibility. An example would be the risk of a change in government or leadership in a country in which OHL Group does business.

b) Treatable Risks: Risks that can be mitigated economically, where the efforts for its mitigation are being carried out or the need for those efforts is or should be acknowledged. An example would be the risk of hiring subcontractors that are not qualified, leading to the impossibility of delivering a project on time, within budget and according to the terms and conditions set forth in the agreement.

The risk responses to Treatable Risks can be classified as follows:

- Reduce: actions aimed at minimizing the impact and/or the vulnerability to the risk.
- Accept: actions aimed at maintaining the risk at acceptable levels.
- Share: actions aimed at sharing the risks with other third parties by hiring insurance, outsourcing processes, distributing risk through contracts or other similar actions.
- Avoid: actions aimed at eliminating, if possible, factors that give rise to risk.

For each one of the risks, a decision is made, as far as possible, with regard to the type of response to give and responsibilities are assigned for carrying this out in such a way that it is in line with the risk tolerance and that it is duly followed upon through the appropriate indicators.

The process used by OHL Group to manage its risks comprises seven stages. This process provides a logic and systematic method for establishing the context of, identifying, analysing, integrating, evaluating, responding to, monitoring and reporting risks in such a way as to enable the Group to make decisions and respond to risks and opportunities in a timely manner as they arise. The adopted process includes elements from ISO31000:2009 "Risk Management – Principles and Guidelines"; and from the Committee of Sponsoring Organizations of the Treadway Commission (COSO) "Enterprise Risk Management – Integrated Framework" (2004). The seven stages of the Group's risk management system are briefly explained below:

- 1.- Reporting and consulting: This stage is an integral part of the creation of a positive culture on risk management within the OHL Group. By adopting a consultative approach for risk management, the parties involved understand the purpose of decision-making and the importance of such decisions when managing the OHL Group's risks, instead of there being a one-way information flow. On the other hand, the multilateral discussions with the parties involved in the risk management process guarantee the understanding and soundness of each step in such process.
- 2.- Establishing the context: This stage consists in setting the internal, external and risk management context in which the process will be carried out. Once the context is established, the OHL Group may focus its efforts on risk management based on the environment in which it operates and define the necessary categories of common risks, criteria and procedures for managing the OHL Group's risks as a whole.
- 3.- Identify Risks: This stage is aimed at identifying the risks that may affect the achievement of the Group's objectives through categories of common risks, criteria and procedures developed in the "Establishing the context" stage. Whenever risks are to be identified, it is important to understand and document any factors which may trigger the risk events as well as any potential consequences. The identification of the risks and triggers and potential consequences is a first step towards the understanding of the OHL Group's exposure to risk.
- 4.- Analysing risks: This stage is aimed at understanding the scope of both the positive aspects and negative outcomes of a risk event, as well as the vulnerability to such event (likelihood of occurrence of said outcomes considering the current level of control). Evaluation of the scope (impact) and vulnerability to potential risks enables the OHL Group to prioritise its risks and, therefore, to respond to said risks, focusing on the ones that pose a greater threat to the attainment of its objectives.
- 5.- Evaluating risks: This stage is aimed at prioritising the risks for addressing or responding to them, by evaluating them against the pre-set risk tolerance criteria. Understanding the level of exposure to risks in relation to risk tolerance enables decision-making on how to address risks optimising risk-taking and maximising the probability of achieving the objectives.
- 6.- Responding to risks: This stage is aimed at identifying, evaluating and implementing the options for addressing or responding to risks. Risks are addressed not only to minimise any potential damages, but also to maximise the growth potential of opportunities.
- 7.- Monitoring and reviewing: This last stage is aimed at carrying out a continuous evaluation of the effectiveness and relevance of the OHL Group's risk management programme. A continuous follow-up on the risks and effectiveness of their treatment enables the OHL Group to refine its risk management programmes to be in line with the dynamic context in which it operates.

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO FINANCIAL REPORTING (ICFR)

Describe the mechanisms which comprise the internal control over financial reporting (ICFR) risk control and management system at the company.

F.1 The entity's control environment

Specify at least the following components with a description of their main characteristics:

- F.1.1. The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

RESPONSIBILITIES ATTRIBUTED TO THE BOARD OF DIRECTORS:

The Board of Directors is the most senior decision-making body of the Company and, as detailed in section 5 e) of its Regulations, it takes on the obligation of being directly liable for the "identification of Company's main risks and, in particular, those arising from transactions with derivatives, and implementation and follow-up of internal control systems, risk management systems and appropriate information systems."

The Board of Directors has a supervisory role regarding the Financial Information Internal Control System, understanding the risks related to the financial information objectives of the Group and the controls set forth by the Board to mitigate them.

The Board carries out its supervisory work through the Audit, Compliance and Corporate Social Responsibility Committee (hereinafter, the Audit Committee) and the Internal Audit Division.

RESPONSIBILITIES ATTRIBUTED TO THE AUDIT COMMITTEE:

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

- 1.- Overseeing the efficiency of the company's internal control, internal audit services and risk management systems, reviewing the appointment and replacement of responsible parties, as well as discussing with account auditors the most relevant internal control system weaknesses detected during the audit.
- 2.- Overseeing the financial reporting preparation and presentation process and checking the appointment and replacement of the individuals responsible.
- 3.- Reviewing the Company's financial statements, monitoring compliance with legal requirements and the proper application of generally accepted accounting principles, and reporting on the proposals for amendments to the accounting principles and standards suggested by management.

RESPONSIBILITIES ATTRIBUTED TO THE MANAGEMENT:

The General Economic and Financial Division is globally liable for the internal control system of the financial information of the Group. Such liability includes the design, implementation, and maintenance of the internal controls necessary to ensure the quality of the information. Said responsibility is included in the Duties' Manual and the Oversight Model of the Group's Financial Reporting System.

The head of each company and/or Division and its Economic and Financial Manager are responsible for the Internal Control System over Financial Reporting.

The Internal Control and Risk Division works closely with the General Economic and Financial Division to assess the impact of any reported incidents and to follow up on the execution of action plans for their resolution. This responsibility is laid down in the instructions on Maintenance and Reporting of the Financial Information System.

OHL Group's Internal Audit Division is responsible for checking the reliability of the risk management and internal control systems and the quality of information and, in particular, for reviewing the Internal Control System of Financial Information and the adequacy of the controls in place. Said responsibility is included in the Duties' Manual and the Oversight Model of the Group's Financial Reporting System.

F.1.2. The existence or otherwise of the following components, especially in connection with the financial reporting process:

- The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the company.

The Board of Directors has the policy of delegating the regular management of the Company to the executive bodies and the executive team, and to focus its activity on defining the business and organisational policy as well the general supervision duty.

In this sense, the CEO of the Group is responsible for the design and review of the organisational structure, who proposes any changes in the basic organisational chart for the Group.

The General Human Resources and Organisation Division, is liable for proposing the implementation of improvements to the organic structure of the Group and also drives and coordinates the creation and update of charts and the description of duties of the corporate structure and the Group's Divisions, and submits them to the Steering Committee.

Relevant changes to such organisational structure are presented to and approved by the Board of Directors through the Appointments and Remuneration Committee, which among

other basic duties, has to propose to the Board of Directors an annual remuneration amount and a remuneration system for the members of the Executive Committee, as well as the remuneration criteria for the rest of the Group's executive staff.

The Group has basic and detailed charts of its entire organisation. The basic chart is available on the Group's website www.ohl.es, while the Group's employees can access the detailed charts of the whole organisation through the intranet.

Furthermore, there is a Duties' Manual updated on 7 July 2016, describing the reporting obligations, composition and basic duties of each governing body, structure and Group operating Divisions. Group employees may access said Manual through the intranet.

The charts and Duties' Manual are updated regularly and/or when the circumstances so require.

- Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

Full content in section H.1.

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

The Ethics Communication Channel is available in the Group's five main languages through the corporate intranet and in English and Spanish through the Group's website, which makes it easily accessible. There is as well a telephone line in the USA.

The Group demands the staff's report of unlawful behaviours as it helps improve the prevention policy and quality policies, becoming an essential tool for the Code of Ethics to be fully effective.

OHL Group's Ethical Communications Channel has been created for all employees and other interested parties to report a possible non-compliance or breach of said Code, guaranteeing user confidentiality, with a procedure intended to do so. It may also be used to ask questions regarding its application to professional practice.

The Compliance Division is responsible for receiving and processing any complaint or inquiry submitted through the Ethical Channel. The Ethical Channel can be reached through the intranet, the website (www.ohl.es/compromiso/canal-etico) or by mail (addressed to: Canal Ético de Comunicación del Grupo OHL – Dirección de Cumplimiento). Pº Castellana, 259 D. Torre Espacio. 28046 Madrid.).

Duties of the Audit, Compliance and Corporate Social Responsibility Committee, and activities carried out in 2016:

As previously mentioned, the main duty of the Ethical Channel is to be the means for employees or other interested parties to inform any possible non-compliance or breach of the Code of Ethics, as well as to channel the doubts or questions about such Code.

The Group's Ethical Communications Channel specifies, among others, the procedures for dealing with reports in order to guarantee confidentiality, fair treatment and avoid reprisals: Notification, analyses, investigation and resolution. Before the Audit Committee examines the reports, the Compliance Management Committee collects all information deemed necessary to form an opinion about the possible existence of any indications for determining whether investigation proceedings should be initiated. This phase ended with the decision of the Ethics Channel Manager (Compliance Management), by including significant or urgent procedures, where the complaint must be notified before the Audit Committee meeting.

After completing the investigation, the Compliance Division informs the Committee about the conclusions drawn from the reports prepared at this stage and puts forward the adoption of any measure deemed necessary for final resolution.

During 2016, a total of 47 complaints have been submitted to the Ethics Communication Channel, of which 41 had been made through the Ethics Communication Channel and the remaining 6 via other channels; 23 of these complaints were investigated and 24 were dismissed for not representing any violation of the Code of Ethics. At year-end, of the 23 complaints investigated, five were still under investigation, seven have resulted in formal warnings for the people involved and the rest have been filed or closed without any further proceedings.

- Training and update courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

With regard to the regular training and update aimed at the staff involved in the preparation and review of the financial information, topics related to economic and financial improvements and updates have been included in the Group's training catalogue.

In 2016, a total of 55 persons, devoting a total of 287 hours of classroom learning and 2,436 hours of online learning.

Additionally, 202 hours of training were provided on the Due Diligence Process of third parties whose main objective is to explain in detail how to perform analyses for the three main perspectives (compliance, financial performance and technical performance), and in which 81 people have participated. This training shall continue in 2017.

The participants, of different categories, are involved with the financial information at different responsibility levels. On the other hand, a digital file containing all the ICFR's regulations, the Group's Accounting Policies Manual and other accounting regulations ordinarily used is available for all the senior staff responsible for the Group financial reporting. Likewise, all the internal regulations related to financial reporting and its processes can be accessed through the Group's The Ethical.

F.2 Risk assessment in financial reporting

Report at least:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating:

- Whether the process exists and is documented.

See section H.1.

- Whether the process covers all financial information objectives (existence and occurrence, completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.

See section H.1.

- Whether a process is in place to define the consolidation scope, considering, without limitation, any complex corporate structures, special purpose vehicles or similar entities.

See section H.1.

- Whether the process considers the effects of other kinds of risks (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.

See section H.1.

- Finally, which of the company's governing bodies is responsible for overseeing the process.

See section H.1.

F.3 Control activities

Indicate the existence of at least the following components, and specify their main characteristics:

F.3.1. Financial information review and authorisation procedures and ICFR description to be disclosed to securities markets, specifying responsible officers, and explanatory documentation of the flows of activity and control (including those relating to risk of fraud) of the various transactions which might materially affect financial statements, including the procedure for closing reporting periods, and specific review of relevant assessments, estimates, measurements and projections.

The Group has a detailed procedure for financial information disclosure to third parties so that both preparation and disclosure offer the maximum guarantees.

The Group's General Economic and Financial Division is liable for the preparation of financial information.

Before disclosure to the markets and after receiving a favourable report from its Audit Committee, the Board of Directors is liable for the approval of said financial information, analysing it and requesting any clarification it deems necessary, both internally and from the Group's external auditor.

These activities are conducted for both the interim, quarterly and half-yearly financial reporting, as well as annual reporting. The half-yearly and yearly reporting is subject to the approval of the Board of Directors of Obrascón Huarte Lain, S.A.

