Obrascón Huarte Lain, S.A. and Subsidiaries (Obrascón Huarte Lain Group)

Report on Limited Review

Interim Condensed Consolidated Financial Statements and Interim Directors' Report for the six-month period ended 30 June 2019

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

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

REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Obrascón Huarte Lain, S.A. at the request of the Board of Directors,

Report on the Interim Condensed Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Obrascón Huarte Lain, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the condensed consolidated balance sheet as at 30 June 2019, and the condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent's directors are responsible for preparing these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the audit regulations in force in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

Based on our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2019 are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial statements, pursuant to Article 12 of Royal Decree 1362/2007.

Emphasis of Matters

We draw attention to explanatory Note 2.7 to the accompanying interim financial statements, which indicates that as a result mainly of the funding requirements of certain loss-making projects, the Group's cash position was reduced in the period; the Group expects this situation to continue in the medium term, although it is confident that the execution of its business plan, together with the financial control measures adopted and the available financial resources, will enable it to reverse this situation and meet its obligations. The aforementioned business plan envisages increases in the profitability of the projects, recurring contracting of future backlog, optimisation of the Group's working capital management and improvement of the financial position through, among other measures, collection of receivables from related entities and divestments of non-strategic assets. In this context, possible failures to achieve the objectives envisaged in the aforementioned plan may significantly affect the Group's ability to meet its future financial obligations, which means that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Also, we draw attention to explanatory Notes 3.3 and 4.3 to the accompanying interim financial statements, which refer to the fact that the Group holds non-current financial assets amounting to EUR 204 million associated with the investment held by it in the concession operator Cercanías Móstoles – Navalcarnero, S.A. (in liquidation), the recoverability of which is dependent on the positive outcome of the liquidation or the realisation of the dividend rights held by the Group in that concession operator.

In addition, we draw attention to explanatory Note 4.3 to the accompanying interim financial statements, which refers to the situation of the arbitration proceedings in which the Group is involved in relation to the Sidra Hospital project (Qatar), for which no provision had been recognised at 30 June 2019.

Also, we draw attention to explanatory Note 3.7 to the accompanying interim financial statements, which indicates that in June 2019 the Parent of the Group formally extended, until 2020, the maturity of the loans granted to its main shareholder and companies related thereto, totalling EUR 123 million. The recoverability of these loans is tied to the implementation of a divestment plan by the debtor.

At the reporting date there are several uncertainties that could affect the ultimate outcome of the matters indicated in the three preceding paragraphs and, therefore, the estimates made by the Parent's directors could be significantly modified in the future. Our conclusion is not modified in respect of these matters.

Lastly, we draw attention to Note 2 to the accompanying interim financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2018. Our conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2019 contains the explanations which the Parent's directors consider appropriate about the significant events that took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required under Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2019. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Obrascón Huarte Lain, S.A. and Subsidiaries.

Other Matters

This report was prepared at the request of the Board of Directors of Obrascón Huarte Lain, S.A. in relation to the publication of the half-yearly financial report required by Article 119 of the Consolidated Spanish Securities Market Law, approved by Legislative Royal Decree 4/2015, of 23 October, and implemented by Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.

Antonio Sánchez-Covisa Martín-González

29 July 2019

OBRASCÓN HUARTE LAIN, S.A.

AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements
and Interim Directors' Report
for the six-month period ended
30 June 2019

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 6). In the event of a discrepancy, the Spanish-language version prevails

Contents

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Thousands of euros

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 6). In the event of a discrepancy, the Spanish-language version prevails

OBRASCÓN HUARTE LAIN, S.A. AND SUBSIDIARIES

Consolidated balance sheets as at 30 June 2019 and 31 December 2018

ASSETS	30/06/2019	31/12/2018
NON-CURRENT ASSETS		
Intangible assets		
Intangible assets	466,242	463,305
Accumulated amortisation	(267,467)	(254,327)
	198,775	**208,978**
Concession infrastructure		
Intangible asset model	13,320	14,226
Financial asset model	57,771	57,945
	71,091	**72,171**
Property, plant and equipment		
Land and buildings	81,906	45,267
Machinery	348,065	352,483
Other fixtures, tools and furniture	85,825	85,219
Advances and property, plant and equipment in the course of construction	10,890	7,314
Other items of property, plant and equipment	62,199	59,421
Accumulated depreciation and provisions	(404,540)	(402,298)
	184,345	**147,406**
Investment property	**11,250**	**10,529**
Goodwill	**7,247**	**7,247**
Non-current financial assets		
Investment securities	64,189	64,187
Other receivables	271,097	240,420
Deposits and guarantees given	12,816	12,703
Provisions	(8,309)	(8,309)
	339,793	**309,001**
Investments accounted for using the equity method	**300,580**	**293,403**
Deferred tax assets	**210,163**	**262,456**
TOTAL NON-CURRENT ASSETS	**1,323,244**	**1,311,191**
CURRENT ASSETS		
Non-current assets classified as held for sale and discontinued operations	**8,354**	**142,489**
Inventories		
Add-on materials, fungible assets and replacement parts for machinery	47,366	46,858
Work, auxiliary shop projects and site installations	31,806	32,775
Advances to suppliers and subcontractors	48,413	58,777
Provisions	(1,496)	(1,498)
	126,089	**136,912**
Trade and other receivables		
Trade receivables for sales and services	1,169,627	1,123,710
Receivables from associates	209,684	150,361
Employee receivables	1,608	2,214
Tax receivables	101,530	84,203
Sundry accounts receivable	56,563	51,590
Provisions	(107,334)	(107,870)
	1,431,678	**1,304,208**
Current financial assets		
Investment securities	27,412	28,167
Other receivables	64,260	63,272
Deposits and guarantees given	153,558	145,004
Provisions	(13,961)	(13,961)
	231,269	**222,482**
Current income tax assets	**11,415**	**18,183**
Other current assets	**166,867**	**153,504**
Cash and cash equivalents	**596,392**	**814,434**
TOTAL CURRENT ASSETS	**2,572,064**	**2,792,212**
TOTAL ASSETS	**3,895,308**	**4,103,403**

Notes 1 to 6 are an integral part of the condensed consolidated interim financial statements at 30 June 2019.

Thousands of euros

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 6). In the event of a discrepancy, the Spanish-language version prevails

OBRASCÓN HUARTE LAIN, S.A. AND SUBSIDIARIES

Consolidated balance sheets as at 30 June 2019 and 31 December 2018

EQUITY AND LIABILITIES	30/06/2019	31/12/2018
EQUITY		
Share capital	171,929	171,929
Share premium	1,265,300	1,265,300
Treasury shares	(455)	(370)
Reserves	(520,051)	1,350,892
Reserves of consolidated companies	(103,617)	(298,301)
Valuation adjustments	(41,477)	(25,464)
Consolidated profit/(loss) for the year attributable to the Parent	(15,305)	(1,577,346)
Interim dividend	-	(99,867)
TOTAL EQUITY ATTRIBUTABLE TO THE PARENT	**756,324**	**786,773**
Non-controlling interests	**(3,332)**	**(1,104)**
TOTAL EQUITY	**752,992**	**785,669**
NON-CURRENT LIABILITIES		
Debt instruments and other marketable securities		
Corporate bond issues	587,058	659,298
	587,058	**659,298**
Bank borrowings		
Mortgage and other loans	183	1,659
	183	**1,659**
Other financial liabilities	**30,215**	**2,384**
Deferred tax liabilities	**88,591**	**149,000**
Provisions	**59,446**	**60,454**
Deferred income	**1,087**	**1,362**
Other non-current liabilities	**18,332**	**14,704**
TOTAL NON-CURRENT LIABILITIES	**784,912**	**888,861**
CURRENT LIABILITIES		
Liabilities associated with non-current assets classified as held for sale and discontinued operations	**1,391**	**63,517**
Debt instruments and other marketable securities		
Corporate bond issues	83,597	14,132
	83,597	**14,132**
Bank borrowings		
Mortgage and other loans	22,003	11,265
Loans of concession operators	54,051	54,498
Unmatured accrued interest payable	35	106
Unmatured accrued interest payable of concession operators	10	-
	76,099	**65,869**
Other financial liabilities	**21,459**	**6,015**
Trade and other payables		
Customer advances	602,842	601,285
Trade payables for purchases and services	1,006,691	1,180,983
Notes payable	59,595	38,161
	1,669,128	**1,820,429**
Provisions	**204,234**	**202,456**
Current income tax liabilities	**9,114**	**6,604**
Other current liabilities		
Payables to associates	135,137	89,690
Remuneration payable	27,930	23,797
Tax payables	69,764	74,964
Other non-trade payables	56,595	58,724
Guarantees and deposits received	2,811	2,520
Other current liabilities	145	156
	292,382	**249,851**
TOTAL CURRENT LIABILITIES	**2,357,404**	**2,428,873**
TOTAL EQUITY AND LIABILITIES	**3,895,308**	**4,103,403**

Notes 1 to 6 are an integral part of the condensed consolidated interim financial statements at 30 June 2019.

Thousands of euros

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 6). In the event of a discrepancy, the Spanish-language version prevails

OBRASCÓN HUARTE LAIN, S.A. AND SUBSIDIARIES

Consolidated statements of profit or loss for the periods ended 30 June 2019 and 30 June 2018

	30/06/2019	30/06/2018 (*)
Revenue	1,361,275	1,439,976
Other operating income	33,934	44,680
Total income	**1,395,209**	**1,484,656**
Procurements	(777,549)	(953,650)
Staff costs	(373,107)	(409,727)
Other operating expenses	(221,840)	(225,639)
Depreciation and amortisation charge	(33,637)	(31,665)
Changes in provisions	7,806	12,071
OPERATING PROFIT/(LOSS)	**(3,118)**	**(123,954)**
Finance income	9,330	12,231
Finance expenses	(26,294)	(47,874)
Net exchange differences	5,010	(15,682)
Profit/(Loss) on changes in value of financial instruments at fair value	(212)	(90,288)
Profit/(Loss) of companies accounted for using the equity method	(502)	(71,911)
Impairment and profit/(loss) on disposals of financial instruments	(2)	(5,224)
PROFIT/(LOSS) BEFORE TAX	**(15,788)**	**(342,702)**
Income tax	(217)	2,687
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(16,005)**	**(340,015)**
Profit /(Loss) for the year from discontinued operations, net of tax	-	(434,683)
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	**(16,005)**	**(774,698)**
Profit/(Loss) from continuing operations attributable to non-controlling interests	700	2,751
Profit/(Loss) from discontinued operations attributable to non-controlling interests	-	(71,618)
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO THE PARENT	**(15,305)**	**(843,565)**
Earnings / (Loss) per share:		
Basic	**(0.05)**	**(2.95)**
Diluted	**(0.05)**	**(2.95)**
Earnings / (Loss) per share from discontinued operations:		
Basic	**n/a**	**(1.77)**
Diluted	**n/a**	**(1.77)**

(*) Restated

Notes 1 to 6 are an integral part of the condensed consolidated interim financial statements at 30 June 2019.