The procedure for disclosure of financial information to third parties regulates how to act regarding other issues such as:

- Relevant facts
- Financial information for other securities markets
- Financial information for analysts and investors, financial institutions and rating agencies
- Statistics
- Tenders and offers
- Financial information required in agreements

Individuals in charge of preparing public financial information, authorisations, and those in charge of disclosure are established for each case.

Documentation on controls and activities' flows: To guarantee the information reliability it is key the analysis of critical processes and subprocesses affecting the preparation of such information in order to facilitate the abovementioned risk identification and implementation of controls. In this regards, the following work is carried out:

- 1.- Identification of critical processes, and subprocesses composing each one of them, which intervene, directly or indirectly, in the preparation of financial information for the companies included in the scope.
- 2.- Description of activities' flow with flowcharts of processes and subprocesses.
- 3.- Identification of key control activities that mitigate the risks identified which may affect the preparation of financial information identifying the person in charge of control, frequency of the activity, type of control (to detect or to predict), type of execution (manual or automatic) and its evidence.

During 2016, we have continued to review and update all processes and sub-processes, analysing the incidents reported.

Documented processes include the end of reporting period, reporting, and consolidation process considering within them the specific review of relevant judgments and estimates.

The information supported by the ICFR of the Group is stored in a digital file that serves as a database for all material processes and sub-processes of the Group companies.

The Group has implemented Governance, Risk and Compliance IT tool was implemented, which allows for the integrated management of reporting and supervision of the Financial Information Internal Control System for all the Group's material subprocesses.

The Group's General Economic and Financial Division is responsible for updating critical process and activities and it reports periodically to the Audit Committee on the progress of works related to the Financial Information Internal Control System and all improvement processes.

F.3.2. Internal control procedures and policies referring to information systems (including, among others, access security, change control, their implementation, continuity of operations, and segregation of duties) supported by the entity's relevant processes with regard to the preparation and publication of financial information.

OHL's internal control system over financial reporting encompasses the IT processes that include the environment, architecture and infrastructure of the information technologies, as

well as any applications related to transactions that directly affect the main processes of the company and, therefore, the financial reporting and fiscal year closing processes.

The Group's Information Systems Department is responsible for the information systems, and its duties include the definition and follow-up of the security policies and standards for applications and infrastructures supporting the internal control model within the field of information technologies.

In reference to the internal control framework of information systems, areas related to security and control of access to programs and data, and to developments in applications in response to the Group's needs have been considered priority. With respect to these areas, the following items related to the applications supporting the financial reporting system are considered particularly relevant:

- Physical security of the Data Processing Centres
- Roles and responsibilities matrices
- Management of the demand for developments and functional changes
- IT developments flow managements
- Incident management
- Management of the continuity of economic processes
- Risk control computerization

Specifically, during 2016 works have been performed for reviewing and improving data processing centres in the branches, and new centres have been opened under safety guidelines set by the OHL Group (Poland, Brazil and Colombia).

Likewise, progress has been made in the international implementation of other initiatives that focus on standardizing procedures and security policies such as: the backup of information, inventory control for hardware and software, improvements to the control of email platforms, as well as the commencement for the implementation of new measures, such as the use of electronic signature certificates, the encryption of laptop users and the rolling out of corrective measures highlighted in the vulnerability analysis conducted in the home markets.

F.3.3. Internal control policies and procedures aimed at supervising the management of outsourced activities, as well as those assessment, calculation or measurement tasks assigned to independent experts, which may materially affect the Financial statements.

The Group has internal control procedures in place aimed at supervising the information included in the financial statements of the joint ventures (JV) in which it holds interest.

This procedure makes a difference between the joint ventures which are administered by the Group and those which are not. In the first case, when this information is managed in the Group's systems, the same controls as in the rest of the Group are applied.

When the Group is not responsible for the administration of the joint ventures, information review and unification processes are carried out, where necessary and, as mentioned above, the basic criteria are set by mutual agreement with the partners. In both cases, review activities are also performed through the representatives of the Joint Ventures' Management Boards.

With regard to the valuations when entrusted to independent experts, the criteria used are analysed to verify their adequacy and said valuations are stated in detail. In the event the reports are not conclusive or controversial aspects have been found, additional opinions are requested for their clarification.

As for the rest of the relevant opinions, estimates and projections, a detailed reviewed is carried out, paying particular attention to the criteria upon which they are based, particularly in the medium and long term projections performed by the concession operators.

F.4 Information and communication

Indicate the existence of at least the following components, and specify their main characteristics:

F.4.1. A specific function in charge of defining and keeping the accounting policies updated (accounting policies area or department), and of addressing any inquiry or settling any dispute arising from the interpretation thereof, maintaining a fluent communication with the persons responsible for the organisation's transactions, as well as an updated accounting policies manual that must be communicated to the units through which the Company operates.

ACCOUNTING PROCEDURES MANUAL:

The Group has an Accounting Procedures' Manual with the purpose of highlighting the general accounting principles, valuation standards, and general accounting policies of the Group and specific policies of each Division, and it is mandatory for all OHL Group companies.

The responsibility of the internal implementation of the accounting policies rests with the Directorate of Economics and Finance of the Group (Department of Administration and Control).

In addition, said Division is the responsible for updating the Manual, at least, once a year, in order to include all changes in legislation and, if relevant, the update is made immediately.

In both cases, the Audit Committee is previously informed by the General Economic and Financial Division of any update to be made.

RESPONSIBILITIES OF THE AUDIT COMMITTEE:

Obrascón Huarte Lain, S.A. 's Board Regulations specify in section 15 i) that the Audit and Compliance Committee has the basic responsibility for the following: "Review Company's statements, oversee compliance with legal requirements and correct application of generally accepted accounting principles and also inform about the proposals for changes in the accounting policies and methods suggested by Management."

This responsibility is active as it entails being informed of the updates proposed by the Group's General Economic and Financial Division, as well as of accounting legislation drafts which may affect the Group.

This information is also compared with that of the Group's Auditors in periodic meetings held with the Audit Committee.

F.4.2. Criteria for collecting and preparing the financial information with standard formats, to be applied and used by all of the company's or group's units, which may support the main financial statements and notes, as well as ICFR related information.

The Group has a financial reporting procedure for all Divisions managed by the Group's Economic and Financial Department, through its Administration and Control Department. Said procedure describes the financial reporting models that the Group subsidiaries must send on a regular basis, indicating the persons responsible for their preparation and update. This procedure is based on:

Such procedure includes:

- Group's end of reporting period schedule
- Standardised and mandatory monthly financial reporting, in most cases with information traceability, from the information system, following detailed instructions.
- Annual standardised financial reporting for preparation of the Group's Notes to the Financial Statements, following detailed instructions.
- Internal system of sending relevant corporate information.

Any significant changes to the established procedure are reported to the Audit, Compliance and Corporate Social Responsibility Committee.

ICFR MAINTENANCE AND REPORTING.

There is a maintenance and reporting procedure related to the ICFR, for internal control purposes and with the aim of informing about its operation on a regular basis.

The persons responsible for updating and maintaining the ICFR in the companies included within the scope of each of the continuous processes up-to-date, pursuant to a specified assignment of responsibilities.

Likewise, in order to facilitate internal knowledge about the degree of compliance with the ICFR, a half-year reporting procedure was established.

The Reporting Model is submitted on a half-yearly basis to the Directorate of Economics and Finance of the Group, by the Chief Economic and Financial Officer responsible of each Group subsidiary.

F.5 System operation supervision

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1. The ICFR supervision activities carried out by the Audit Committee, as well as whether the company has an internal audit function responsible for supporting the Committee in supervising the internal control system, including the ICFR. Furthermore, information will be reported on the scope of the ICFR assessment carried out during the fiscal year and on the procedure through which the

assessor reports on its outcomes, as well as whether the company has an action plan describing any corrective measures, if applicable, and whether their impact on the financial information has been considered.

INTERNAL AUDIT DEPARTMENT

The Board of Directors created the Internal Audit Management in the Group in order to provide independent and objective assurance, internal control, and consultation services, in order to support the organisation in the effective performance of its responsibilities.

The Internal Audit Department forms part of OHL Group's organisation, although it is not an executive body, and is subject to the policies established by the Board of Directors through its Audit, Compliance and Social Corporate Responsibility Committee.

Internal Audit reports to the Audit, Compliance and Corporate Social Responsibility Committee and this Department's basic roles are to:

- Review the truth, reliability and integrity of the records and the financial and operating information, both internal and external. Verify the reliability of the risk management and internal control systems and the quality of the information. Specifically, to review the Financial Information Internal Control System and the sufficiency of the implemented controls.
- Supervise that risk management is aligned with OHL Group's policies and Code of Ethics.
- Verify the existence and status of assets, and prove that measures to protect their integrity are adequate.
- Verify the existence of rules and procedures that duly govern the main activities and that allow for the correct measurement of the economy and their efficiency.
- Evaluate the degree of compliance with the standards, instruction and procedures established in the Group.
- Propose the amendments, reviews or adaptations of the documents mentioned in the above point that are necessary to improve operations.
- Inform on the OHL Group's new issue of internal regulations or their amendments, before their final approval.
- Verify the control systems for the compliance of the agreements established by OHL Group.
- Follow up on OHL's approved investment and divestment transactions.
- Keep coordinated relations with external audit works, as a supplementary activity (not as a subsidiary or substitute activity).
- Provide information to the Board of Directors through the Audit, Compliance and Corporate Social Responsibility Committee in order to facilitate the potential assessment on the adequate and efficient use of Group's resources.
- Make recommendations to contribute to the correction of anomalies detected in the course of the work and follow-up their execution.
- Prepare annual work schedules, activities' reports, among others, and keep them updated.
- Perform any specific task requested by the Chairman of the Audit, Compliance and Corporate Social Responsibility Committee.
- An up-to-date inventory of fraud risks and their related controls, checking for the efficiency of said controls on a yearly basis.
- Take part in various Committees as a guest: Management, Investments, Regulation, Information security, Quality and Environment, Corporate Social Responsibility, etc.

All such duties are carried out by the members of the Internal Audit Division exclusively and will not be combined with other duties.

INTERNAL CONTROL AND RISK DEPARTMENT

In order to promote internal control and risk management, the Group has the Internal Control and Risk Department, which reports to the Audit Committee. The main functions of this Department in relation to risk management are the following:

- Coordinate, guide and support the strategic, operational, organisational and legislative actions concerning risk management across the OHL Group.
- Establish the methodologies and tools for preparing the Risk Map, as well as to cooperate in identifying and analysing the risks that may arise from OHL Group's activities.
- Define, implement and update, in collaboration with the different Divisions, the management and follow-up procedures relating to the main risks and action proposals deemed necessary.
- Prepare the corresponding reports on the risk position (risk indicators) to be reported to the Division, the Audit Committee and/or the Board of Directors.
- Perform training and dissemination tasks regarding the relevant risk management policies.
- Prepare proposals for action to reduce the level of, or exposure to, certain types of risks and to minimise their impact.

The main duties of this Department in relation to internal control are the following:

- Update the Processes Map, maintain an up-to-date understanding of the allocation of responsibilities on the processes and controls and ensure the preparation, review, approval and maintenance of the Set of Rules, Policies and Regulations in force is carried out in a timely manner.
- Prepare, support and maintain the Internal Control System, whose compliance by the different Divisions guarantees that operational and financial information risks are duly mitigated.
- Identify and communicate the Internal Control deficiencies detected.

ACTIVITIES CARRIED OUT BY THE AUDIT COMMITTEE IN THE YEAR 2016

The Audit Committee has the main purpose of supporting the Board of Directors in overseeing and supervising the Group's operation. Its main duties are:

- Monitor the preparation and presentation of financial information on a regular basis.
- Supervision of the efficacy of the internal control, the internal audit services and the risk management systems.
- Guarantee the independence of the external auditor and knowing their opinion on the significant weaknesses of the internal control system.

Audit Committee reviews all public financial information sent by the Group to the National Securities Market Commission, before approval by the Board of Directors and after publication, and gathers all clarifications it deems convenient from the Group's General Economic and Financial Division or from any other responsible party.

During meetings, to review all reports issued by the Internal Audits Department on the Group companies, projects implemented internally or with external partners and the compliance with internal regulations and any other requested by such Committee, as well as reports issued by the Risk and Internal Control Department, the main identified weaknesses and recommended proposals and those issued by the Compliance Department on the implementation of its Annual Action Plan and the management of the Ethics Channel.

The content of the Annual Plan of the Internal Audit Department, which is approved every year by the Audit, Compliance and Corporate Social Responsibility is defined according to OHL Group's general and specific objectives, and the risks that can threaten its execution, giving priority to the matters requiring special attention in each functional area, which is why it includes the selection of the area, processes or activities in which:

- Possible contingencies for the OHL Group are detected.
- There has been a special problem before or there is any signal about a possible anomaly.
- A significant period has elapsed since the last audit performed.
- The Board of Directors or the Management of the OHL Group may identify such risks.

In order to plan audit activities, the Internal Audit Department pays special attention to the Risk Map, considering the potential impact of those risks on the process map.

In 2016, audits were performed in the Construction, Concessions, Development and Industrial and Services Divisions, covering the following processes:

- Construction/concession projects covering accounting, financial and operating issues and issues relating to compliance with both external legislation and internal regulations.
- Creation of indicators/alerts on specific parameters thereof.
- Information security
- Cycle of travel and entertainment expenses.
- Internal Control Financial Reporting System
- Management and Machinery Cycle.
- Control System for the Prevention of Money Laundering and Terrorist Financing.
- Review of the implementation of ERPs in different geographical locations.
- Follow-up and dissemination of the Code of Ethics.

Although cross-cutting activities were carried out in a fair number of additional geographies, the review of specific construction/concession projects was conducted in the following countries:

- United States of America
- Mexico
- Spain
- Canada
- Turkey
- Chile
- Czech Republic
- Poland
- Slovakia
- Saudi Arabia
- Colombia
- Kuwait
- Uruguay
- Australia

Regarding the monitoring of the Internal Control Financial Reporting System, in 2016 control procedures have been audited by means of a sample thereof in several companies representing 60% of the Group's revenue. No significant weakness has been identified through the internal audit. As a consequence of other complementary endeavours, weaknesses have been identified and these have been reported to the responsible managers and the Audit Committee. The appropriate corrective measures are carried out for all weaknesses or recommendations included in the reports. For relevant recommendations a regular follow up is implemented in the Steering Committee.

The actions taken are included in the Internal Audit Report submitted to the Audit Committee.

The implementation of any new internal regulation or policy is supervised by the Internal Audit Management, as well as any modification to an existing regulation or policy, guaranteeing consistency and compliance with policies set forth by the Board of Directors.

It also holds follow-up meetings of the Internal Control System's operation, specially addressing the Internal Control Financial Reporting system, together with the Group's General Economic and Financial Division, and the managers of Divisions, carrying out specialised sessions on concrete aspects of the system.

F.5.2. A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its Audit Committee or Board of Directors. Likewise, it will report on the availability (or not) of an action plan aimed at correcting or mitigating any weakness observed.

OHL's Board Regulations include the following responsibilities of the Audit Committee in section 15:

c): establish relations with the external auditors, assess the results of each audit and the management team's response to their recommendations, and intervene in case of discrepancies between them with regard to policies and methods applicable upon preparation of financial statements, as well as gathering information on matters that may call the auditor's independence into question, and any other matters relating to the auditing process, including other disclosures stipulated in accounting and auditing legislation as well as auditing standards.

g): oversee the efficiency of the company's internal control, internal audit services and risk management systems, reviewing the appointment and replacement of responsible parties, as well as discussing with account auditors the most relevant internal control system weaknesses detected during the audit.

Such responsibilities are carried out actively, by means of periodic meetings of the Audit Committee with the Group's external auditors and with those liable for management of the Divisions, as well as the Group's General Economic and Financial Manager, Risk and Internal Control Manager, Internal Audit Manager and Compliance Manager, which are permanently invited to all of the Committee's meetings.

Thus, and in accordance with an annual schedule, the Audit Committee summons the heads of each of these areas in advance to appear and make a specific presentation to the members of the Committee on how they manage risks in their respective areas.

As to the external auditors, meetings are held at least on an annual basis, to better understand any internal control weaknesses identified during the audit, if applicable these are corrected by updating the pertinent policies or rules and controls covered by the Internal Control System.

Regarding Internal Audit Management, Risk and Internal Control Management and Compliance Management, it should be mentioned that their actions use information from the Audit Committee, receiving a follow-up report of weaknesses identified and compliance of all recommendations made in the course of their works.

Those three divisions have permanent communication with the Audit Committee in the duties described above, highlighting the duty of preparing and keeping updated the following documents:

- Annual planning of works
- Management's annual budget
- Reports of each work carried out
- The Division's Rules of Organisation and Procedures.

The foregoing will have the purpose of following up all activities carried out, as an effective means to develop and comply with all supervision duties of the Audit Committee.

F.6 Other relevant information

Non applicable

F.7 External auditor's report

State whether:

F.7.1. If the information of the ICFR sent to the markets has been reviewed by the external auditor, the entity should include the relevant report as annex. Otherwise, explain the reasons for the absence of this review.

The Group has requested to the external auditor a review report on the information related to the ICFR described in this document, which will be attached as Annex, pursuant to the Action

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE REGULATIONS

Indicate the degree of the company's compliance with Corporate Governance recommendations for listed companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the Company by means of share purchases on the market.

Complies ☒ Explain ☐

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

- a) The type of activity they engage in, and any business dealings between them, as well as between the listed subsidiary and other group companies;
b) The mechanisms in place to resolve possible conflicts of interest.

Complies ☐ Partly complies ☐ Explain ☐ Not applicable ☒

3. During the General Annual Shareholders' Meeting, in addition to the written dissemination of the annual corporate governance report, the Chairman of the Board of Directors orally informs the shareholders, in sufficient detail, of the most relevant aspects of the company's corporate governance and, in particular:

- a) Any changes that have taken place since the last annual general meeting.
b) The specific reasons why the company is not following a recommendation in the Code of Corporate Governance and, if any, the alternative rules it is then applying.

Complies ☒ Partly complies ☐ Explain ☐

4. The company establishes and furthers a policy of communication and contact with the shareholders, institutional investors and proxy advisors that is fully in line with the rules on market abuse and provides for equal treatment of shareholders in the same position.

In addition, the company makes said policy publicly available on its website, including information concerning the way in which it has been implemented in practice, identifying the representatives or authorities responsible for executing that policy.

Complies ☒ Partly complies ☐ Explain ☐

5. The board of directors does not submit to the shareholders for discussion at a general meeting a proposed delegation of powers, to issue stock or convertible securities without pre-emptive rights for a sum exceeding 20% of the capital at the time of such delegation.

In addition, when the board of directors approves any issue of stock or convertible securities without pre-emptive rights, the company immediately posts the reports on such exclusion provided for in commercial laws on its website.

Complies ☒ Partly complies ☐ Explain ☐

6. Any listed companies that prepare the following reports, either mandatorily or voluntarily, post them on their websites sufficiently in advance of the annual general shareholders' meeting, even if the disclosure of such reports is not a mandatory requirement:

- a) Report on the auditor's independence.
- b) Reports on the operation of the audit and appointments and remuneration committees.
- c) Report of the audit committee on related-party transactions.
- d) Report on the corporate social responsibility policy.

Complies ☒ Partly complies ☐ Explain ☐

7. The company provides a live broadcast of the general shareholders' meetings on its website.

Complies ☒ Explain ☐

8. The Audit Committee ensures that the board of Directors presents the annual accounts to the General Shareholders' Meeting without qualifications in the audit report. Should such qualifications exist, both the chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

Complies ☒ Partly complies ☐ Explain ☐

9. The company's website permanently features the requirements and procedures that will be accepted to establish shares ownership or the right attend the general shareholders' meeting and the exercise or delegation of voting rights.

In addition, such requirements and procedures favour attendance and the exercise of shareholder rights, and apply in a non-discriminatory manner.

Complies ☒ Partly complies ☐ Explain ☐

10. When a recognized shareholder has, prior to the general shareholders' meeting, exercised the right to add to the agenda or submit new proposed decisions, the company:

- a) Immediately publicizes such additional agenda items and new proposed decisions.
- b) Makes the form of attendance, proxy or remote voting card publicly available with the necessary changes in order that the new items on the agenda and alternative proposals may be voted on subject to the same terms as proposed by the due to board of directors.
- c) Submits all such items and alternative proposals for voting and subjects them to the same voting rules as established by the board of directors, including, in particular, any presumptions or inferences on the direction of a given vote.

d) After the general shareholders' meeting, it reports a breakdown of how such additional items or alternative proposals were voted on.

Complies ☐ Partly complies ☐ Explain ☐ Not applicable ☒

11. If the company has decided to offer attendance fees for the general shareholders' meeting, it has established in advance a general policy on such fees, and such policy is stable.

Complies ☐ Partly complies ☐ Explain ☐ Not applicable ☒

12. The board of directors performs its duties with unity of purpose and independent judgment, according equal treatment to all shareholders in the same position, guided by the company's best interest, which consists in pursuing profitable business that is sustainable in the long term, furthering continuity and maximising the company's market value.

In its efforts to act in the company's best interest, in addition to abiding by the laws and regulations and behaving based on good faith, ethics and the observance of generally accepted conventions and good practices, it strives to reconcile its own corporate interests with, as the case may be, the legitimate interests of its employees, providers, customers and any other stakeholders that might be affected, as well as the impact of the company's activities in the life of the community as a whole and the environment.

Complies ☒ Partly complies ☐ Explain ☐

13. The Board of Directors must have a sufficient structure to operate effectively and attain participation; thus, it is suggested to include from five to fifteen members.

Complies ☒ Explain ☐

14. The Board should approve a director selection policy that:

- a) Is specific and verifiable;
- b) Ensures that proposals for appointment or reappointment are based on a previous analysis of the Board's needs;
- c) Favours the diversity of knowledge, experience and gender.

The result of the previous analysis of the Board's needs should be rendered from the Appointments Committee's supporting report disclosed when convening the Annual General Meeting in which each Director will be ratified, appointed or reappointed.

The director selection policy should promote the objective that by 2020 at least 30% of the Board members will be female directors.

The Appointments Committee will monitor compliance with the director selection policy annually and will report on it in the Annual Corporate Governance Report.

Complies ☒ Partly complies ☐ Explain ☐

15. Proprietary and independent directors should occupy an ample majority of board places, mind the complexity of the corporate group and the ownership interests they control.

Complies ☒ Partly complies ☐ Explain ☐

16. The percentage of proprietary directors over all non-executive directors should be no greater than the proportion between the capital represented on the Board by said proprietary directors and the remainder of the Company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the Board but not otherwise related.

Complies ☐ Explain ☒

The percentage representing the six proprietary directors on a total of ten non-executive directors is greater than the ratio between the vesting percentage of Grupo Villar Mir, S.A.U., shareholder they represent, and the rest of the capital, but neither the Company has a plurality of shareholders with significant and stable share nor any shareholder has requested its right to appoint directors.

Notwithstanding the foregoing, at the date of this report, the structure of the board of directors has been changed, with the appointment of a new independent director, who replaced an executive director. Thus, the percentage of the 6 proprietary directors of the total of 11 non-executive directors is practically the same as that represented by the percentage of share capital owned by Grupo Villar Mir, SA in relation to the entire share capital.

17. The number of independent directors should represent at least one half of all board members.

However, when the company is not large cap or when, despite being so, it has one shareholder or shareholders acting concertedly controlling over 30% of share capital, the number of independent directors should represent at least one third of all Board members.

Complies ☒ Explain ☐

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

- a) Professional experience and background.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, regardless of their nature.
- c) An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with.
- d) The date of their first and subsequent appointments as a Company director.
- e) Shares held in the Company and any options on the same.

Complies ☒ Partly complies ☐ Explain ☐

19. The Annual Corporate Governance Report, upon verification by the Appointments Committee, should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies ☐ Partly complies ☐ Explain ☐ Not applicable ☒

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Complies ☐ Partly complies ☐ Explain ☒ Not applicable ☐

By year-end, the Company had not fulfilled the Recommendation. Notwithstanding the foregoing, at the date of preparing this report following the restructuring regarding its membership determined by the Board of Directors, where there are now 6 proprietary directors, of which 5 are independent directors and 1 is an executive director, the Company has complied with the foregoing Recommendation, where the proprietary directors stand at 54.54% of the non-executive directors and where Grupo Villar Mir, S.A. owns 54.48% of share capital.