Thousands of euros

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OBRASCÓN HUARTE LAIN, S.A. AND SUBSIDIARIES

Consolidated statements of comprehensive income for the periods ended 30 June 2019 and 30 June 2018

	30/06/2019	30/06/2018 (*)
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	**(16,005)**	**(774,698)**
INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY	**(18,854)**	**772,213**
Valuation of financial instruments	-	-
Cash flow hedges	(5,808)	(2,881)
Translation differences	(9,954)	776,346
Companies accounted for using the equity method	(4,545)	(876)
Tax effect	1,453	(376)
TRANSFERS TO PROFIT OR LOSS	**1,316**	**546,155**
Valuation of financial instruments	-	-
Cash flow hedges	611	7,772
Translation differences	-	537,279
Companies accounted for using the equity method	705	1,104
Tax effect	-	-
TOTAL COMPREHENSIVE INCOME	**(33,543)**	**543,670**
Attributable to the Parent	(31,318)	(180,560)
Attributable to non-controlling interests	(2,225)	724,230

(*) Restated

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Thousands of euros

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OBRASCÓN HUARTE LAIN, S.A. AND SUBSIDIARIES

Consolidated statement of changes in equity as at 30 June 2019

	Equity attributable to the Parent								
	Share capital	Share premium and reserves	Treasury shares	Consolidated profit/(loss) for the year attributable to the Parent	Valuation adjustments	Interim dividend	Total equity attributable to the Parent	Non-controlling interests	Total equity
Ending balance at 31 December 2018	**171,929**	**2,317,891**	**(370)**	**(1,577,346)**	**(25,464)**	**(99,867)**	**786,773**	**(1,104)**	**785,669**
Total comprehensive income	**-**	**-**	**-**	**(15,305)**	**(16,013)**	**-**	**(31,318)**	**(2,225)**	**(33,543)**
Transactions with shareholders or owners	**-**	**(99,782)**	**(85)**	**-**	**-**	**99,867**	**-**	**-**	**-**
Capital increases							-	-	-
Dividends paid		(99,867)				99,867	-	-	-
Treasury share transactions		85	(85)				-	-	-
Other changes in equity	**-**	**(1,576,477)**	**-**	**1,577,346**	**-**	**-**	**869**	**(3)**	**866**
Transfers between equity items		(1,577,346)		1,577,346			-	-	-
Other changes		869					869	(3)	866
Ending balance at 30 June 2019	**171,929**	**641,632**	**(455)**	**(15,305)**	**(41,477)**	**-**	**756,324**	**(3,332)**	**752,992**

Notes 1 to 6 are an integral part of the condensed consolidated financial statements at 30 June 2019.

Thousands of euros

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OBRASCÓN HUARTE LAIN, S.A. AND SUBSIDIARIES

Consolidated statement of changes in equity as at 30 June 2018

	Equity attributable to the Parent								
	Share capital	Share premium and reserves	Treasury shares	Consolidated profit/(loss) for the year attributable to the Parent	Valuation adjustments	Interim dividend	Total equity attributable to the Parent	Non-controlling interests	Total equity
Ending balance at 31 December 2017	**179,255**	**2,799,433**	**(48,638)**	**(12,076)**	**(751,309)**	**-**	**2,166,665**	**2,016,563**	**4,183,228**
Application of IFRS 15 and IFRS 9	**-**	**(415,237)**	**-**	**-**	**-**	**-**	**(415,237)**	**-**	**(415,237)**
Ending balance at 01 January 2018	**179,255**	**2,384,196**	**(48,638)**	**(12,076)**	**(751,309)**	**-**	**1,751,428**	**2,016,563**	**3,767,991**
Total comprehensive income	**-**	**-**	**-**	**(843,565)**	**663,005**	**-**	**(180,560)**	**724,230**	**543,670**
Transactions with shareholders or owners	**(7,326)**	**(40,542)**	**47,559**	**-**	**-**	**(99,867)**	**(100,176)**	**-**	**(100,176)**
Capital increases	(7,326)	(39,694)	47,020	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	(99,867)	(99,867)	-	(99,867)
Treasury share transactions	-	(848)	539	-	-	-	(309)	-	(309)
Other changes in equity	**-**	**(52,242)**	**-**	**12,076**	**-**	**-**	**(40,166)**	**(2,746,113)**	**(2,786,279)**
Transfers between equity items	-	(12,076)	-	12,076	-	-	-	-	-
Other changes		(40,166)					(40,166)	(2,746,113)	(2,786,279)
Ending balance at 30 June 2018	**171,929**	**2,291,412**	**(1,079)**	**(843,565)**	**(88,304)**	**-**	**1,845,763**	**(5,320)**	**1,425,206**

Notes 1 to 6 are an integral part of the condensed consolidated financial statements at 30 June 2019.

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OBRASCÓN HUARTE LAIN, S.A. AND SUBSIDIARIES

Consolidated statements of cash flows for the periods ended 30 June 2019 and 30 June 2018

	30/06/2019	30/06/2018 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES	**(231,769)**	**(761,861)**
Profit/(Loss) before tax	(15,788)	(342,702)
Adjustments for:	38,501	**238,342**
Depreciation/amortisation	33,637	31,665
Other adjustments to profit/(loss)	4,864	206,677
Changes in working capital	(231,445)	**(501,901)**
Other cash flows from operating activities	(23,037)	**(155,600)**
Dividends received	-	1,894
Income tax received/(paid)	(18,019)	(34,225)
Other amounts received/(paid) relating to operating activities	(5,018)	(123,269)
B) CASH FLOWS FROM INVESTING ACTIVITIES	**35,426**	**2,107,633**
Payments due to investment	(52,993)	**(81,996)**
Group companies, associates and business units	(19,537)	(29,291)
Property, plant and equipment, intangible assets and investment property	(24,281)	(31,758)
Other financial assets	(9,175)	(20,947)
Proceeds from divestiture	79,089	**2,092,398**
Group companies, associates and business units	-	36,381
Property, plant and equipment, intangible assets and investment property	7,490	6,115
Other financial assets	71,599	2,049,902
Other cash flows from investing activities	9,330	**97,231**
Interest received	9,330	12,231
Other amounts received/(paid) relating to investing activities	-	85,000
C) CASH FLOWS FROM FINANCING ACTIVITIES	**(22,998)**	**(966,936)**
Amounts received/(paid) relating to equity instruments	37	**(309)**
Acquisition	(19,134)	(44,274)
Disposal	19,171	43,965
Amounts received/(paid) relating to financial liabilities	5,915	**(812,957)**
Issue	25,732	41,666
Repayment	(19,817)	(854,623)
Amounts paid relating to dividends and returns on other equity instruments	-	(99,867)
Other cash flows from financing activities	(28,950)	**(53,803)**
Interest paid	(27,418)	(48,947)
Other amounts received/(paid) relating to financing activities	(1,532)	(4,856)
D) EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	**1,299**	**3,339**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**(218,042)**	**382,175**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**814,434**	**430,129**
G) CASH AND CASH EQUIVALENTS AT END OF YEAR (E+F)	**596,392**	**812,304**
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash on hand and at banks	578,386	799,022
Other financial assets	18,006	13,282
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	**596,392**	**812,304**

(*) Restated

Notes 1 to 6 are an integral part of the condensed consolidated financial statements at 30 June 2019.

CASH FLOWS FROM DISCONTINUED OPERATIONS

A) Cash flows from operating activities	-	54,540
B) Cash flows from investing activities	-	(256,990)
C) Cash flows from financing activities	-	250,312
D) Net cash flows from discontinued operations (A+B+C)	**-**	**47,862**

Translation of summarised *condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 6). In the event of a discrepancy, the Spanish-language version prevails.*

OBRASCÓN HUARTE LAIN, S.A. AND SUBSIDIARIES

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

1.- GENERAL INFORMATION

1.1.- Company name and registered office

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

1.2.- Business activities

The main business activities carried on by the companies composing the Obrascón Huarte Lain Group are as follows:

Engineering and Construction

Construction

Construction of all manner of civil engineering works and building construction for public- and private-sector customers, both in Spain and abroad.

Industrial

Industrial engineering, particularly complete industrial plants and systems, including the design, construction, maintenance and operation thereof and any other activity related to oil and gas, energy, solids engineering and fire safety systems.

Services

Servicing of properties and infrastructure maintenance for all types of properties, housing and offices.

Development

Development and operation of top quality mixed-use hotel-related real estate projects (discontinued operation, see Note 1.3.).

Development of Concessions

The business engaged in by this Division is to promote concessions through partnerships with financial investors and maximise the value of its greenfield projects. This activity is currently not reported separately because the amounts do not account for a significant proportion of the Group's revenue.

1.3.- Discontinued operation

Non-current assets and liabilities classified as held for sale and discontinued operations

At 2017 year-end, the Concessions activity was classified as a discontinued operation, since a sale agreement had been reached with a third party and the Group considered that the conditions for its classification as a discontinued operation in accordance with IFRS 5 had been met, as became evident in the first half of 2018 when that divestiture was performed.

In 2018 the Group continued the process of seeking investors and selling its Development Division or assets belonging to that division, a decisive event being the agreement entered into in October 2018 with Operadora Lakahn, S.A. de C.V. for the sale of all of the companies, land and rights making up the “Ciudad Mayakoba” urban development project, subject to certain conditions precedent.

In this connection, the agreement entered into at the end of 2018 included terms and conditions blocking the management of the assets which mean that the Group is not able to exercise power over the relevant activities of those assets still to be disposed of without the express approval of the buyer.