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where just cause is found by the board, based on a proposal from the Appointments Committee. In particular, just cause will be presumed when directors incur new obligations or hold new positions preventing them from dedicating the time needed to the proper performance of the directors relevant duties; when they are in breach of their fiduciary duties or come under one of the disqualifying grounds for being independent directors.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 16.

Complies ☒ Explain ☐

22. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in the Companies Law, the Board should examine the matter and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report.

Complies ☒ Partly complies ☐ Explain ☐

23. All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation should also apply to the Secretary of the board, director or otherwise.

Complies ☐ Partly complies ☐ Explain ☐ Not applicable ☒

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

25. The Appointment Committee should ensure that the non-executive directors have enough free time for the right performance of their duties.

And the Board Regulations should determine the number of directorships their Board members can hold.

Complies ☒ Partly complies ☐ Explain ☐

26. The board should meet with the necessary frequency to properly perform its functions, and at least 8 times a year, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

Complies ☒ Partly complies ☐ Explain ☐

27. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. And that, when they should occur, a representation with instructions must be provided.

Complies ☒ Partly complies ☐ Explain ☐

28. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

29. The company should establish suitable channels for directors to receive the advice and guidance they need to carry out their duties, including, if applicable, external advice at the company's expense.

Complies ☒ Partly complies ☐ Explain ☐

30. Regardless of the knowledge directors circumstances perform their duties, they should also be offered ongoing learning programs when circumstances so dictate.

Complies ☒ Explain ☐ Not applicable ☐

31. The agenda of the meetings should clearly state the matters about which the Board shall make a decision or reach an agreement so directors may obtain or assess accurate information in advance for its application.

When, in urgent and exceptional cases, the Chairman wishes to submit for the approval by the Board decisions or agreements that were not included in the agenda, the prior express consent of the majority of the attending directors shall be required, which will be recorded in the minute book.

Complies ☒ Partly complies ☐ Explain ☐

32. Directors should be informed on a regular basis about shareholding changes and about the opinion that significant shareholders, investors and rating agencies keep of the Company and the Group.

Complies ☒ Partly complies ☐ Explain ☐

33. The Chairman, as the person responsible for the proper operation of the Board, in addition to carrying law or Bylaws and statutory duties, should prepare and submit to the Board a calendar and agenda; he should organize and coordinate the regular evaluations of the Board and, where appropriate, those of the company's chief executive; he should be responsible for the Board's direction and its proper operation; he should ensure enough time is devoted to discuss strategic matters, as well as accept and review ongoing learning programs for each director when circumstances so dictate.

Complies ☒ Partly complies ☐ Explain ☐

34. When there is a coordinating director, in addition to powers conferred by law, the By-laws or the Board regulations should delegate the following duties to said director: to chair the Board of Directors when the chairman and deputy chairmen, if applicable, are not present; hearing the concerns of non-executive directors, to be in contact with investors and shareholders in order to learn their points of view and form an opinion about their concerns, especially about the Company's corporate governance; and to coordinate a succession plan for the chairman.

Complies ☐ Partly complies ☐ Explain ☐ Not applicable ☒

35. The Secretary should take care to ensure that the Board's actions and decisions consider the good governance recommendations of the Unified Code that are applicable to the Company.

Complies ☒ Explain ☐

36. The Board in full should evaluate and adopt, on an annual basis, if applicable, an action plan aimed at correcting deficiencies found regarding:

- a) The quality and efficiency of the Board's operation.
- b) The operation and structure of its committees.
- c) The diversity of the structure and competences of the Board.
- d) The performance of the Board's Chairman and of the Company's chief executive.
- e) The performance and contribution of each director, paying special attention to those in charge of the different committees of the Board.

The evaluation of the different committees will be based on the reports submitted by said committees to the Board, and the evaluation of the Board will be based on the report submitted by the Appointments Committee.

Every three years, the Board will perform the evaluation with the support of an external advisor, whose independence will be verified by the Appointments Committee.

Business dealings between the advisor or any company of his group and the company or any company of its group shall be detailed in the Annual Corporate Governance Report.

The process and the assessed areas will be described in the Annual Corporate Governance Report.

Complies ☒ Partly complies ☐ Explain ☐

37. When the company has an Executive Committee, the breakdown of its members by director category should be similar to that of the board itself. The Secretary of the board should also act as secretary to the Executive Committee.

Complies ☐ Partly complies ☐ Explain ☐ Not applicable ☒

38. The board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all board members should receive a copy of the Executive Committee's minutes.

Complies ☐ Partly complies ☐ Explain ☐ Not applicable ☒

39. Audit committee members, particularly the Chairman, are appointed in light of their knowledge and experience of accounting, audit or risk management and the majority of those members should be independent directors.

Complies ☒ Partly complies ☐ Explain ☐

40. Under the supervision of the Audit Committee, there should be a unit in charge of internal audit that ensures the proper operation of internal control and reporting systems, and the operation of this unit will be dependent on the non-executive chairman of the Board or of the Audit Committee.

Complies ☒ Partly complies ☐ Explain ☐

41. The head of internal audit should submit an annual work programme to the Audit Committee, report to it directly on any incidents arising during its implementation, submit an activities report at the end of each year.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

42. In addition to those established by law, the Audit Committee should have the following functions:

1. With respect to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the Group, checking for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.
- b) Monitor the independence and efficacy of the division performing the internal audit function; proposing the selection, appointment, reappointment and removal of the head of internal audit; propose the budget for this service; approving work plans and orientation, ensuring that its activity is mainly focused on the company's material risks; receive periodic financial information on its activities; and check that senior management is considering its recommendations and conclusions.

- c) Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2. With respect to the external auditor:

- a) In the event of the resignation of the external auditor, investigate the issues giving rise to that resignation.
- b) Ensure that the external auditor's compensation for his work does not compromise its quality or independence.
- c) Ensure that the Company notifies any change of auditor to the National Securities Market Commission as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor the reasons for the same.
- d) Ensure that the external auditor holds an annual meeting with the Board in plenary session to report on the work carried out, the progress in the accounting situation, and the risks the Company faces.
- e) Ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence.

Complies ☒ Partly complies ☐ Explain ☐

43. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Complies ☒ Partly complies ☐ Explain ☐

44. The Audit Committee should be informed on the structural and corporate changes intended by the Company for reviewing and submitting the report to the Board of directors on the economic conditions and the accounting effects and, specifically, on the swap ratio proposed.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

45. Control and risk management policy should specify at least:

- a) The different types of financial and non financial risks affecting the Company (operational, technology, social, legal, environmental, reputational, political, fiscal etc.) with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.
- b) The determination of the risk level the Company sees as acceptable.
- c) Measures in place to mitigate the impact of risk events should they occur.
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Complies ☒ Partly complies ☐ Explain ☐

46. Under direct supervision of the Audit Committee or, if applicable, of a specialized committee of the Board, there should be an internal function of risk control and

management carried out by a unit or internal department of the Company with the following functions:

- a) Ensure the proper operation of risk control and management systems and, specifically, that all important risks faced by the Company are properly identified, managed and quantified.
- b) Participate actively in the risk strategy preparation and in the important decisions regarding its management.
- c) Ensure that risk management and control systems mitigate risks properly as part of the policy defined by the Board of Directors.

Complies ☒ Partly complies ☐ Explain ☐

47. The members of the Appointments and Remuneration Committee —or of the Appointments Committee and the Remuneration Committee, if they are separated— should be designated seeking to ensure that they have the knowledge, skills and experience required for the duties they will perform, and that the majority of said members are independent directors.

Complies ☒ Partly complies ☐ Explain ☐

48. Large cap companies should have two separate committees, an Appointments Committee and a Remuneration Committee.

Complies ☐ Explain ☐ Not applicable ☒

49. The Appointments Committee should consult with the Board's Chairman and company's chief executive, especially on matters relating to executive directors.

Any board member may suggest directorship candidates to the Appointments Committee for its consideration.

Complies ☒ Partly complies ☐ Explain ☐

50. The Remuneration Committee should perform its duties independently, and in addition to those conferred by law, it should have the following functions:

- a) Propose standard conditions for senior officer employment contracts to the Board.
- b) Oversee compliance with the remuneration policy set by the Company.
- c) Review periodically the remuneration policy applied to directors and high executives, including share-based compensation systems and their application, as well as ensuring that their individual compensation is proportionate to that paid to the Company's other directors and high executives.
- d) Ensure that potential conflicts of interests do not compromise the independence of the external advice received by the committee.
- e) Verify the information on the compensation provided to directors and high executives, as contained in the different corporate documents, including the annual report on directors' compensation.

Complies ☒ Partly complies ☐ Explain ☐

51. The Remuneration Committee should consult with the Chairman and Chief Executive, especially on matters relating to executive directors and senior officers.

Complies ☒ Partly complies ☐ Explain ☐

52. The rules on structure and operation of the supervision and control committees should be established on the Regulations of the Board of Directors and should be consistent with those that are legally binding and applicable to committees, pursuant to previous recommendations, including:

- a) They must be exclusively made up of non-executive directors, with a majority of independent directors.
- b) Committees should be chaired by an independent director.
- c) The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each Committee, and it should discuss their proposals and reports and be responsible for overseeing and evaluating their work, which should be reported to the first board plenary following each meeting.
- d) The Committees may engage external advisors, when they feel this is necessary for the discharge of their duties.
- e) Minutes of meeting proceedings should be drawn up and made available to all Board members.

Complies ☐ Partly complies ☐ Explain ☐ Not applicable ☒

53. The job of supervising compliance with corporate governance rules, internal codes of conduct and the corporate social responsibility policy should be entrusted to one or several committees of the Board, namely, the Audit Committee, the Appointments Committee, the Corporate Social Responsibility Committee, if applicable, or a specialized committee created by the Board, exercising its power to self-organize, which should have the following minimum functions:

- a) Supervising the compliance with the Company's internal codes of conduct and corporate governance rules.
- b) Supervising the communication strategy and the relationship with shareholders and investors, including small and medium-sized shareholders.
- c) Evaluating, on a regular basis, the adequacy of the Company's corporate governance rules and procedures, so it can accomplish its mission of promoting social interest, considering, accordingly, the legitimate interests of the remaining stakeholders.
- d) Reviewing the Company's corporate responsibility policy, ensuring that it is aimed at creating value.
- e) Monitoring strategies and actions of corporate social responsibility, and evaluating the degree of compliance.
- f) Supervising and evaluating the relations with the different stakeholders.
- g) Evaluating everything related to the Company's non-financial risks, including operational, technological, financial, legal, social, environmental, political and reputational risks.
- h) Coordinating the process of reporting non-financial and diversity information, according to the applicable regulations and the international standards of reference.

Complies ☒ Partly complies ☐ Explain ☐

54. The corporate social responsibility policy should include the principles and commitments the Company takes on voluntarily in relation to the different stakeholders, and it should identify, at least:

- a) The goals of the corporate social responsibility policy and the development of support instruments.
- b) The corporate strategy related to sustainability, the environment and social affairs.
- c) The specific practices in matters related to: shareholders, employees, clients, suppliers, social affairs, the environment, diversity, fiscal responsibility, related to human rights and the prevention of illegal behaviour.
- d) The methods or systems for the follow-up of results from the application of the specific practices mentioned in the previous item, related risks and their management.
- e) The mechanisms for the supervision of non-financial risks, business conduct and ethics.
- f) The channels of communication, participation and dialogue with stakeholders.
- g) The responsible communication practices preventing the manipulation of information and protecting integrity and honour.

Complies ☒ Partly complies ☐ Explain ☐

55. The Company should report, in a separate document or in the directors' report, matters related to corporate social responsibility using some of the internationally accepted methods.

Complies ☒ Partly complies ☐ Explain ☐

56. Directors remuneration should be sufficient to attract and retain directors with the desired profile and to compensate them for the dedication, abilities and responsibility that the position entails; but should not be so high as to compromise the independence of criterion of non-executive directors.

Complies ☒ Explain ☐

57. Variable remuneration linked to the Company's performance, individual performance, and remuneration comprising the delivery of shares, share options or other share-based instruments, and long-term saving systems such as pension plans, retirement systems or other systems of social provision should be confined to executive directors.

The delivery of shares for the remuneration of non-executive directors may be considered when they are obliged to retain them until the end of their tenure. The foregoing will not be applicable to shares that the director needs to sell in order to afford the expenses related to their acquisition.