At 31 December 2018 and 30 June 2019, and in accordance with IFRS 5, the remaining Development assets and liabilities were recognised as “Non-Current Assets and Liabilities Held for Sale and Discontinued Operations”, and it is envisaged that they will be sold in the second half of 2019.

Profit /(Loss) for the year from discontinued operations, net of tax

“Profit/(Loss) for the Year from Discontinued Operations, Net of Tax” records the impacts on the statement of profit or loss, before non-controlling interests, generated by the Concessions and Development activities.

At 31 December 2018, the estimated impacts on the disposal of Development activity were recorded. It is estimated that the recognition of these impacts upon disposal of the Development activity will not give rise to any profit or loss, as they are already recognised as part of the estimated transaction value.

Furthermore, on 12 April 2018, the sale was completed and all the share capital of OHL Concesiones, S.A.U. was transferred to IFM Global Infrastructure Fund.

Also, and for a better comparison with the statement of profit or loss statement at 30 June 2019, the statement of profit or loss of Developments at 30 June 2018 was restated, classifying it as a discontinued operation.

The following table shows a summary with the impact of the Concessions and Development activities up to the date of disposal, in order to show the total impact of the divestiture of the Divisions on the statement of profit or loss for the first six months of 2018.

Item	Concessions	Development	Total
Profit/(Loss) on valuation adjustments	(549,868)	-	(549,868)
Profit/(Loss) on disposal	47,550	-	47,550
Profit/(Loss) after tax arising before the disposal	115,738	(48,103)	67,635
Total profit/(loss) for the year from discontinued operations, net of tax	**(386,580)**	**(48,103)**	**(434,683)**
Profit/(Loss) from discontinued operations attributable to non-controlling interests	(71,618)	-	(71,618)
Total profit/(loss) contributed	**(458,198)**	**(48,103)**	**(506,301)**

In addition to the profit/(loss) arising from the sale of the Divisions, in accordance with IAS 21, “Effects of Changes in Foreign Exchange Rates”, the Group transferred to profit or loss the amounts associated with the valuation adjustments (translation differences and value of financial instruments) contributed by the disposed Concessions Division, which were recognised in the Group's consolidated equity and totalled EUR (549,868) thousand.

This transfer related to the reclassification of the aforementioned amounts from "Valuation Adjustments" to profit or loss, and did not have any effect on the Group's total consolidated equity.

1.4.- Profit/(Loss) for the year, changes in equity attributable to the Parent and changes in cash flows

Profit/(Loss) for the year

The consolidated profit/(loss) for the first six months of 2019 attributable to the Parent amounted to EUR (15,305) thousand.

Item	Thousands of euros		
	30/06/2019	30/06/2018 (*)	Change %
Revenue	1,361,275	1,439,976	-5.5
EBITDA(**)	**22,713**	**(104,360)**	**n/a**
EBIT	**(3,118)**	**(123,954)**	**97.5**
Financial profit/(loss) and other results	(12,670)	(218,748)	94.2
Profit/(Loss) before tax	**(15,788)**	**(342,702)**	**93.9**
Income tax	(217)	2,687	n/a
Profit/(Loss) for the year from continuing operations	**(16,005)**	**(340,015)**	**95,**
Profit/(Loss) for the year from discontinued operations	-	(434,683)	100.0
Non-controlling interests	700	(68,867)	n/a
Profit/(Loss) attributable to the Parent	**(15,305)**	**(843,565)**	**98.2**

(*) Restated

(**) EBITDA is calculated as operating profit/(loss) plus the depreciation and amortisation charge plus the change in provisions.

Changes in equity attributable to the Parent

The changes in the equity attributable to the Parent during the first six months of 2019 and in 2018 were as follows:

Item	Thousands of
Balance at 31 December 2017	**2,166,665**
Application of IFRS 15	(410,237)
Application of IFRS 9	(5,000)
Balance at 01 January 2018	**1,751,428**
2018 profit/(loss) attributable to the Parent	(1,577,346)
Hedging reserves	10,454
Translation differences	715,391
Interim dividend	(99,867)
Other changes	(13,107)
Balance at 31 December 2018	**786,773**
Profit/(Loss) attributable to the Parent for the first six months of 2019	(15,305)
Hedging reserves	(6,279)
Translation differences	(12,734)
Other changes	3,869
Balance at 30 June 2019	**756,324**

Changes in cash flows

The cash flows for the first six months of 2019 compared with those of the same period in the previous year, classified on the basis of whether they arose from operating, investing or financing activities, are summarised as follows:

Cash flows	Thousands of euros		
	30/06/2019	30/06/2018 (*)	Difference
Operating activities	(231,769)	(761.861)	530,092
Investing activities	35,426	2,107,633	(2,072,207)
Financing activities	(22,998)	(966,936)	943,938
Effect of exchange rates on cash and cash equivalents	1,299	3,339	(2,040)
Net increase/(decrease) in cash and cash equivalents	**(218,042)**	**382,175**	**(600,217)**
Cash and cash equivalents at beginning of year	**814,434**	**430,129**	**384,305**
Cash and cash equivalents at end of year	**596,392**	**812,304**	**(215,912)**

(*) Restated

The cash flows from the discontinued operations of Concessions and Development are as follows:

	30/06/2019	30/06/2018 (*)
Operating activities	-	54,540
Investing activities	-	(256,990)
Financing activities	-	250,312
Net cash flows from discontinued operations	**-**	**47,862**

(*) Restated

1.5.- Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing the consolidated profit or loss for the year attributable to the Parent by the weighted average number of ordinary shares outstanding during the six months of the corresponding year, excluding the average number of treasury shares held in the year.

Diluted earnings per share

Diluted earnings per share are calculated in a similar way to basic earnings per share; however, the weighted average number of shares outstanding is increased by share options, warrants and convertible debt.

At 30 June 2019 and 2018, there were no differences between the basic earnings per share and diluted earnings per share.

Item	Thousands of euros	
	30/06/2019	30/06/2018
Weighted average number of shares outstanding	286,066,349	286,184,047
Consolidated profit/(loss) for the year attributable to the Parent	(13,305)	(843,565)
Basic (loss) per share = Diluted (loss) per share	**(0.05)**	**(2.95)**
Profit/(Loss) for the year from discontinued operations	-	(434,683)
Basic earnings per share = Diluted earnings per share from discontinued operations	**-**	**(1.77)**

2.- BASIS OF PRESENTATION

2.1.- Basis of presentation

In conformity with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, all companies governed by the law of a European Union Member State and whose securities are admitted to trading on a regulated market of any Member State are required to prepare their consolidated financial statements for annual reporting periods commencing on or after 1 January 2005 in accordance with the International Financial Reporting Standards ("IFRS") previously adopted by the European Union.

The Group's consolidated financial statements for 2018 were prepared by the Parent's directors in accordance with International Financial Reporting Standards as adopted by the European Union, and the bases of consolidation, accounting policies and measurement bases described in Note 2.6 to those consolidated financial statements were applied in order to present fairly the Group's consolidated equity and consolidated financial position as at 31 December 2018 and its consolidated profit/(loss), the changes in consolidated equity and its consolidated cash flows for the year then ended.

These condensed consolidated interim financial statements are presented in accordance with IAS 34, Interim Financial Reporting, and were prepared by the Group's directors on 29 July 2019 pursuant to Article 12 of Royal Decree 1362/2007.

As established in IAS 34, the consolidated interim financial reporting is intended only to provide an update on the latest complete set of annual consolidated financial statements prepared by the Group, focusing on new activities, events and circumstances occurring during the six-month period, and does not duplicate information previously reported in the consolidated financial statements for 2018. Consequently, to obtain a proper understanding of the information included in these condensed consolidated interim financial statements, they should be read together with the Group's consolidated financial statements for 2018.

The comparative information should be read in light of the consideration of the Development Division as a discontinued operation at 30 June 2018, which necessitated the application of IFRS 5, Non-Current Assets Classified as Held for Sale and Discontinued Operations, as explained in Note 1.3. Consequently, the financial information relating to the first half of 2018 was restated, the effects of which included most notably:

- In the statement of profit or loss, the profit/(loss) of the Concessions and Development Division net of tax and before non-controlling interests, was presented as a single line item under "Profit/(Loss) for the Year from Discontinued Operations, Net of Tax".
- The statement of cash flows.
- The information on the average number of employees.

2.2.- International Financial Reporting Standards (IFRS)

The accounting policies and methods used in preparing these consolidated financial statements are the same as those used in the consolidated financial statements for 2018, except for the following standards and interpretations which came into force in 2019:

Entry into force of new accounting standards

<u>Entry into force of new accounting standards</u>

In the first six months of 2019 the following standards became effective and, where applicable, were used by the Group in preparing the condensed consolidated interim financial statements for the six-month period ended 30 June 2019.

New standards, amendments and interpretations: Approved for use in the European Union		Obligatory application in annual reporting periods beginning on or after:
IFRS 16, Leases	Supersedes IAS 17 and the related interpretations. The main change in the new standard is that it introduces a single lessee accounting model in which all leases will be recognised in the balance sheet	01 January 2019
Amendments to IFRS 9. Prepayment Features with Negative Compensation	They permit the measurement at amortised cost of certain financial instruments with prepayment features, which may be put back to the issuer before maturity for an amount lower than the unpaid amounts of principal	
IFRIC 23, Uncertainty Over Income Tax Treatments	Clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over whether the relevant taxation authority will accept a tax treatment used by an entity.	
Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures	They clarify that IFRS 9 should be applied to long-term interests in an associate or joint venture if the equity method is not applied.	
Amendments to IAS 19. Plan Amendments, Curtailments and Settlements	They clarify how to determine current service cost and net interest for the remainder of the annual reporting period after a defined benefit plan amendment, curtailment or settlement.	
Amendments to IFRS 3. Business Combinations	Obtaining control of a business that is a joint operation	
Amendments to IAS 11, Joint Ventures	Obtaining joint control of a joint operation	
Amendments to IAS 12, Income Taxes	Recognition of the tax consequences of payments on financial instruments classified as equity	
Amendments to IAS 23, Borrowing Costs	Classification of outstanding interest on borrowings.	

Of the new standards that became effective, the most significant for the Group was IFRS 16 “Leases”.

Application of IFRS 16 “Leases”

This standard establishes a single accounting model for lessees, where an asset has to be recognised on the balance sheet for the rights of use associated to operating leases and a liability for future payment obligations associated to them.

Upon first-time application, the Group has opted for the modified retrospective approach and does not restate the information for comparative periods. In this respect, a liability has been recognised for leases classified as operating leases under the above standard for the current value of the outstanding payments, discounted at the incremental borrowing rate of 5.0%, similar to the rate paid by the Group on its financing from bonds and bank borrowings. At 1 January 2019 right of use was valued at the same amount as the liability. In addition, the Group has adopted the practical solutions permitted under the standard in respect of the exemption of adjustment for first-time application for leases which at 1 January mature in less than 12 months and for low value or short-term leases.

At the date of first-time application, the Group has recognised right-of-use assets (property plant and equipment) and associated financial liabilities amounting to EUR 38,843 thousand and which mainly correspond to lease commitments on offices and vehicles. The average period of depreciation of these items is five years.

The application of IFRS 16 has meant a lower lease expense of EUR 4,852 thousand, a higher amortisation expense of EUR 4,621 thousand and a greater finance expense of EUR 231 thousand, which has improved the cash flows from operating activities and impaired the cash flows from financing activities. It has had no impact on the consolidated profit/(loss) nor on Equity.

At 31 December 2019, the operating lease commitments assumed by the Group amounted to EUR 39,919 thousand. The difference between the figure mentioned and that for liabilities recognised at 1 January 2019 in application of IFRS 16, arises from the effect of financial discount on future payments, the existence of low value leases or leases maturing in less than one year, and other impacts relating to the extension and cancellation of agreements, mainly.

The effect of the application of IFRS 16 on the financial statements at 01 January 2019 is as follows:

			Thousands of euros
ASSETS	31/12/2018	IFRS 16	01/01/2019
Non-current assets	**1,311,191**	**38,843**	**1,350,034**
Intangible assets	208,978	-	208,978
Concession infrastructure	72,171	-	72,171
Property, plant and equipment	147,406	38,843	186,249
Investment property	10,529	-	10,529
Goodwill	7,247	-	7,247
Non-current financial assets	309,001	-	309,001
Investments accounted for using the equity method	293,403	-	293,403
Deferred tax assets	262,456	-	262,456
Current assets	**2,792,212**	**-**	**2,792,212**
Total assets	**4,103,403**	**38,843**	**4,142,246**
LIABILITIES			
Equity attributable to the Parent	**786,773**	**-**	**786,773**
Non-controlling interests	**(1,104)**	**-**	**(1,104)**
Equity	**785,669**	**-**	**785,669**
Non-current liabilities	**888,861**	**29,601**	**918,462**
Debt instruments and other marketable securities	659,298	-	659,298
Bank borrowings	1,659	-	1,659
Other financial liabilities	2,384	29,601	31,985
Deferred tax liabilities	149,000	-	149,000
Provisions	60,454	-	60,454
Deferred income	1,362	-	1,362
Other non-current liabilities	14,704	-	14,704
Current liabilities	**2,428,873**	**9,242**	**2,438,115**
Non-current liabilities held for sale	63,517	-	63,517
Debt instruments and other marketable securities	14,132	-	14,132
Bank borrowings and bonds	65,869	-	65,869
Other financial liabilities	6,015	9,242	15,257
Trade and other payables	1,820,429	-	1,820,429
Provisions	202,456	-	202,456
Current income tax liabilities	6.604	-	6.604
Other current liabilities	249,851	-	249,851
Total liabilities	**4,103,403**	**38,843**	**4,142,246**

Standards and interpretations issued but not yet in force

At the date of preparation of these condensed consolidated interim financial statements, the following standards and interpretations had been published by the IASB but had not yet come into force, either because their effective date is subsequent to the date of the condensed consolidated interim financial statements or because they had not yet been adopted by the European Union:

New standards, amendments and interpretations:		Obligatory application in annual reporting periods beginning on or after:
Not yet approved for use in the European Union		
IFRS 17, Insurance Contracts	Will supersede IFRS 4. It establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and is issued to ensure that entities provide relevant and reliable information that gives a basis for users of the information to assess the effect that insurance contracts have on the financial	01 January 2021 (*)
Amendments to IFRS 3. Definition of a Business	Clarifications of the definition of a business.	01 January 2020
Amendments to IAS 1 and IAS 38, Definition of Materiality	To bring the definition of materiality in line with that contained in the conceptual framework.	

(*) IASB proposed deferral until 1 January 2022

All the accounting principles or measurement bases with a material effect on the consolidated financial statements were applied in preparing them.

2.3.- Functional currency

The condensed consolidated interim financial statements are presented in EUR since this is the currency of the primary economic environment in which the Group operates. Foreign operations are accounted for in accordance with the policies established in Note 2.6.11 of the consolidated financial statements.

2.4.- Responsibility for the information and use of estimates

The information in these condensed consolidated interim financial statements is the responsibility of the Parent's directors.

In the condensed consolidated interim financial statements, estimates made by the senior executives of the Group and of the Group companies, later ratified by the Directors, were occasionally used in order to quantify certain of the assets, liabilities, income and expenses reported herein. These estimates relate basically to the following:

- The impairment losses on certain assets.
- The useful life of the intangible assets and property, plant and equipment.
- The recognition of construction contract profit/(loss).
- The amount of certain provisions.
- The fair value of the assets acquired in business combinations and goodwill.
- The assessment of possible contingencies relating to occupational, tax and legal risks, including the recoverability of tax assets.
- The income tax expense that, in accordance with IAS 34, is recognised in the interim periods on the basis of the best estimate of the weighted average annual income tax rate expected for the full financial year.
- Financial risk management.
- The fair value of certain unquoted assets.

Although the aforementioned estimates were made on the basis of the best information available at the reporting date on the events analysed, events that take place in the future might make it necessary to change these estimates in coming years. Changes in accounting estimates, if required, would be applied prospectively in accordance with IAS 8, recognising the effects of the change in estimates in the consolidated statement of profit or loss for the years affected.

In the six-month period ended 30 June 2019 there were no significant changes to the estimates made at 2018 year-end.

2.5.- Seasonality of the Group's transactions

In view of the business activities in which the Group companies engage, their transactions are not substantially cyclical or seasonal in nature. Therefore, no specific disclosures are included in this connection in these explanatory notes to the condensed consolidated interim financial statements for the six-month period ended 30 June 2019.

2.6.- Materiality

In determining the information to be disclosed on the various line items in the condensed consolidated interim financial statements or on other matters, in accordance with IAS 34, the Group took into consideration materiality with respect to the condensed consolidated financial statements for the first six months of 2019.

2.7.- Principal risks and uncertainties faced by the OHL Group

Risk management, as a strategic objective of the OHL Group, 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 Group, Division and project 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 OHL Group's risk management process represents how the Group manages risk. Each functional area and Division are responsible for adopting and applying the framework and policies to the risk management it carries out 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 OHL Group 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 OHL Group's risks are identified, prioritised and evaluated, based on risk assessments and potential exposure, by appropriate personnel in the organisation.

- All OHL Group employees are responsible for risk management. Every employee must understand the risks involved within the scope of their responsibility and manage them within the tolerance limits established.

- Each functional area and Division are responsible for adopting and following the OHL Group 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.

- OHL Group will conduct a formal risk assessment for each of its Divisions and for the Group as a whole at least once a year. These assessments must be carried out on a more regular basis for high-risk projects, activities, tasks and operating areas in order to keep up with the dynamic nature of the business.

- Each functional area and Division carry 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 support a culture of transparency, awareness-raising and open dialogue on risk. The OHL Group'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 and Compliance Committee has the ultimate responsibility for ensuring that the commitments contained in the risk management policy are up to date and fulfilled on an ongoing basis.

The main risks that might affect the achievement of the Group's objectives are as follows:

2.7.1 Financial risk management

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

2.7.1.1 Interest rate risk

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

The Group finances its operations using fixed- or floating-rate financial products and, based on estimates of the trend in interest rates and of debt structure targets, it either performs hedging transactions by arranging derivatives to mitigate these risks, also conducting a sensitivity analysis in this connection, or it arranges fixed-rate financing.

Of the Group's total gross debt at 30 June 2019, 7.2% had been hedged while the remaining 92.8% was bearing interest at a fixed rate.

2.7.1.2 Foreign currency risk

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

The foreign currency risks relate basically to:

- Debt denominated in foreign currencies.
- Payments to be made in international markets for the acquisition of procurements or fixed assets.
- Collections arising on projects tied to currencies other than the functional currency of the Parent or of the subsidiaries.
- Investments in foreign subsidiaries.

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

Also, the net assets relating to net investments in foreign operations 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 operations for consolidation purposes.

EUR (24,984) thousand were recognised in this connection under "Valuation Adjustments - Translation Differences" in the balance sheet as at 30 June 2019 (31 December 2018: EUR (15,250) thousand).

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

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

At 30 June 2019, the net balances of the financial assets exposed to credit risk are:

Item	Thousands of euros
Non-current financial assets	339,793
Trade and other receivables	1,431,678
Current financial assets	231,269
Cash and cash equivalents	596,392

<u>Non-current financial assets</u>

"Non-Current Financial Assets" includes loans to associates totalling EUR 48,480 thousand. The Group is aware of the solvency of its associates and does not expect any losses to arise in relation to these financial assets. No impairment was recognised on these financial assets in the first six months of 2019.

Trade and other receivables

"Trade and Other Receivables" includes the balances of “Trade Receivables for Sales and Services” totalling EUR 1,431,678 thousand, of which 64.2% relates to public-sector customers in relation to which the Group does not expect any losses to arise. In certain cases, the Group is entitled to demand interest. The remaining 35.8% relates to private-sector customers which, in general, have a high level of solvency.

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 impairment is recognised whenever necessary.

No significant counterparty liquidity risks were detected as a result of the analysis performed on these balances.

2.7.1.4 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, having adequate levels of financial flexibility for the Group's activity.

The Group presents the debt repayment schedule at 30 June 2019, with EUR 85,293 thousand maturing in 2020.

The Group's liquidity position at 30 June 2019 comprises the following:

- Drawable credit lines and discount facilities amounting to EUR 49,029 thousand.
- Current financial assets and cash and cash equivalents amounting to a total EUR of 827,661 thousand.

  It is important to point out that the above figure includes a deposit of EUR 140,000 thousand, securing the guarantee facility on the Multi-Product Syndicated Financing agreement (see Note 3.13.), which represents 16.9% of the total.