Complies ☒ Partly complies ☐ Explain ☐

58. In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not only the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

And, specifically, variable components of remuneration should:

- a) Be linked to predetermined and measurable performance criteria that consider the risk incurred to obtain a result.
- b) Promote the Company's sustainability and include non-financial criteria adequate for the creation of long term value, in addition to compliance with the Company's rules and internal procedures, and its risk management and control policies.
- c) Be designed based on a balance between the accomplishment of short, medium and long term objectives that allow for the remuneration of continuous performance over a period that is sufficiently long to appreciate their contribution to the creation of value, in a way that the measurement elements of that performance do not only revolve around specific, occasional or extraordinary events.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

59. Payment of a relevant part of the variable components of remuneration should be postponed during a period sufficiently long to verify that previously established performance conditions have been fulfilled.

Complies ☐ Partly complies ☐ Explain ☒ Not applicable ☐

The variable remuneration of the Executive Directors of OHL has a yearly component, which is associated with the compliance of certain strategic annual targets for the Company, and a multi-year component, which is deferred over time, and associated with certain medium- and long-term metrics, being aligned with the interests of shareholders and the creation of long-term value for the Company. When these targets have been met, the Executive Directors may receive, after a certain period of time has elapsed, which shall never be less than three years, a significant portion of their total variable remuneration.

As part of the deferred component of their variable remuneration, during 2016, the "Equity Holding Plan" was in effect, having been approved by the Board of Directors of OHL on 22 March 2013 for the 2013-2016 period, which covered certain executives of the OHL Group, including Executive Directors, and that would be in the form of a variable compensation scheme with a deferral period of three years.

As reported at the IARC, the Plan came to a close in March 2016, where the management group that was included would not receive any amount whatsoever, since the target for the OHL share price was not achieved.

For the new remuneration policy of OHL Directors, which shall be voted on at the next General Shareholders' Meeting, which contemplates the possibility that, within their variable remuneration, the Executive Directors may receive a deferred variable remuneration associated with the medium- and long-term targets of the Company. The Board of Directors, upon the proposal raised by the Appointments and Remuneration Committee, shall present, as the case may be, for the consideration of the General Shareholders' Meeting, the terms and conditions of the variable medium- and long-term remuneration system, in the event that the scheme be associated with the share price of the Company. In turn, the main points of this remuneration are incorporated, where appropriate, in the Annual Remuneration Report.

60. In the case of remuneration linked to Company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

61. A relevant percentage of the variable remuneration of non-executive directors should be linked to the delivery of shares or other share-based financial instruments.

Complies ☐ Partly complies ☒ Explain ☐ Not applicable ☐

As explained in Section 59, in 2016 the Company had a remuneration scheme associated with the share price of the Company, however, no shares were delivered as the established targets were not achieved.

It is envisaged that the OHL board member remuneration policy be raised to the General Shareholders' Meeting for approval and, as contemplated by the IARC for 2016, a portion of the annual variable remuneration for the CEO shall be paid in OHL shares. Specifically, the target amount of this annual variable remuneration in shares shall be equivalent to 90% of the fixed annual remuneration of the CEO.

62. Once the shares or options or the rights to shares related to the compensation systems have been allocated, directors shall not transfer the ownership of a number of shares

equivalent to twice their annual fixed compensation or exercise the options or rights until a term of, at least, three years from allocation have elapsed.

The foregoing will not be applicable to shares that the director needs to sell in order to afford the expenses related to their acquisition.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

63. Contractual agreements should include a clause allowing the company to ask for a reimbursement of the variable components of remuneration when payment was not adjusted to performance conditions or when payment was made pursuant to data that is later deemed inaccurate.

Complies ☐ Partly complies ☐ Explain ☐ Not applicable ☒

64. Payments due to the termination of the agreement should not exceed the established amount equivalent to two years of the total annual remuneration and should not be paid until the company can verify that the director has fulfilled the performance criteria that were previously established.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

H. OTHER INFORMATION OF INTEREST

1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.
2. This section can include any other information, clarification or qualification relating to the previous sections of the report, provided that it is material and not repetitive.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. The Company may also indicate if it has voluntarily adhered to other codes of ethical principles or good practices, whether international, sector-specific or otherwise. If so, please state the code in question and the date of adherence.

A.2. LIST THE DIRECT AND INDIRECT HOLDERS OF SIGNIFICANT OWNERSHIP INTERESTS IN YOUR COMPANY AT YEAR-END, EXCLUDING DIRECTORS.

In accordance with the information provided by the National Securities Market Commission (CNMV), for the record, "SANTANDER ASSET MANAGEMENT, S.A. SGIIC" has an indirect voting right amounting to 3.001%. It has been stated, in Section A.2 herein, that the 3.001% of voting rights are direct voting rights, since the number of votes, nor the percentage it has throughout the companies "Santander RV España, FI", "Santander Small Caps España, FI" and "Santander Acciones Españolas, FI" have not been identified in its report submitted before the CNMV, which prevents it from being duly included under Section A.2. herein. Furthermore, in accordance with the information provided by the National Securities Market Commission (CNMV), for the record, "THE GOLDMAN SACHS GROUP, INC" has an indirect voting right amounting to 0.01%. It has been stated, in Section A.2 herein, that the 0.01% of voting rights are direct voting rights, since the company or companies through which it exercises its voting rights have not been identified in its report submitted before the CNMV, which prevents it from being duly included under Section A.2. herein. Moreover, for the record, the Company, pursuant to the information provided by CNMV, has no information regarding the movements of "SOCIETE GENERALE S.A." during the year and particularly in relation to the 5% fall in share capital during 2016.

A.6. INDICATE WHETHER THE COMPANY HAS BEEN NOTIFIED OF ANY SHAREHOLDERS AGREEMENTS THAT MAY AFFECT IT PURSUANT TO SECTIONS 530 AND 531 OF COMPANIES LAW. PROVIDE A BRIEF DESCRIPTION AND LIST THE SHAREHOLDERS BOUND BY THE AGREEMENT, AS APPLICABLE.

Partial transcript of the Significant event reported by the Company on 12 October 2015 (number 229583):

"In connection with the significant events published on 7 October 2015 with registration numbers 229461 and 229485, the Company announces that, in the context of its capital increase, it has been informed by Grupo Villar Mir, S.A.U. that:

1. Grupo Villar Mir, S.A.U. ("GVM") has sold to Tyrus Capital Event S.à.R.L. ("Tyrus"), 10,890,000 preferential subscription rights (the "Preferential Subscription Rights") for the acquisition of 21,780,000 common shares (the "New Shares") of OHL, which shall be issued in the context of OHL's capital increase.
2. Tyrus is committed to exercise the Preferential Subscription Rights and, therefore, to acquire the New Shares.
3. GVM and Tyrus have undertaken that the provision and sale of the New Shares is done in an orderly manner as may be agreed at any time upon request of either Party.
4. During the eighteen (18) months following the date New Shares are admitted to trading, GVM shall have a right of first offer in the event that Tyrus intends to sell a block of New Shares exceeding 0.25% of OHL's share capital.
5. Likewise, during this period of eighteen (18) months, if GVM intends to transfer at least two percent (2%) of OHL's share capital, Tyrus shall be entitled to participate in such sale on a percentage proportional to their respective shares in OHL's share capital.
6. At the end of the referred period of eighteen (18) months, GVM shall have the option to purchase, and Tyrus the option to sell the remaining New Shares still held by Tyrus, at the same exercise price both.
7. Tyrus is committed not to lend the New Shares or derivative transactions on them.
8. Tyrus has expressed to GVM that it considers its investment in OHL as financial and therefore today Tyrus does not intend to access the OHL's Board of Directors or to request the right to appoint a director.
9. After the sale to Tyrus of the Preferential Subscription Rights, the number of Preferential Subscription Rights held by GVM in excess of those required to maintain a 50.01% stake in OHL's capital after the capital increase operation, is 458,415 (0.46% of total Preferential Subscription Rights available). Likewise, the literal transcription of those clauses in the contract between GVM and Tyrus imposing restrictions on the free transferability of OHL's shares is attached as Annex 1 to this communication, whose summary has been included in the previous paragraphs, and we request you to transfer them to the Comisión Nacional del Mercado de Valores (CNMV), in compliance with article 531 of the Companies Law.[...]."

Partial transcript of the Significant event reported by the Company on 30 November 2016 (number 245639):

"The Company has been informed by Grupo Villar Mir, S.A.U. ("GVM") that the agreement, originally signed on 12 October 2015, between Tyrus Capital Event S.a.r.l ("Tyrus") and GVM, was being amended (as it has been amended after such date).

The literal transcription of these clauses of the agreement between GVM and Tyrus is attached hereto as Annex 1, in the manner in which it was amended on today's date, which impose restrictions on the free transfer of OHL shares and replace the restrictions notified in view of the significant event published on 12 October 2015, under registration number 229583, pursuant to Article 531 of the Spanish Capital Companies Act. [...]"

C.1.2. INDICATE ANY REMOVALS OF DIRECTORS DURING THE REPORTING PERIOD:

Mr. Alberto Miguel Terol Esteban has not stepped down from his duties. His duties expired on 18 May 2016 and was not re-elected at the General Shareholders' Meeting on 21 June 2016.

C.1.4. FILL OUT THE FOLLOWING TABLE WITH THE INFORMATION REGARDING THE NUMBER OF FEMALE DIRECTORS DURING THE LAST 4 FISCAL YEARS, AS WELL AS THE NATURE OF THOSE FEMALE DIRECTORS.

At 14 November 2016, the percentage of women board members stood at 33%, exceeding the target of 30% of the total membership of the Board of Directors of the Company.

C.1.8. DESCRIBE, IF APPLICABLE, THE REASONS WHY PROPRIETARY DIRECTORS HAVE BEEN APPOINTED AT THE INITIATIVE OF SHAREHOLDERS WHOSE SHAREHOLDING IS LESS THAN 5% OF SHARE CAPITAL.

There are no non-executive proprietary directors appointed by shareholders whose shareholding is less than 5%.

C.1.11. IDENTIFY, AS APPROPRIATE, THE BOARD MEMBERS WHO HOLD OFFICE AS DIRECTORS OR EXECUTIVES AT OTHER COMPANIES FORMING PART OF THE LISTED COMPANY'S GROUP.

It is reported that according to a Decree dated 21 October 2015, the companies AEROPISTAS, S.L.U. and AUTOPISTA EJEAEOPUERTO CONCESIONARIA ESPAÑOLA, S.A.U. entered the dissolution phase and the managers ceased to hold office, being replaced by the Bankruptcy Administration. Therefore, from that date Mr. Juan Luis Osuna Gómez and Mr. Tomás García Madrid ceased to hold office of directors, as reported in the Relevant Event No. 229891.

C.1.12. GIVE DETAILS, AS APPROPRIATE, OF ANY DIRECTORS OF THE COMPANY WHO ARE MEMBERS OF THE BOARDS OF DIRECTORS OF OTHER NON-GROUP COMPANIES THAT ARE LISTED ON OFFICIAL SECURITIES MARKETS IN SPAIN, AS DISCLOSED TO THE COMPANY.

For clarification purposes, Mr Juan Villar-Mir de Fuentes and Mr. Tomás García Madrid are director representatives in the listed company Abertis Infraestructuras, S.A.

For clarification purposes, Mr Juan-Miguel Villar Mir, board member until 23 June 2016, for the record, such holds the role of natural person board member representative of the listed company Abertis Infraestructuras, S.A. and as natural person board member representative of the listed company Inmobiliaria Colonial, S.A and board member of the listed company, Banco Santander, S.A.

For clarification purposes, Mr Alberto Miguel Terol Esteban, board member until 18 May 2016, for the record, such holds the role of board member on the listed company, International Consolidated Airlines Group, S.A. (IAG), and is a board member of the listed company, Indra Sistemas, S.A.

C.1.15. INDICATE THE OVERALL REMUNERATION OF THE BOARD OF DIRECTORS.

The Board of Director's overall remuneration includes the fixed annual remuneration of the Board of Directors and the compensation received by the executive directors for performing senior management services.

C.1.16. IDENTIFY THE SENIOR EXECUTIVES WHO ARE NOT EXECUTIVE DIRECTORS, AND INDICATE THE TOTAL REMUNERATION PAID TO THEM DURING THE YEAR.

Remuneration earned by the senior management of the Company, excluding those who are also board members, whose remuneration has been reported under Section C.1.15, during 2016, amounted to €4,239 thousand, of which €2,664 thousand corresponded to fixed remuneration and €1,575 thousand to an estimation of the variable remuneration, to date, pending the finalisation of the formal approval processes. This variable remuneration, under no circumstance, shall exceed the amount reported herein.