  Also, Financial Assets and Cash and Cash Equivalents corresponding to the Joint Ventures in which the Group has an interest amount to EUR 242,613 thousand, representing 29.3% of the total.

  Both concepts account for 46.2% of the total for those headings.

Despite this Liquidity, which mainly comes from the divestitures made and especially from the sale of the Concessions Division, in recent years the Group has seen its Liquidity position reduced by having to meet significant needs for funds for its loss-making projects, which will also occur in the next two years.

Among the measures adopted by the Group for reversing this situation and mitigating any liquidity risk that might arise as a result of an adverse performance of its business, which should offset that cash outflow from the loss-making projects, are the following:

- Ongoing management of working capital and, particularly, of "Trade and Other Receivables”.
- Optimisation of the financial position of all its companies through ongoing monitoring of cash projections.
- Control of any deviations that might arise in the return on its projects, through monitoring expenses and risks, in order to avoid any negative impact on the statement of profit or loss and Cash.
- Monitoring the plans for the sale of non-strategic assets and adapting those divestitures to any possible variations / deviations that might arise in its regular business.

These measures, put into effect as from the end of 2018, should be sufficient to ensure the continuity of the business and for the Group to meet its obligations.

2.7.2 Market risk

The OHL Group operates in diverse geographical markets and, accordingly, is subject to differing government regulations that can affect its activities and economic results. The fact that its businesses are mostly located in countries with stable socio-economic and regulatory conditions (e.g. Europe and the US) minimises these risks.

Nevertheless, all the regulations that affect the Group's activities in each geographical market are monitored and, when necessary, appropriate measures are adopted to safeguard its businesses to the greatest extent possible.

2.7.3 Procurement risk

The OHL Group is exposed to the price risk of certain commodities, such as raw materials (e.g. bitumen, steel, etc.), which can affect the prices of the main supplies of the goods and services that the Group requires to carry on its operations. Delays can also occur in deliveries, and certain products may be scarcer in the geographic markets where the Group operates.

A detailed analysis of procurement needs during the planning process of each project, along with the involvement of the Group's Purchasing Departments, minimises this risk.

2.7.4 Construction work/project performance risk

Delays or cost overruns may arise in the performance of the Group's construction work/projects as a result of certain of the aforementioned risks and technical problems that may arise. This may also give rise to claims against the Group's customers and litigation.

The Group is continuing its policy of performing an exhaustive risk management analysis for each project, and is minimising performance costs through the close monitoring of each project and the adoption of all necessary measures to avoid a decline in margins.

2.7.5 Environmental risk

The OHL Group analyses environmental, geotechnical and archaeological risks in the tender phase, along with all the associated issues (significant or protected areas, water, soil, past activities in the soil, archaeology, etc.), and specifies the necessary preventive measures to be adopted during construction, operation and maintenance.

Additionally, the Group promotes a low-carbon circular economy through its activities, in line with the major global initiatives in this area, and incorporates in its strategy the responsible use of natural resources and the best practices in carbon footprint, water footprint and waste reduction.

Other risks than those indicated above may arise, which the Group, through the management process it has established, will identify, assess and address according to the significance of the risk in question for its businesses, ensuring that it has as little impact as possible on the Group's activities.

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

In the second half of 2019 the Group will continue to monitor all the risks that may compromise its objectives, and at the end of 2019 will disclose both the potential risks and those that have actually arisen.

2.8.- Consolidated 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 consolidated statement of cash flows is prepared using the indirect method, i.e. on the basis of the changes in the consolidated statement of profit or loss and consolidated balance sheet, and is presented with comparable figures for two consecutive periods.

This statement reflects changes in consolidated cash flows, classifying them as:

- Cash flows from operating activities: the principal revenue-producing activities of the Group companies and other activities that are not investing or financing activities. Interest received and paid, profit/(loss)on the disposal of fixed assets, adjustments to profit/(loss) generated by companies accounted for using the equity method and, in general, any profit/(loss) that does not generate cash flows are transferred out of "Cash Flows from Operating Activities" through "Other Adjustments to Profit/(Loss)".

  Dividends received may be classified as cash flows from operating activities or investing activities. The Group chose to classify them as cash flows from operating activities.

- Cash flows from investing activities: those arising from the acquisition and disposal of non-current assets.

  Interest received may be classified as cash flows from operating activities or investing activities. The Group chose to classify it as cash flows from investing activities.

- Cash flows from financing activities: those arising from changes in borrowings, payment of the dividend, interest paid and changes in non-controlling interests.

  Interest paid may be classified as cash flows from operating activities or financing activities. The Group chose to classify it as cash flows from financing activities.

2.9.- Changes in the composition of the Group and in the scope of consolidation

Appendices I and II to the consolidated financial statements for the year ended 31 December 2018 provide relevant information on the Group companies that were fully consolidated at that date and on those accounted for using the equity method.

Changes in the composition of the Group

During the first six months of 2019 there have been no corporate operations other than those indicated in Note 1.3.

Changes in the scope of consolidation

The companies included in and excluded from the scope of consolidation in the first half of 2019 were as follows:

Inclusions	No. of companies
Full consolidation	-
Equity method	-
Total inclusions	**-**

Exclusions	No. of companies
Full consolidation	4
Equity method	7
Total exclusions	**11**

None of the companies leaving the consolidation process had any significant effect.

3.- NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.1.- Intangible assets, Property plant and equipment

3.1.1.- Intangible assets

This heading mainly includes:

- the values assigned on consolidation to the customer portfolio and backlog of the acquirees, which at 30 June 2019 amounted to EUR 185,092 thousand.

3.1.2.- Property, plant and equipment

This heading at 30 June 2019 includes an amount of EUR 34,222 thousand for minimum future payments under discounted non-cancellable leases, as a result of applying IFRS 16 on leases (see Note 2.2.).

3.2.- Concession infrastructure

Concession arrangements are arrangements between the concession grantor, which is generally a public-sector entity, and the Group companies to provide services to the public through the operation of certain assets required for the provision of the service.

The concession right generally entails a monopoly on the provision of the service granted for a specified period of time, after which, in general, the concession assets required to provide the service have to be handed over to the concession grantor.

The Group's fully consolidated concession operators at 30 June 2019 were as follows:

Operator	Description of concession	Country	%	Total projected investment (thousands of euros)	Remaining period (in years)
Marina Urola, S.A.	Marina	Spain	51.00	2,801	8
Sociedad Concesionaria Aguas de Navarra, S.A.	Navarra canal	Spain	65.00	89,475	25
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	Law courts	Chile	100.00	35	6

The breakdown, by company, of the carrying amount of “Concession Infrastructure” at 30 June 2019 and 31 December 2018 is as follows:

Item	Thousands of euros	
	30/06/2019	31/12/2018
Intangible asset model		
Sociedad Concesionaria Aguas de Navarra, S.A.	12,390	13,254
Marina Urola, S.A.	893	935
Other	37	37
Total intangible asset model	**13,320**	**14,226**
Financial asset model		
Sociedad Concesionaria Aguas de Navarra, S.A.	57,771	57,945
Total financial asset model	**57,771**	**57,945**
Total	**71,091**	**72,171**

Impairment losses on concession infrastructure

At the end of each reporting period or whenever there are indications of impairment, the Group tests the assets for impairment to determine whether their recoverable amount has been reduced to below their carrying amount. Recoverable amount is the higher of fair value and value in use.

Also, sensitivity analyses are performed in various growth scenarios, particularly in relation to revenue, operating margins and the discount rates applied.

The Parent's Directors consider that the tests are sensitive to their key assumptions, but that these indicators are within a reasonable degree of sensitivity, which meant that no impairment losses were identified at 30 June 2019.

In order to calculate any possible impairment, the projected cash flows to be generated by the concession infrastructure are discounted.

In relation to the investment in Sociedad Concesionaria Aguas de Navarra, S.A., the concession operator is currently negotiating certain changes to the project's implementation schedule and the associated financing with the government and the banks. The recoverability of the investment was determined on the assumption that these negotiations, which are currently under way, will have a positive outcome in the short term (see Note 3.14.1.).

3.3.- Financial assets

Investment securities

The breakdown of "Investment Securities" at 30 June 2019 and 31 December 2018 is as follows:

Item	Thousands of euros			
	30/06/2019		31/12/2018	
	Non-current	Current	Non-current	Current
Held-to-maturity securities	301	27,409	299	28,164
Available-for-sale securities	63,888	3	63,888	3
Subtotal	**64,189**	**27,412**	**64,187**	**28,167**
Provisions	(3,928)	-	(3,928)	-
Total	**60,261**	**27,412**	**60,259**	**28,167**

The amounts of investment securities classified as current relate in full to securities maturing at over three months and at under twelve months.

"Provisions" includes the estimated impairment losses that had to be recognised to write down the carrying amount of the investment securities to their fair value.

The heading "Available-for-sale Securities" at both 30 June 2019 and at 31 December 2018 includes the amounts associated with the ownership interests in Aeropistas, S.L. and Autopista Eje Aeropuerto Concesionaria Española, S.A. (in liquidation), amounting to EUR zero thousand.

It also includes the ownership interest in Cercanías Móstoles Navalcarnero, S.A. (in liquidation), amounting to EUR 59,911 thousand.

There are legal proceedings under way in relation to these assets, which are explained in Note 4.3.

Other receivables and Deposits and guarantees given

The detail is as follows:

Item	Thousands of euros			
	30/06/2019		31/12/2018	
	Non-current	Current	Non-current	Current
Other receivables	271,097	64,260	240,420	63,272
Deposits and guarantees given	12,816	153,558	12,703	145,004
Impairment	(4,381)	(13,961)	(4,381)	(13,961)
Total, net	**279,532**	**203,857**	**248,742**	**194,315**

If the loans granted to other companies pose any collection risk an impairment loss is recognised.

At 30 June 2019, “Other Receivables” and “Deposits and Guarantees Given” included:

1) A participating loan corresponding to Aeropistas, S.L. and Autopista Eje Aeropuerto Concesionaria Española, S.A. for the amount of EUR 18,587 thousand, the recoverability of which is based on the success of the appeal against administrative decision lodged by the insolvency managers of the investee companies with the Supreme Court (see Note 4.3.2.) against the Council of Ministers Resolution of 26 April 2019, on the interpretation of certain toll road concession arrangements, in respect of the method for calculating the “Asset Liability of the Administration”; this appeal questions, among other aspects (1) the infrastructure depreciation method and which the Council of Ministers established should be the linear method and (2) the maximum limit of the Asset Liability of the Administration for the M12 toll road which was awarded to the company Autopista Eje Aeropuerto Concesionaria Española, S.A. and which the Council of Ministers established at EUR 305,471 thousand.