C.1.17. INDICATE, AS APPROPRIATE, WHICH BOARD MEMBERS ARE, TURN, MEMBERS OF THE BOARD OF DIRECTORS OF COMPANIES OF SIGNIFICANT SHAREHOLDERS AND/OR GROUP COMPANIES.

For clarification purposes, Mr Álvaro Villar-Mir de Fuentes holds the role of natural person board member representative of the companies, Inmobiliaria Espacio, S.A. and Grupo Villar Mir, S.A.U.

For clarification purposes, Ms". Silvia Villar-Mir de Fuentes holds the role of natural person board member representative of the companies, Inmobiliaria Espacio, S.A. and Grupo Villar Mir, S.A.U.

For clarification purposes, Mr Juan Villar-Mir de Fuentes holds the role of natural person Sole Administrator representative of the company Playas Españolas, and S.A.U. and natural person board member representative of the companies Inmobiliaria Espacio, S.A. and Grupo Villar Mir, S.A.U. Grupo Villar Mir, S.A.U., Espacio Conil, S.A.U., Gestión Integral de Servicios Inmobiliarios, S.L.U. and de Arinver, S.L.U.

For clarification purposes, Mr Javier López Madrid holds the role of natural person Sole Administrator representative of the company Espacio Activos Financieros, S.L.U.

For clarification purposes, Mr Manuel Garrido y Ruano holds the role of natural person Sole Administrator representative of the companies: Cartera Vimira 17, S.L.U., Cartera Vimira 18, S.L.U., Cartera Vimira 21, S.L.U., Espacio Adriano, S.L.U., Pacadar, S.A.U., Espacio Aviation Management, S.L. and Formula Jet, S.L.

For clarification purposes, Mr Juan-Miguel Villar Mir, director until 23 June 2016, holds the role of Chairman and Executive Director of the companies Inmobiliaria Espacio, S.A., Grupo Villar Mir, S.A.U. and Villar Mir Energía, S.L.U.

C.1.29. INDICATE THE NUMBER OF BOARD MEETINGS HELD DURING THE YEAR.AND HOW MANY TIMES THE BOARD HAS MET WITHOUT THE CHAIRMAN'S ATTENDANCE.

The Chairman shall leave the meeting when the Board evaluates the Chairman's office.

C.1.33. COMPLETE THE FOLLOWING TABLE IF THE SECRETARY IS NOT A DIRECTOR:

On 23 June 2016, Daniel García-Pita Pemán resigned as non-board member Secretary of the Board of Directors. On the same date, he was appointed legal advisor for the committees of the Board of Directors.

C.1.39 INDICATE THE NUMBER OF CONSECUTIVE YEARS DURING WHICH THE CURRENT AUDIT FIRM HAS BEEN AUDITING THE FINANCIAL STATEMENTS OF THE COMPANY AND/OR ITS GROUP. LIKEWISE, INDICATE FOR HOW MANY YEARS THE CURRENT FIRM HAS BEEN AUDITING THE FINANCIAL STATEMENTS AS A PERCENTAGE OF THE TOTAL NUMBER OF YEARS OVER WHICH THE FINANCIAL STATEMENTS HAVE BEEN AUDITED.

In 2002, DELOITTE, S.L. was appointed as auditor both for the Company and the Group. Arthur Andersen performed the audit services of the Company for the previous 14 years and of the Group for the previous 11 years.

C.1.45. IDENTIFY IN GENERAL AND INDICATE SPECIFICALLY THE AGREEMENTS ON SEVERANCE PAYMENT, GUARANTEE OR GOLDEN PARACHUTE CLAUSES BETWEEN THE COMPANY AND ITS MANAGERS AND DIRECTORS OR EMPLOYEES, WHERE THE LATTER RESIGN OR ARE UNFAIRLY DISMISSED OR WHERE THE EMPLOYMENT RELATIONSHIP TERMINATES DUE TO A TAKEOVER BID OR OTHER TYPES OF OPERATIONS.

There are no guarantee or protection clauses.

C.2.1. GIVE DETAILS OF ALL THE BOARD COMMITTEES, THEIR MEMBERS AND THE PROPORTION OF EXECUTIVE, PROPRIETARY, INDEPENDENT AND OTHER NON-EXECUTIVE DIRECTORS.

AUDIT, COMPLIANCE AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:

It is reported that, until 23 June 2016, the members of the committee were the following: Mr. Alberto Miguel Terol Esteban. Tomas García Madrid and Ms. Reyes Calderón Cuadrado, where Mr. Alberto Miguel Terol Esteban is the member appointed after taking into account his knowledge and expertise in accounting and auditing.

FUNCTIONS, PROCEDURES AND RULES OF ORGANIZATION AND FUNCTIONING OF THE AUDIT AND COMPLIANCE COMMITTEE:

The functions assigned to the Audit and Compliance Committee, along with its procedures and rules of organization and functioning are described in Article 15 of the Board of Directors' Regulations. "Article 15. Audit and Compliance Committee. 1.- The number of members at the Audit Committee shall not be less than three or more than seven, and shall be fixed by the Board of Directors. All Audit Committee members shall be Directors who are not executives of the company or maintain a contractual relationship other than the condition for which they are appointed. At least two of them shall be independent directors and one of them shall be appointed considering their knowledge and experience on accounting, auditing or both. Without prejudice to the provisions of the Law and the Company's Bylaws, the Audit Committee shall have the powers and be governed by the operating rules listed below. 2.- Notwithstanding any other duty imposed by Law, the Bylaws, the General Owners' Meeting or the Board of Directors, the Audit and Compliance Committee's responsibilities include the following: a). Report to the General Shareholders' Meeting matters therein raised by shareholders regarding their competence, and consider suggestions on such matters shareholders, the Board of Directors and Company managers may pose; b). Propose the appointment of the auditor, the terms of engagement of the auditor, monitoring and observance of the audit contract and, if applicable, his/her revocation or non-renewal; c). Maintain any other with the external auditors, assess the results of each audit and the management team's response to their recommendations, and intervene in case of discrepancies between the latter and them with regard to policies and methods applicable in preparing financial statements, as well as gathering information on matters that may call the auditor's independence into question, and any other matters relating to the auditing process, including receiving information and the other disclosures stipulated in accounting and auditing legislation and auditing standards; d) In any case, receive from the

auditors or audit companies an annual written confirmation of their independence from the Company or companies directly or indirectly related to the them, as well as information concerning the additional services of any kind rendered to the Company by said auditors or companies, or by the individuals or companies related to them pursuant to Law 19/1988 of 12 July on Account Auditing; e) Issue an annual report stating its opinion on the auditors' or audit companies' independence before the audit report is issued. In all cases, this report must express an opinion on the provision of the additional services referred to in the previous paragraph; f). Monitor compliance of auditing contract, always attempting a clear and precise drafting of the views of statements and audit report's main contents; g). Oversee the efficiency of the company's internal control, internal audit services and risk management systems, reviewing the appointment and replacement of responsible parties, as well as discussing with account auditors the most relevant internal control system weaknesses detected during the audit; h). Overseeing the financial reporting preparation and presentation process and checking the appointment and replacement of the individuals responsible; i) Review Company's statements, oversee compliance with legal requirements and correct application of generally accepted accounting principles and also inform on the proposals for changes in the accounting policies and methods suggested by management; j). Review bulletins and periodic financial information to be submitted by the Board to the markets and their regulatory bodies; k). Examine compliance with the Internal Rules of Conduct in Securities Markets, the Regulations of the Board of Directors, the Regulations of the General Shareholders' Meeting, Code of Conduct of Ethics of OHL Group and, in general, the Company's rules of governance, and make proposals for improving them. The Audit Committee is particularly responsible for receiving information and, if applicable, issuing a report on the disciplinary measures applied to the Company's senior executive team; l) Report to the Board prior to the adoption of resolutions related to the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens; m) Report in advance to the Board of Directors on all matters under the Law, bylaws and the Board's Regulations; and particularly on: 1) the financial information to be published by the Company from time to time; 2) the creation or acquisition of equity interests from special-purpose vehicles or entities domiciled at jurisdictions considered tax havens; and 3) the proposal to amend the Board of Directors' Regulations; n) Identify, propose, direct, promote and supervise the Corporate Social Responsibility policy of OHL Group, and to prepare the Corporate Social Responsibility report on an annual basis. 3.- The Audit Committee shall appoint among its members a Chairman who shall be an independent director. In the absence of the Chairman, the meeting shall be chaired by the most senior independent director. The Chairman shall be replaced every four years and may be re-elected after stepping down for one year. The Board of Directors' Secretary shall be the Committee's Secretary and, in his/her absence, the Board's Vice-secretary shall replace him/her. The Committee's Secretary shall draw up the minutes of the adopted resolutions, which shall, in turn, be notified to the Board. 4.- The Audit Committee shall meet periodically as required and, at least, four times a year. One of the meetings shall be necessarily devoted to evaluate the Company's governance rules and procedures efficacy and compliance and to prepare the information the Board of Directors shall approve and include in its annual public report. It will be convened by the Chairman, who must make the call at the request of the Board of Directors' Chairman or two Committee members. The Committee shall be duly convened when half of the members plus one, present or represented, attend the meeting. Resolutions shall be adopted by majority vote of the Directors attending the Committee's meeting. Written votes without a meeting shall only be accepted when none of the members objects to this procedure. 5.- Any member of the Company's management team or staff required to this end shall be obliged to attend the Audit Committee's meetings and to cooperate and provide access to information at their disposal. The Committee may also request Auditors to attend its meetings. 6.- For the best performance of its duties, the Audit and Compliance Committee shall seek the advice of external professionals, whose recruitment shall be requested to the Board of Directors, which may not refuse it if not in a reasoned manner, considering the Company's best interests.

"MOST IMPORTANT ACTIONS DURING THE YEAR: During its 12 meetings, the Audit and Compliance Committee within their basic responsibilities carried out the review of periodic and annual financial information, the review of internal and external audits performed, the external auditor's appointment and independence, the approval of the annual Report of sustainability and Group's activities and state of CSR, the monitoring of the implementation and improvement process of the Group's internal control system over financial reporting and the Company's risk map, the monitoring of the Compliance Department's actions, and its self-assessment. During 2015, the Committee followed up and approved the responses to the requests for information made by the CNMV and reported favourably to the board on the Group's tax Policy approved, among other agreements.

APPOINTMENTS AND REMUNERATIONS COMMITTEE:

It is reported that, until 14 November 2016, the date in which she resigned, Ms. Macarena Sainz de Vicuna Primo de Rivera was a member of this Committee.

FUNCTIONS, PROCEDURES AND RULES OF ORGANIZATION AND FUNCTIONING OF THE APPOINTMENTS AND REMUNERATION COMMITTEE: The functions assigned to the Appointments and Remuneration Committee, along with its procedures and rules of organization and functioning are described in Article 16 of the Board of Directors' Regulations: Article 16.

Appointments and Remuneration Committee. 1.- The Board of Directors shall designate among its members an Appointments and Remuneration Committee. The number of members at the Appointments and Remuneration Committee shall not be less than three or more than seven, and shall be fixed by the Board of Directors. All Appointments and Remuneration Committee members shall be Directors who are not executives of the company or maintain a contractual relationship other than the condition for which they are appointed and at least two of them shall be independent. The Appointments and Remuneration Committee shall have the powers and be governed by the operating rules listed below. 2.- Without prejudice to any other functions assigned by law, the Company's Bylaws or the Board, the Appointments and Remuneration Committee shall have at least the following functions: a) Evaluate the balance of skills, knowledge and experience on the Board. Define the candidates' roles and capabilities to fill each vacancy; and decide the time and dedication necessary for them to properly perform their duties. b) Set an objective for the representation of the gender that is underrepresented on the Board of Directors, drawing up guidelines on how to achieve this objective; c) Submit to the Board proposals for Independent Directors' appointment through cooption or, if applicable, for the General Shareholders' Meeting consideration, together with the proposals made by the General Meeting for such Directors' re-election or removal; d) Report on the proposals for Directors' appointment through cooption or, if applicable, for the General Shareholders' Meeting

consideration, together with the proposals made by the General Meeting for Directors' re-election or removal; e) Propose to the Board appointment of Committee members; f) Report on proposals for appointment and removal of senior managers and the basic terms of their contracts; g) Examine and organize the succession of the Board of Directors' Chairman and the company's chief executive and, where appropriate, make proposals to the Board of Directors for such succession to occur in an orderly and planned manner; h) Propose to the Board of Directors the remuneration policy for directors and general managers or those who carry out their senior management functions under direct control of the Board, Executive Committees or Managing Directors, as well as the individual remuneration and other contractual conditions of executive directors and the criteria for the rest of the Group's senior management, ensuring compliance; i) Verify periodically remuneration programs, assessing their adequacy and return; j) Monitor remuneration transparency; k) Reporting on the list of transactions that imply or may imply a conflict of interests and, in general, on the matters included in chapter on IX of this Regulation; l) Consider suggestions made by the Company's Chairman, members of the Committee, senior executives or shareholders; m) Report the full Board on the proposal of appointment and removal of the Board of Directors' Secretary; n) Annually report the full Board on the evaluation of the Board of Directors' Chairman performance. 3.- The Appointments and Remuneration Committee shall meet whenever the Board or its Chairman requests a report or the adoption of proposals and, in any case, whenever convenient for the appropriate furtherance of its duties. In any case, it shall meet to draw up the specific report on the Company's remuneration policy proposed to be submitted to the Annual General Meeting. Regardless of this, it shall meet at least three times a year. One of these meetings shall be devoted to determining the directors' remuneration that the Board of Directors must approve by implementing the Company's remuneration policy, and preparing the information to be included in the annual public documentation. It will be convened by the Chairman, who shall call it at the request of the Board of Directors' Chairman or any Committee member. 4.- The Audit Committee shall appoint among its members an independent director as Chairman. In the absence of the Chairman, the meeting shall be chaired by the most senior independent director. The Board of Director's Secretary shall be the Committee's Secretary and, in his/her absence, the Board's Vice-secretary shall replace him/her. The Committee's Secretary shall draw up the minutes of the adopted resolutions, which shall, in turn, be notified to the Board. 5.- Any member of the Company's executive team or personnel so required is obliged to attend Committee meetings, as well as to offer assistance and access to information at their disposal. The Committee may also request Auditors to attend its meetings. 6.- For the best fulfilment of their duties, the Appointments and Remuneration Committee may seek the advice of external professionals, for which Article 26 of these Regulations shall apply.

"MOST IMPORTANT ACTIONS DURING THE YEAR: During its 4 meetings, the Appointments and Remuneration Committee within its basic responsibilities carried out actions relating to the variable remuneration of directors and general managers, reporting favourably on the annual remuneration Report; Additionally, it proposed the appointment of two independent women directors to fill two vacancies, reported on related-party transactions and made its self-assessment.

C.2.2. FILL OUT THE FOLLOWING TABLE WITH THE INFORMATION REGARDING THE NUMBER OF FEMALE DIRECTORS IN THE BOARD OF DIRECTORS' COMMITTEES DURING THE LAST FOUR YEARS:
During 2016, the Appointments and Remuneration Committee membership was composed of 66.66% women board members, at 14 November 2016, following the resignation of Ms. Macarena Sainz de Vicuna Primo de Rivera for personal reasons.

D.2. LIST ANY RELEVANT TRANSACTIONS, BY VIRTUE OF THEIR AMOUNT OR IMPORTANCE, BETWEEN THE COMPANY OR ITS GROUP OF COMPANIES AND THE COMPANY'S SIGNIFICANT SHAREHOLDERS.
For the record, these transactions, which are of a contractual nature, have been made at market value.

D.5. STATE THE AMOUNT OF THE TRANSACTIONS PERFORMED WITH OTHER RELATED PARTIES.
The following transactions with related entities were conducted during 2016 and 2015:

Thousands of Euros	Item	/2016/	% total/	2015/	%total
Revenue	/27,148/	0.70/	22,872/	0.52	
Other operating income	/1,251/	0.16/	1,896/	0.22	
Finance Income	/4,207/	7.58/	43/	0.09	
Income on equity (dividends)	/ -/	-/	1,125 /	-	
Supplies	/10,333/	0.38/	31,477/	1.23	
Other operating expenses	/7,067/	0.95/	22,731/	2.82	
Finance costs	/ -/	-/	9 /	-	
Purchase of intangible assets	/909/	-/	2,650/	-	
Purchase of property, plant and equipment	/29/	-/	639/	-	
Purchase of Financial Assets	/49,282/	-/	6,351/	-	
Financing agreements: loans granted	/210,209/	-/	-/	-	
Financing agreements: repayment of loans granted*	/166,000/	-/	-/	-	
Financing agreements: Advance to suppliers	/20,5531/	-/	18,653/	-	
Dividends paid	/5,003/	-/	18,896/	-	

*Includes the reimbursement for the deposit of €33,000 thousand, for the possible purchase of Pacadar, S.A.U. which was waived after 31 December 2015.

For the record, these transactions, which are of a contractual nature, have been made at market value.

E.5. IDENTIFY ANY RISKS, INCLUDING TAX RISKS, WHICH HAVE OCCURRED DURING THE YEAR:
v. Liquidity risk: this risk is managed by maintaining adequate levels of cash and marketable securities, as well as acquiring and keeping lines of sufficient funding to cover all financing needs, as well by maintaining, at all times, a level of financial flexibility that is adequate for its activity.

To improve this liquidity position, the Company acts in:

- Ongoing management of working capital and especially in trade and other receivables, while carrying out an active collection management for customers.
- Optimisation of the financial position by constantly following up on the treasury provisions.
- Arranging for the contracting of credit facilities through capital markets.

At 31 December 2016 the Company presented the debt maturity schedule in Note 18.1, which for 2017 totals €380,691 thousand.

The liquidity position of the Company at 31 December 2016 stood at:

- Current financial assets amounting to €1,605,520 thousand (see Notes 9.2, 9.3.2 and 9.3.3).
- Cash and other equivalent liquid assets in the amount of €287,048 thousand (See Note 15).
- Credit and negotiation facilities available in the amount of €59,089 thousand (see Note 18.1).

Throughout 2016, on a total of four occasions, the credit rating was reduced for the Group, made by rating agencies, by three levels by Moody's and by one level by Fitch, finally being rated as Caa1 and B+ (both with negative outlooks), respectively, in November.

To mitigate the risk of any repercussions to these rating downgrades made to the financial institutions that operate with the Group that could eventually lead to a possible significant negative impact on its liquidity profile, the company, in November, has commenced a process for the joint dialogue and negotiation with its main related entities (the "Group of Entities"), with a two-fold purpose: (i) to ensure the ongoing support for the OHL Group by signing a formal agreement (standstill) that includes the terms and conditions, availability and limits of existing loans with the Group of Entities, and (ii) to negotiate a new financing package that would allow the OHL Group to have the guaranteed coverage for its future working capital needs arising from the implementation of its Business Plan.

As a result of the foregoing, the OHL Group and such institutions signed, on 30 December 2016: (i) a Standstill Agreement, and (ii) a Syndicated Multiproduct Loan Agreement totalling €280 million for the issuance of guarantees (€233 million) and confirming (€47 million), where both mature at 31 March 2017.

Subsequently, after the successful conclusion, by the group of entities, of an independent review process of the Business Plan of the Company for 2017-2020, on 27 February 2017, the Company has reached an agreement with such Group of Entities, documented on the corresponding Term Sheet, to proceed, before 31 March 2017, with the formalisation of the documentation and the signing of a new Syndicated Multiproduct Loan Agreement (which shall amend and entirely replace the former), for a total aggregate amount of €747 million for the issuance of guarantees (€465 million) and confirming (€98 million), and that also includes a revolving credit line amounting to €190 million. All of such mature at 18 months, whereby consequently extending the standstill period until such date, and with the guarantee of the shares of OHL Concesiones, S.A. and Obrascón Huarte Lain Desarrollos, S.L., as well as the implementation of a non-strategic asset divestment plan. This agreement is subject to the standard terms and conditions for these type of transactions.

The combination of this new financing package, which allows the OHL Group to achieve a guaranteed coverage of its working capital needs that may arise from its Business Plan, along with the debt reduction measures envisaged for 2017, shall provide a very significant strengthening of the Company's liquidity profile.

F.1.2. THE EXISTENCE OR OTHERWISE OF THE FOLLOWING COMPONENTS, ESPECIALLY IN CONNECTION WITH THE FINANCIAL REPORTING PROCESS: CODE OF CONDUCT, APPROVING BODY, DISSEMINATION AND INSTRUCTION, PRINCIPLES AND VALUES COVERED (STATING WHETHER IT MAKES SPECIFIC REFERENCE TO RECORD KEEPING AND FINANCIAL REPORTING), BODY IN CHARGE OF INVESTIGATING BREACHES AND PROPOSING CORRECTIVE OR DISCIPLINARY ACTION.

APPROVAL BODY AND DATE OF UPDATE: OHL Group has a Code of Ethics in place that represents the express statement of the values, principles and conduct guidelines which must lead the behaviour of all persons of the Group in their professional activity.

Its scope includes all members of the Board of Directors, executive staff and all Group employees.

The Board of Directors, the approval body of the Code of Ethics, approved the last update on 21 January 2015. The Code will remain in force until the Board of Directors approves its update, review or repeal.

Principle on information transparency and accuracy: The Code of Ethics is the main criterion to develop the Group's corporate values:

- Professional ethics, integrity, honesty, loyalty, efficacy and responsibility before our stakeholders, for every action of the Group, always in full compliance with current legal provisions.
- Spirit to continuously excel and improve professional performance, always focused on excellence.
- Transparency in information disclosure, which must be appropriate, truthful, comparative and complete.
- Creation of value, always striving for sustainable growth and profitability.
- Continuous encouragement of the quality offered, innovation, security and respect for the environment.

Based on the basic principle of behaviour required to all the Group's staff regarding 'the respect to lawfulness', information transparency and accuracy are considered a key conduct guideline in the relationship with the market.

In this regard, the Code of Ethics specifies that: "OHL undertakes to transmit complete and truthful information of the Group companies which allows shareholders, analysts and other interested parties to reach an objective opinion on the Group. Similarly, OHL undertakes to collaborate with the supervising or inspection

bodies or entities in any way it may be required in order to facilitate administrative supervision. Group's staff will verify that all transactions with economic relevance are made on behalf of the Company and that they are included clearly and accurately in the appropriate accounting records so as to represent a faithful image of the transactions made. Accounting principles and standards must be strictly followed, preparing complete and accurate financial reports. It is also necessary to implement suitable internal procedures and controls ensuring that financial and accounting reporting complies with the law, regulations and stock exchange requirements. Conducts tending to avoid tax liabilities or to obtain benefits against the Tax Authority, Social Security or similar bodies are expressly forbidden."

AUDIT COMMITTEE: Section 15 item k) of the Board Regulations details the Audit Committee's responsibilities as follows: "Examine compliance with the Internal Rules of Conduct in Securities Markets... the Code of Ethics of OHL group and, in general, the Company's rules of governance, and make the necessary proposals for improving them."

Thus, the Code of Ethics itself states that "any doubt, criticism or suggestion made to improve must be made known to the Audit, Compliance and Corporate Social Responsibility Committee, which is the competent body to ensure compliance with this Code and to promote both its disclosure and the specific training for its correct application."

In this regard, and given the importance of the Code's compliance for the Group, the necessary means to achieve the goals set forth (among others, the creation of a Compliance Management Committee and the start-up of an Ethical Communications Channel) have been provided.

Since early 2015, the Group has an Anti-Corruption policy developing the commitment expressed in the Code of Ethics, which is to work against corruption and bribery worldwide. This policy reflects the Group's position of zero tolerance for any form of corruption and affects all the people working in the Group. Any event of default with features described in the Code shall be investigated and may lead, if necessary, to the imposition of appropriate disciplinary and legal measures.

CODE OF ETHICS' COMMUNICATION, DISTRIBUTION AND TRAINING PLAN: The content of the Code of Ethics must be known and understood by any person composing the OHL Group. For this reason, the Group performs different actions of communication, training and distribution measures necessary to its knowledge.

The main actions are:

- Availability of the Code of Ethics in the corporate intranet and on OHL Group's website (path: www.ohl.es/compromiso/canal-etico), translated into the five main languages of the Group.
- Customised delivery of the Code of Ethics to recently joined executive, technical and administrative staff for its observance.
- Inclusion of an additional clause in the employment contract, requiring the knowledge, understanding and compliance of the Code of Ethics. Design of specific training actions for the Group's operating staff.
- Disclosure to relevant third parties. Where deemed necessary, the commercial contract between the OHL Group and the subcontractor includes a provision that refers to the existence of the Code of Ethics of the OHL Group, as well as to the obligation to comply with said code in delivering services to the OHL Group.