2) "Non-current” under "Other Receivables” includes EUR 15,869 thousand relating to guarantees of Cercanías Móstoles Navalcarnero, S.A. unduly enforced by the Regional Government of Madrid, which the Group considers, based on the opinion of its legal advisers, to be recoverable in full.

3) At 30 June 2019, "Non-current” under "Other Receivables” includes EUR 125,879 thousand relating to the participating loan granted to Cercanías Móstoles Navalcarnero, S.A.

4) At 30 June 2019, "Non-current” under "Other Receivables” includes loans to associates amounting to EUR 63,138 thousand.

5) “Current” under “Deposits and Guarantees Given” includes a deposit of EUR 140,000 thousand securing the guarantee facility of EUR 313,764 thousand that forms part of the Multi-Product Syndicated Financing Agreement (see Note 3.14.).

Impairment of Cercanías Móstoles Navalcarnero, S.A.

In relation to the financial assets associated with the investment in Cercanías Móstoles Navalcarnero, S.A., since that company is in liquidation, the Group considered the minimum recoverable amount to be the early termination value, which is estimated to exceed the carrying amount.

To calculate the early termination value, the provisions of Legislative Royal Decree 2/2000 were taken into account, which establish that in the event of termination of the concession arrangement the grantor must pay the concession operator the amounts invested for:

i. The compulsory purchase of land

ii. The construction work

iii. The acquisition of assets necessary to operate the concession

In addition to the foregoing, the particular administrative specifications of this concession arrangement provide for the payment, in any event, and regardless of the ground for termination of the arrangement, of all the investments made to perform the arrangement, including those relating to construction work and installation projects, repair and major repair work, initially unforeseen construction work, and the investments to acquire and replace rolling stock, based in all cases on the level of amortisation taken.

The Group considers that the costs and amounts recognised are consistent with the foregoing items and, consequently, considers them to be recoverable.

The foregoing supports the total carrying amount of EUR 204,018 thousand recognised by the Group (an ownership interest of EUR 59,911 thousand, a participating loan of EUR 128,238 thousand and costs related to enforced guarantees of EUR 15,869 thousand), as upheld by studies conducted by independent legal and technical experts. In this regard, although there is uncertainty regarding when the liquidation will be resolved, and the ultimate amount to which the Group will be entitled, the Directors consider that the latter will be higher than the carrying amount recognised at 30 June 2019 (see Note 4.3.2.1.).

3.4.- Joint arrangements

3.4.1. Investments accounted for using the equity method

The investments accounted for using the equity method at 30 June 2019 and 31 December 2018 are as follows:

Companies	Thousands of euros	
	30/06/2019	31/12/2018
Joint ventures		
Consorcio Conpax OHL Valko, S.A.	6,872	261
Health Montreal Collective CJV L.P.	-	1,282
Nova Dársena Esportiva de Bara, S.A.	10,194	10,455
Rhatigan OHL Limited	1,679	2,346
Other	4,542	(503)
Associates		
Alse Park, S.L.	1,148	1,282
E.M.V. Alcalá de Henares, S.A.	1,948	1,947
Health Montreal Collective Limited Partnership	6,641	6,962
Nuevo Hospital de Toledo, S.A.	14,396	12,167
Proyecto Canalejas Group, S.L.	129,663	129,663
57 Whitehall Holdings S.A.R.L.	127,437	127,760
Other	(3,940)	(219)
Total	**300,580**	**293,403**

The most significant assets are those of Proyecto Canalejas Group, S.L. and 57 Whitehall Holdings S.A.R.L., the balances of which amount to EUR 129,663 thousand and EUR 127,437 thousand, respectively.

Proyecto Canalejas Group, S.L.

At 30 June 2019 the OHL Group has a 50% interest in the project, which is currently at the construction phase and certain areas of the complex continued to be marketed, and it is envisaged that it will be completed in 2019.

Once the construction of the complex has been completed, the company will commence operating it in accordance with the approved business plan. The mentioned business plan takes into consideration, amongst other aspects, the rotation of the different assets forming part of the Complex, once they reach sufficient operational maturity. In this respect, in view of the different rights held by the shareholders in the project and the existing partner arrangements, the Group will have access to the free cash flows once the other partner has reached certain levels of profitability; the Group's recovery of its investment in Canalejas depends on the compliance with the last business plan approved by the project company, with no relevant deviations.

57 Whitehall Holdings S.A.R.L.

The emblematic *Old War Office* project in London, in which OHL Desarrollos holds a 49% ownership interest, has successfully completed the licensing phase and construction has recently started.

Likewise, once construction of the complex is complete, in which the Group is not likely to participate, the project company will operate it in accordance with the business plan approved. The mentioned business plan takes into consideration, amongst other aspects, the rotation of the hotel business of the project, which will be run by a brand name of acknowledged prestige in the sector, once it reaches sufficient operational maturity. In this respect, the Group's recovery of its investment in the Old War Office is equally dependant on its compliance with the last business plan approved by the project company, with no relevant deviations.

3.4.2 Joint operations

The Group undertakes part of its business activities by participating in contracts that are executed jointly with other non-Group venturers, mainly through joint ventures ("UTEs") and other similar entities, which are proportionately consolidated in the Group's financial statements.

There is no individual joint operation that is material with respect to the Group's assets, liabilities and profit/(loss).

3.5.- Non-current assets and liabilities classified as held for sale and discontinued operations

As indicated in Note 1.3., “Discontinued Operations”, the Concessions and Development Divisions’ operations were discontinued.

The discontinuation of these operations gave rise to the following:

- On the balance sheet all the assets that were expected to be sold were presented as a single line item under “Non-Current Assets Classified as Held for Sale and Discontinued Operations” and all its liabilities were presented as a single line item under “Liabilities Associated with Non-Current Assets Classified as Held for Sale and Discontinued Operations".

- In the statements of profit or loss, the profit/(loss) net of tax and before non-controlling interests was presented as a single line item under “Profit/(Loss) for the Year from Discontinued Operations, Net of Tax".

- The cash flows statement was obtained after adjusting the cash flows for the discontinued operations.

Set forth below is an illustration of the effect at 30 June 2019 and at 31 December 2018, per balance sheet heading, of the classification of the investments in Developments as held for sale, followed by a breakdown, per heading, of the statements of profit or loss and of cash flows of the discontinued operations for the first six months of 2018.

ASSETS	Thousands of euros	
	30/06/2019	31/12/2018
Non-current assets		
Property, plant and equipment	-	19,546
Investment property	-	34,742
Non-current financial assets	1,226	8,495
Investments accounted for using the equity method	2,491	6,991
Deferred tax assets	4,637	20,274
Other non-current assets	-	408
Total non-current assets	**8,354**	**90,456**
Current assets		
Non-current assets classified as held for sale and discontinued operations	**(8,354)**	**(142,489)**
Inventories	-	371
Trade and other receivables	-	29,509
Other current assets	-	250
Cash and cash equivalents	-	21,903
Total current assets	**-**	**52,033**
Total assets	**-**	**-**
LIABILITIES	**30/06/2019**	**31/12/2018**
Non-current liabilities		
Bank borrowings	-	14,379
Deferred tax liabilities	-	8,037
Deferred income	1,391	14,194
Other non-current liabilities	-	1,924
Total non-current liabilities	**1,391**	**38,534**
Current liabilities		
Liabilities associated with non-current assets classified as held for sale and discontinued operations	**(1,391)**	**(63,517)**
Trade and other payables	-	9,244
Other current liabilities	-	15,739
Total current liabilities	**-**	**24,983**
Total liabilities	**-**	**-**

STATEMENT OF PROFIT OR LOSS	30/06/2019	30/06/2018 (*)
Revenue	-	107,764
Other operating income	-	192,705
TOTAL INCOME	**-**	**300,469**
Procurements	-	(11,712)
Staff costs	-	(21,282)
Other operating expenses	-	(49,748)
Depreciation and amortisation charge	-	(5,385)
Changes in provisions	-	(216)
OPERATING PROFIT/(LOSS)	**-**	**212,126**
Finance income	-	11,089
Finance expenses	-	(79,650)
Exchange differences	-	1,287
Profit/(Loss) on changes in value of financial instruments	-	(6,408)
Profit/(Loss) of companies accounted for using the equity method	-	7,622
Profit/(Loss) on disposals of financial instruments	-	(29,533)
PROFIT/(LOSS) BEFORE TAX	**-**	**116,533**
Income tax	-	(48,898)
PROFIT/(LOSS) FOR THE PERIOD FROM DISCONTINUED OPERATIONS NET OF TAX	**-**	**67,635**

(*) Restated

CASH FLOWS FROM DISCONTINUED OPERATIONS	30/06/2019	30/06/2018
Cash flows from operating activities	-	54,540
Cash flows from investing activities	-	(256,990)
Cash flows from financing activities	-	250,312
CASH FLOWS FROM DISCONTINUED OPERATIONS, NET OF TAX	**-**	**47,862**

3.6.- Trade and other receivables

Trade receivables for sales and services

The detail of "Trade Receivables for Sales and Services" at 30 June 2019 and 31 December 2018 is as follows:

Item	Thousands of euros	
	30/06/2019	31/12/2018
Trade receivables for sales and services		
Amounts to be billed for work or services performed	524,152	465,586
Progress billings receivable	525,233	532,890
Retentions	113,366	120,373
Trade notes receivable	6,876	4,861
Subtotal	**1,169,627**	**1,123,710**
Customer advances	(602,842)	(601,285)
Total net of advances	**566,785**	**522,425**
Provisions	(97,762)	(98,548)
Total, net	**469,023**	**423,877**

At 30 June 2019, the balance of “Trade Receivables for Sales and Services” had been reduced by EUR 64,980 thousand (31 December 2018: EUR 82,361 thousand) relating to the accounts receivable from customers factored to banks. Since these factoring arrangements are without recourse in the event of non-payment, they are treated as a reduction of trade receivables.

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

Item	Thousands of euros	
	30/06/2019	31/12/2018
Spain	**369,680**	**305,634**
Public sector	**141,622**	**129,326**
Central government	38,286	17,376
Regional governments	35,464	10,360
Local governments	38,182	1,465
Other agencies	29,690	100,125
Private sector	**228,058**	**176,308**
Abroad	**799,947**	**818,076**
Total	**1,169,627**	**1,123,710**

At 30 June 2019, 76.2% (EUR 609,300 thousand) of the total balance of “Trade Receivables for Sales and Services – Abroad” related to the public sector and 23.8% (EUR 190,647 thousand) to the private sector.

Of the balance of “Progress Billings Receivable” and “Trade Notes Receivable” totalling EUR 532,109 thousand at 30 June 2019, 57.7% (EUR 306,777 thousand) relate to the public sector and 42.3% (EUR 225,332 thousand) to the private sector.

The aging of this balance is as follows:

Item	Thousands of euros		
	Type of customer		
	Public sector	Private sector	Total
0 to 90 days	209,902	95,802	305,704
91 to 180 days	41,101	32,086	73,187
181 to 360 days	7,913	7,957	15,870
More than 360 days	47,861	89,487	137,348
Total	**306,777**	**225,332**	**532,109**

Of the balance of "Progress Billings Receivable" and "Trade Notes Receivable", totalling EUR 537,751 thousand at 31 December 2018, 61.0% (EUR 327,630 thousand) relate to the public sector and 39.0% (EUR 210,121 thousand) to the private sector.

The aging of this balance is as follows:

Item	Thousands of euros		
	Type of customer		
	Public sector	Private sector	Total
0 to 90 days	266,741	55,505	322,246
91 to 180 days	20,356	43,987	64,343
181 to 360 days	16,404	3,478	19,882
More than 360 days	24,129	107,151	131,280
Total	**327,630**	**210,121**	**537,751**

The Group did not recognise any amount relating to claims under “Trade Receivables for Sales and Services”. The Group under no circumstances recognises claims made against customers as income until they are approved.

However, since the Group 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 order to determine the amount of the provisions for possible losses arising from balances recognised, estimates are made which take the following into account for each project on a case-by-case basis:

- The status of the negotiations with each customer.
- The technical assessment of the work performed and of the conformity thereof with the contract with the customer, performed by the project managers and taking into account, if appropriate, any expert reports.

Changes in provisions in the first six months of 2019 and in the whole year 2018 were as follows:

	2018
Balance at 01 January 2018	(299,625)
Provision recognised due to application of IFRS 9	(5,000)
Recognition and use of provisions	1,397
Reversal of provision due to application of IFRS 15	204,680
Balance at 31 December 2018	(98,548)
Recognition and use of provisions	786
Balance at 31 December 2019	(97,762)

Estimates are made considering any failure to meet payment obligations under the contracts and the probability of default, which are analysed for each contract and customer. At each reporting date the information is updated to determine the recoverable amount.

Other receivables

The detail of "Other Receivables" at 30 June 2019 and 31 December 2018 is as follows:

Item	Thousands of euros					
	30/06/2019			31/12/2018		
	Gross balance	Impairment	Net balance	Gross balance	Impairment	Net balance
Receivables from associates	209,684	(2,996)	206,688	150,361	(2,966)	147,395
Employee receivables	1,608	-	1,608	2,214	-	2,214
Tax receivables	101,530	-	101,530	84,203	-	84,203
Sundry accounts receivable	56,563	(6,576)	49,987	51,590	(6,356)	45,234
Total	**369,385**	**(9,572)**	**359,813**	**288,368**	**(9,322)**	**279,046**

"Receivables from Associates" relates mainly to transactions associated with the Group's normal business activities, which are performed on an arm's length basis.

The net balance of "Sundry Accounts Receivable" at 30 June 2019 and 31 December 2018 relates to the provision of services and leases and sales of machinery and materials.

3.7.- Other current assets

"Other Current Assets" mainly includes balances with related parties.

At 31 December 2018 it included:

- EUR 83,878 thousand relating to an account receivable from Grupo Villar Mir, S.A.U. relating to the price paid in 2016 for the purchase of Pacadar, S.A. which, as a result of the termination of the purchase agreement, was classified as a financial account receivable. This receivable was secured by a pledge on all the shares of Pacadar, S.A., bearing annual interest at 5.0%, and
- EUR 35,223 thousand relating to a loan to Pacadar, S.A., bearing annual interest at 5.0% with additional security provided by Group Villar Mir, S.A.U. This loan was acquired from OHL Concesiones, S.A.U. as a result of the sale option on all its share capital.

As was informed in a significant event sent to the National Securities Market Commission, on 17 June 2019, a settlement agreement was reached with Grupo Villar Mir, S.A. and Pacadar, S.A., as the outcome of negotiations held to secure a full recovery of the granted loans that has represented on one hand, the extension of all the maturities until 2020 and, on the other, has strengthened the economic terms and guarantees in favour of the Group, among others, the inclusion of a pledge over 100% of the shares in Pacadar, S.A.

Accordingly, at 30 June 2019 this heading includes:

- an amount of EUR 86,054 thousand relating to an account receivable from Grupo Villar Mir, S.A.U., which bears annual interest at 5.5%.
- an amount of EUR 36,656 thousand relating to an account receivable from Pacadar, S.A., which bears annual interest at 5.0%.

Accordingly, the Directors of the Parent consider that at the present date there are no indications of impairment on those amounts.

3.8.- Cash and cash equivalents

“Cash and Cash Equivalents” relates to the Group'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. These balances are not restricted as to their use and are not subject to a risk of changes in value. Most of the balances relate to short-term deposits.

At 30 June 2019, "Cash and Cash Equivalents" includes EUR 242,613 thousand relating to cash balances of Joint Ventures.

3.9.- Share capital

The changes in the share capital of the Parent for the first six months of 2019 and for the whole year 2018 were as follows:

Item	Number of shares	Par value (Thousands of euros)
Number of shares and par value of share capital at 31 December 2017	298,758,998	179,255
Capital reduction	12,210,709	(7,326)
Number of shares and par value of share capital at 31 December 2018	286,548,289	171,929
Number of shares and par value of share capital at 30 June 2019	286,548,289	171,929

The shareholders at the Extraordinary General Meeting held on 9 January 2018 resolved to reduce the share capital by EUR 7,326 thousand by retiring 12,210,709 treasury shares of EUR 0.60 par value each, representing 4.087% of the share capital.

Following this capital reduction, the share capital of Obrascón Huarte Lain, S.A. stood at EUR 171,928,973.40, divided into 286,548,289 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 capital reduction was charged to unrestricted reserves and did not give rise to a reimbursement of shareholder contributions. The Company recognised a reserve for an amount equal to the par value of the retired shares, use of which will be subject to the same requirements as those for the capital reduction, as provided for in the Spanish Limited Liability Companies Law, and, consequently, the Parent's creditors will not be entitled to object to the capital reduction.

The detail of the companies with a direct or indirect ownership interest of 3% or more in the share capital of Obrascón Huarte Lain, S.A. at 30 June 2019 is as follows:

Company	% of ownership
Inmobiliaria Espacio, S.A.	33.317
Deutsche Bank	4.243

3.10.- Share premium

Item	Thousands of euros
Balance at 31 December 2017	**1,265,300**
Balance at 31 December 2018	**1,265,300**
Balance at 30 June 2019	**1,265,300**

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

3.11.- Treasury shares

The changes in "Treasury Shares" during the first six months of 2019 and for the whole year 2018 were as follows:

Item	No. of shares	Thousands of
Balance at 31 December 2017	**12,531,939**	**48,638**
Purchases	24,897,366	65,592
Sales	(24,706,785)	(66,840)
Cancellation	(12,210,709)	(47,020)
Balance at 31 December 2018	**511,811**	**370**
Purchases	19,059,357	19,134
Sales	(19,121,956)	(19,949)
Balance at 30 June 2019	**449,212**	**455**

3.12.- Reserves

The breakdown of the balances for this heading of the consolidated balance sheets as at 30 June 2019 and 31 December 2018 is as follows:

Item	Thousands of euros	
	30/06/2019	31/12/2018
Restricted reserves of the Parent		
Legal reserve	11,969	11,969
Reserve for retired capital	11,182	11,182
Subtotal	**23,151**	**23,151**
Voluntary and consolidation reserves		
Attributable to the Parent	(543,202)	1,327,741
Attributable to the consolidated companies	(103,617)	(298,301)
Subtotal	**(646,819)**	**1,029,440**
Total	**(623,668)**	**1,052,591**

Legal reserve

Under the Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. 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. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose. At 30 June 2019, the legal reserve was not fully funded.

Reserve for retired capital

The balance of "Reserve for Retired Capital" amounted to EUR 11,182 thousand at 30 June 2019 (31 December 2018: EUR 11,182 thousand), as a result of the capital reductions performed in 2018 amounting to EUR 7,326 thousand, in 2009 amounting to EUR 2,625 thousand and in 2006 amounting to EUR 1,231 thousand, through the cancellation of treasury shares, and 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.

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 balance of this heading. Consequently, at 30 June 2019 EUR 4,095 thousand of the Parent's "Share Premium" and "Other Reserves" were restricted.

On 6 June 2018, the Parent paid an interim dividend out of profit for 2018 amounting to EUR 99,867 thousand (EUR 0.348981 per share).

Reserves of consolidated companies

The breakdown, by company, of the balances of "Reserves of Consolidated Companies" of the consolidated balance sheets as at 30 June 2019 and 31 December 2018 is as follows:

Companies	Thousands of euros	
	30/06/2019	31/12/2018
Community Asphalt Corp.	(97,924)	(57,146)
Constructora de Proyectos Viales de México, S.A. de C.V.	155,393	156,881
Health Montreal Collective CJV L.P.	(264,083)	(162,360)
Huaribe S.A. de C.V. (*)	(32,030)	(26,201)
Judlau Contracting, Inc.	27,268	23,023
Obrascón Huarte Lain Construcción Internacional, S.L.	(77,575)	(161,660)
Obrascón Huarte Lain, Desarrollos, S.L.	-	(120,920)
OHL Andina, S.A.	24,792	19,290
OHL Arabia, LLC	3,413	14,754
OHL Central Europe, a.s.	(120,429)	(96,915)
OHL Construction Canada and FCC Canada Limited Partnership	(78,448)	(88,488)
OHL Finance, S.à. r.l.	380,887	301,037
OHL Industrial, S.L.	(4,601)	2,082
OHL USA, Inc.	(9,857)	(113,641)
OHL ZS, a.s.	46,275	40,522
OHLDM, S.A. de C.V. (*)	104,459	22,037
OHL Building, S.A.	(33,198)	(34,719)
Hospital de Burgos, S.A.	980	(12,204)
Other	(25,322)	(3,673)
Total	(103,617)	(298,301)

(*) Companies included in the discontinued operations.