During 2016, work continued on focusing more in-depth on the objectives set, and in particular:

- With the strong commitment that the OHL Group has in upkeeping an integrity ethics-based culture, we continue to deliver online training on the Code of Ethics and the Anti-Corruption Policy to all new employees.

The courses are mandatory and must be completed and attended. During 2016, this training has been delivered to a total of 1,195 people over 11,950 hours, with the following distribution:

Countries/ People trained/ Training hours/ %

Spain /	451/	4,540/	37.99
Chile/	57/	570/	4.77
Colombia/	34/	340/	2.85
Philippines/	2/	20/	0.17
Mexico/	154/	1,540/	12.89
Norway/	24/	240/	2.01
Peru/	79/	790/	6.61
Czech Republic/	3/	30/	0.25
Turkey/	4/	40/	0.33
Canada/	40/	400/	3.35
USA/	343/	3,430/	28.70
Vietnam/	1/	10/	0.08
Total/	1,195/	11,950/	100.00

Furthermore, such course information is valid for two-year periods, so all employees of the OHL Group must undergo retraining every two years.

- Likewise, continuing with training in Human Rights in 2016, there have been a total of 4,500 hours for 450 students worldwide.

The Human Resources and Organisation management is responsible for the distribution and knowledge of the Code of Ethics while the Internal Audit Management is responsible for the monitoring actions.

On an annual basis, the Audit Committee receives a report from the Internal Audit Department of the OHL Group stating the actions taken by each delegated area during the last fiscal year ended, in order to monitor the degree of compliance with and application of the Code of Ethics of the OHL Group. The report regarding the follow-up on the distribution and awareness of the Code of Ethics for the 2016 period is expected to be submitted in 2017.

On 1 October 2013, the Board of Directors of OHL, upon the proposal of the Committee for Audit and Compliance and Corporate Social Responsibility, agreed to the creation of the Compliance Department, being accountable to the Secretariat of the Board of Directors and reporting to the Committee.

The main roles of this Department are:

- Identify legal risks, especially those that result from the criminal liability of legal entities or entail reputational risks.
- Promote the implementation of the processes necessary to avoid legal breaches related to criminal or reputational risks, and limit, as far as possible, the cases of criminal liability at the Company, actively contributing to preventing and stopping criminal activity.
- Promote a clear organizational culture, shared by all Group employees at all levels, which is favourable to avoiding conduct liable to trigger any criminal liability on the part of the Company, its managers and directors.
- Establish in an objective and demonstrable manner, the control and supervisory measures intended to avoid this conduct by employees, at all levels and propose the disciplinary measures that would be implemented if this conduct were to take place.
- Regular reporting to the Corporate Audit, Compliance and Corporate Social Responsibility Committee on the execution of the Annual Action Plan in its Division.
- Establish measures to prevent criminal activity.
- Carry out the application of the Code of Ethics and proposes its review, so as to adapt it to the amendments in the current legal framework at any given time.
- Propose the approval the Code of Ethics' internal regulation development, which will include a system of penalties for breaches.
- Receive and address reports received through the Ethics Channel.
- Promote and supervise training activities on the Code of Ethics.

F.2.1 THE MAIN CHARACTERISTICS OF THE RISK IDENTIFICATION PROCESS, INCLUDING RISKS OF ERROR OR FRAUD, STATING:

- WHETHER THE PROCESS EXISTS AND IS DOCUMENTED.
- WHETHER THE PROCESS COVERS ALL FINANCIAL INFORMATION OBJECTIVES (EXISTENCE AND OCCURRENCE, COMPLETENESS; VALUATION; PRESENTATION, DISCLOSURE AND COMPARABILITY; AND RIGHTS AND OBLIGATIONS), IS UPDATED AND WITH WHAT FREQUENCY.
- WHETHER A PROCESS IS IN PLACE TO DEFINE THE CONSOLIDATION SCOPE, CONSIDERING, WITHOUT LIMITATION, ANY COMPLEX CORPORATE STRUCTURES, SPECIAL PURPOSE VEHICLES OR SIMILAR ENTITIES.
- WHETHER THE PROCESS CONSIDERS THE EFFECTS OF OTHER KINDS OF RISKS (OPERATIONAL, TECHNOLOGICAL, FINANCIAL, LEGAL, REPUTATIONAL, ENVIRONMENTAL, ETC.) INsofar AS THEY MAY AFFECT THE FINANCIAL STATEMENTS.
- THE GOVERNANCE BODY IN CHARGE OF SUPERVISING THE PROCESS.

The main strategic goals with respect to Risk Management are geared to successfully implement and keep a reliable Risk Management system, as well as to use it as a management tool at all decision-making levels.

This system develops and implements a common set of processes, risk categories, and risk management tools and techniques with the aim of:

- Identify and managing risks at Group, Division and project level.
- Develop an integrated report that allows for identification and follow-up of critical risks;
- Align the risk tolerance levels with the Group's goals.
- Enhance risk reporting and information;
- Improve decision-making regarding response to risk.
- Integrate the management risk into the decision-making processes.
- Reduce the Group's vulnerability to adverse events;
- Establish and keep a culture of risk awareness.
- Boost the confidence and certainty of the Board of Directors and stakeholders in that material risks are being managed and reported in due time.

Risk management is essential for the organisational culture of the OHL Group. All risks must be identified, prioritised, in line with the strategic and operational objectives and evaluated. To achieve this, the OHL Group follows the Governance Model on Risk Management and the Risk Management Framework that contains the Risk Management Policy.

The risk management system covers four large risk categories:

1.- Strategic risks: This category includes risks related to changing and specific circumstances of the markets in which the Group operates, in particular, possible regulatory changes, country risk, risks of partnerships or joint ventures, and reputation and image risks.

2.- Operating risks: The Group's main operating risks include:

- Contracting/Supply
- Subcontracting and suppliers.
- Production
- Quality
- Employment
- Environmental
- Technology and systems

For all such risks, the Group has processes that provide a framework and, together with the procedures set forth, follow up such risks establishing measures which should be applied if a risk of breach of the goals set forth is observed.

3.- Compliance risks: Risks related to compliance with applicable legislation, contractual commitments and internal regulations.

4.- Financial risks: They are related to access to financial markets, cash and tax management, reliability of the economic and financial information, and management of insurance.

Each operating division and functional area performs periodic reviews of their risk lists at least once a year. A key aspect for the overall success of risk management is the explicit belief of the OHL Group that all employees must be supportive of a culture of transparency, awareness and open dialogue when it comes to risk. The OHL Group desires to have open, timely and frank discussions on risk, besides being more aware of risks, whereby following the Risk Management System and attending training sessions on risk management and by following corporate communications concerning risk management. The OHL Group Management provides the tools required for its employees to take full advantage of the opportunities related to the risks and, in this manner, facilitate risk reporting, monitoring and measurement

The documentation of the processes which may materially affect financial reporting is subjected to ongoing follow-up and enhancement.

An important part of this follow up and improvement process is determining the scope of the Financial Information System in order to establish, within the Group, relevant companies and also identify the significant operating or support processes for such companies and their risks. All that based on the materiality and risk factors inherent to each Division.

This scope is determined based on materiality criteria, both qualitative and quantitative, so that relevant areas and critical processes with significant impact on financial information, relevant items of the financial statements and of financial information in general, and the most relevant transactions are identified, as well as material Companies, considering the existing degree of centralisation/decentralisation.

Based on the scope determined at each time and on the processes involved in the creation of the financial information, risks which may affect said information are identified, covering all financial reporting goals (existence and occurrence). completeness; valuation; rights and obligations; and presentation and reporting) and taking into account the different abovementioned risk categories to the extent they affect financial information.

The scope of the Financial Information Internal Control System is reviewed, at least, annually before establishing the financial information delivery schedule for subsidiaries, and whenever a new company with a significant impact is incorporated to or removed from the Group's consolidation scope. In this regard, the Group has an identification process of the consolidation scope whereby the Group's Control and Administration Division, updates said scope considering notices of changes received based on the defined procedure.

The Group's General Economic and Financial Division, through its Control and Administration Division, is liable for the maintenance of the scope and financial information risk identification process, and is also in charge of informing the external and internal audit of any changes on the scope.

G.4. THE COMPANY ESTABLISHES AND FURTHERS A POLICY OF COMMUNICATION AND CONTACT WITH THE SHAREHOLDERS, INSTITUTIONAL INVESTORS AND PROXY ADVISORS THAT IS FULLY IN LINE WITH THE RULES ON MARKET ABUSE AND PROVIDES FOR EQUAL TREATMENT OF SHAREHOLDERS IN THE SAME POSITION. IN ADDITION, THE COMPANY MAKES SAID POLICY PUBLICLY AVAILABLE ON ITS WEBSITE, INCLUDING INFORMATION CONCERNING THE WAY IN WHICH IT HAS BEEN IMPLEMENTED IN PRACTICE, IDENTIFYING THE REPRESENTATIVES OR AUTHORITIES RESPONSIBLE FOR EXECUTING THAT POLICY.

Complies. It is reported that on 27 February 2017, a policy on communication and shareholder agreements, institutional investment and proxy advisors was approved, now available on the Company's website.

ENDORSMENT OF THE CODE OF GOOD TAX PRACTISES

The company reports that by the Board of Directors' agreement dated 12 May 2015, the OHL Group has adhered to the Code of Good Tax Practices with the Spanish Ministry of Economy and Finance, taking its principles as their own.

This Annual Corporate Governance Report was approved by the Company's Board of Directors at its meeting held on 27/02/2017.

State if there were any directors who voted against or abstained from the approval of this Report.

Yes ☐ No ☒

Obrascón Huarte Lain, S.A.

Report on the information relating to the system of internal control over financial reporting (ICFR) of Obrascón Huarte Lain, S.A. for 2016

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

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

REPORT ON THE INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) OF OBRASCÓN HUARTE LAIN, S.A. FOR 2016

To the Directors of
OBRASCÓN HUARTE LAIN, S.A.,

As requested by the Board of Directors of Obrascón Huarte Lain, S.A. ("the Company") and in accordance with our proposal-letter of 19 December 2016, we have applied certain procedures to the Information relating to the ICFR system included in section F of the accompanying Annual Corporate Governance Report (ACGR) of Obrascón Huarte Lain, S.A. for 2016, which summarises the internal control procedures of the Company in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the Information relating to the ICFR system included in section F of the accompanying Annual Corporate Governance Report (ACGR).

It should be noted in this regard that, irrespective of the quality of the design and operational effectiveness of the internal control system adopted by the Company in relation to its annual financial reporting, the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Company was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Company's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission (CNMV) on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Company's annual financial reporting for 2016 described in the Information relating to the ICFR system included in section F of the accompanying Annual Corporate Governance Report (ACGR). Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the audit regulations in force in Spain, we do not express an audit opinion in the terms provided for in those regulations.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Company in relation to the ICFR system - disclosure information included in the directors' report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in section F, relating to the description of the ICFR system, of the model ACGR established in CNMV Circular no. 7/2015, of 22 December 2015.
2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of: (i) obtaining an understanding of the process that goes into drawing up the information; (ii) obtaining information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) obtaining information on whether the control procedures described are in place and functioning at the Company.
3. Review of the explanatory documentation supporting the information detailed in point 1 above, including mainly the documentation furnished directly to the personnel in charge of preparing the information describing the ICFR system. In this regard, the aforementioned documents include reports prepared for the Audit, Compliance and Corporate Social Responsibility Committee by internal audit, senior management and other internal or external specialists.
4. Comparison of the information detailed in point 1 above with the knowledge on the Company's ICFR system obtained through the procedures applied during the financial statement audit work.
5. Reading of the minutes taken at meetings of the Board of Directors, of the Audit, Compliance and Corporate Social Responsibility Committee and of other committees of the Company to evaluate the consistency between the ICFR system business transacted and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, duly signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the Information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the Information.

This report has been prepared exclusively in the context of the requirements of Article 540 of the Consolidated Spanish Limited Liability Companies Law, and of Circular no. 7/2015 of 22 December, of the Spanish National Securities Market Commission for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.



Ignacio Alcaraz Elorrieta

27 February 2017