3.13.- Valuation adjustments

Hedging reserves

The valuation adjustments relating to hedges include the amount of the changes in the value of financial derivatives, net of the related tax effect.

The changes under this heading for the first six months of 2019 and the whole year 2018 were as follows:

Item	Thousands of euros
	2018
Balance at 01 January 2018	**(20,668)**
Net change in the year at fully consolidated companies	10,586
Net change in the year at companies accounted for using the equity method	(132)
Balance at 31 December 2018	**(10,214)**
Net change in the year at fully consolidated companies	(6,279)
Net change in the year at companies accounted for using the equity method	-
Balance at 30 June 2019	**(16,493)**

Valuation adjustments relating to financial assets classified as held for sale

The changes under this heading for the first six months of 2019 and for 2018 were as follows:

Item	Thousands of euros	
	30/06/2019	30/06/2018
	-	**(15,011)**
Valuation adjustments relating to financial assets classified as held for sale / allocation to profit and loss	-	15,011
Ending balance	**-**	**-**

Translation differences

The breakdown, by country and company, of “Translation Differences” at 30 June 2019 and 31 December 2018 is as follows:

Country	Thousands of euros	
	30/06/2019	31/12/2018
Saudi Arabia	4,066	4,223
Argentina	(2,585)	(2,584)
Canada	2,795	20,126
Colombia	(2,167)	(1,532)
Mexico	(33,307)	(36,597)
Chile	(404)	(2,339)
Peru	425	252
United Kingdom	(8,593)	(8,294)
Czech Republic	2,850	27
US	11,281	10,187
Other countries	655	1,281
Total	**(24,984)**	**(15,250)**

3.14.- Bank borrowings and Debt instruments and other marketable securities

At 30 June 2019, the bank borrowings and debt instruments and other marketable securities amounted to EUR 746,937 thousand, and their maturities, by year, are as follows:

Item	Thousands of euros						
	2019	2020	2021	2022	2023	Subsequent years	Total
Bank borrowings	**76,099**	**35**	**45**	**48**	**37**	**18**	**76,282**
Debt instruments and other marketable securities	**10,435**	**73,162**	**-**	**320,420**	**266,638**	**-**	**670,655**
Total bank borrowings and debt instruments and other marketable securities	**86,534**	**73,197**	**45**	**320,468**	**266,675**	**18**	**746,937**

3.14.1- Bank borrowings

The breakdown of bank borrowings at 30 June 2019, by maturity, is as follows:

	Thousands of euros						
	2019	2020	2021	2022	2023	Subsequent years	Total
Mortgage loans	29	35	45	48	37	18	212
Loans and credit facilities	**21,974**	-	-	-	-	-	**21,974**
Total mortgage and other loans	**22,003**	35	45	48	37	18	**22,186**
Loans of concession operators	54,051	-	-	-	-	-	54,051
Total loans	**76,054**	35	45	48	37	18	**76,237**
Unmatured accrued interest payable	35	-	-	-	-	-	35
Unmatured accrued interest payable of concession operators	10	-	-	-	-	-	10
Total unmatured accrued interest payable	**45**	-	-	-	-	-	**45**
Total	**76,099**	**35**	**45**	**48**	**37**	**18**	**76,282**

At 30 June 2019, the bank borrowings hedged by interest rate derivatives represented 70.9% of the total (31 December 2018: 80.7%).

- Mortgage loans

At 30 June 2019, certain items of property, plant and equipment amounting to EUR 396 thousand (31 December 2018: EUR 396 thousand) had been mortgaged as security for loans totalling EUR 128 thousand (31 December 2018: EUR 138 thousand).

At 30 June 2019, certain items of investment property amounting to EUR 172 thousand (31 December 2018: EUR 172 thousand) had been mortgaged as security for loans totalling EUR 84 thousand (31 December 2018: EUR 92 thousand).

These loans bear interest at market rates.

- Progress billing and note discounting facilities.

Item	Thousands of euros	
	30/06/2019	31/12/2018
Limit	-	-
Amount drawn down	**-**	**-**
Drawable balance	-	-

There was no average interest rate accruing during the first six months of 2019 as no credit facilities were drawn down (1.85% for the whole year 2018).

- Loans, credit facilities and loans of concession operators.

Item	Thousands of euros	
	30/06/2019	31/12/2018
Limit	125.054	104,993
Amount drawn down	**76,025**	**67,192**
Drawable balance	49,029	37,141

The average interest rate accruing during the first six months of 2019 for the credit facilities drawn down was 3.67% (2018: 3.14%).

The most noteworthy loan transactions were as follows:

1) Multi-product syndicated financing

   On 30 December 2016, a multi-product syndicated financing agreement was signed which included a guarantee facility and a factoring facility. On 30 March 2017, in a first novation, the drawdown period and maturity date were extended, the funding thresholds were increased, and a revolving credit facility was included, amounting to EUR 190,000 thousand. After several novations and rewording of the agreement, the factoring facility and the revolving credit facility were cancelled, and at the same time the limit of the guarantee facility was reduced to EUR 313,764 thousand and its maturity was set at 30 June 2019.

   On 28 June 2019, there was a further novation on the guarantee facility, consisting of extending the maturity date to 30 September 2019

   At 30 June 2019, the Group had a deposit of EUR 140,000 thousand securing this guarantee facility.

2) Loans of concession operators

   At 30 June 2019, "Loans of Concession Operators" totalled EUR 54,051 thousand and related to the loan of Sociedad Concesionaria Aguas de Navarra, S.A., which bears interest at 3.35% and is classified as current due to the failure to comply with the clauses of the loan agreement. The drawable project funding, amounting to EUR 31.256 thousand, was restricted by the banks until agreement was reached on certain changes to the project schedule (see Note 3.2.).

3.14.2- Debt instruments and other marketable securities

The breakdown of "Debt Instruments and Other Marketable Securities" in the consolidated balance sheet as at 30 June 2019 and 31 December 2018 is as follows:

Item	Thousands of euros	
	30/06/2019	31/12/2018
Corporate bond issues (non-current)	587,058	659,298
Corporate bond issues (current)	83,597	10,435
Commercial paper issues (current)	-	3,697
Total	**670,655**	**673,430**

The breakdown of the corporate bonds, other marketable securities and bonds of concession operators, by maturity, is as follows:

Item	Thousands of euros						
	2019	2020	2021	2022	2023	Subsequent years	Total
Corporate bonds	**10,435**	**73,162**	**-**	**320,420**	**266,638**	**-**	**670,655**

Corporate bond issues

Item	Issuer	Thousands of euros		Year of final maturity	Issue currency	Market price (30/06/2019)
		30/06/2019	31/12/2018			
2012	Obrascón Huarte Lain, S.A.	74,792	74,699	2020	Euro	92.845%
2014	Obrascón Huarte Lain, S.A.	324,895	324,453	2022	Euro	69.401%
2015	Obrascón Huarte Lain, S.A.	270,968	270,581	2023	Euro	69.147%
Total		**670,655**	**669,733**			

"Corporate Bond Issues" includes the principal and the accrued interest payable at 30 June 2019 of the three long-term bond issues carried out by the Parent in Europe.

The main changes in each of the three bond issues since their issuance, including the bondholders' exercise of the put option in 2018 whereby the Group repaid its bonds by paying 101% of the par value plus the accrued interest, were as follows:

Item	Thousands of euros
March 2012 issue (maturity 2020)	**300,000**
November 2015 buyback	(37,583)
March 2016 early redemption	(32,058)
August 2016 early redemption	(13,780)
September 2016 buyback	(9,500)
October 2016 buyback	(20,000)
Interest and other	3,065
Balance at 31 December 2017	**190,144**
May 2018 exercise of put option	(113,774)
Interest and other	(1,671)
Balance at 31 December 2018	**74,699**
Interest and other	93
Balance at 30 June 2019	**74,792**

Item	Thousands of euros
March 2014 issue (maturity 2022)	**400,000**
September 2016 buyback	(5,500)
Interest and other	626
Balance at 31 December 2017	**395,126**
May 2018 exercise of put option	(71,481)
Interest and other	808
Balance at 31 December 2018	**324,453**
Interest and other	442
Balance at 30 June 2019	**324,895**

Item	Thousands of euros
March 2015 issue (maturity 2023)	**325,000**
November 2015 early redemption	(8,137)
September 2016 buyback	(4,000)
Interest and other	(102)
Balance at 31 December 2017	**312,761**
May 2018 exercise of put option	(42,994)
Interest and other	814
Balance at 31 December 2018	**270,581**
Interest and other	387
Balance at 30 June 2019	**270,968**

The average interest rate during the first six months of 2019 on the bond issues was 5.37% (2018: 5.48%).

The Parent has certain financial commitments in relation to the 2012, 2014 and 2015 issues. The Parent's Directors, on the basis of the advice received, consider that all these commitments envisaged in the financing agreements were met.

Obrascón Huarte Lain, S.A.'s bond issues include a put option clause for the bondholders in the event of third-party takeover of the Parent.

3.15.- Other financial liabilities

The breakdown of "Other Financial Liabilities" at 30 June 2019 and 31 December 2018 is as follows:

Item	Thousands of euros	
	30/06/2019	31/12/2018
Operating leases under non-current liabilities	24,980	-
Operating leases under current liabilities	9,242	-
Finance leases under non-current liabilities	5,069	2,236
Finance leases under current liabilities	3,810	3,036
Derivatives under non-current liabilities	166	148
Derivatives under current liabilities	8,407	2,979
Total	**51,674**	**8,399**

The Group leases certain of its fixtures and equipment under finance leases. The average lease term is 45 months.

Operating leases are those leases which do not transfer substantially all the risks and rewards incident to ownership, and which have been recorded on the balance sheet as a result of the first-time application of IFRS 16 Leases on 1 January 2019 (see Note 2.2.).

The Group's main operating leases relate to the lease of offices at its head office and the other operating centres of its subsidiaries.

3.16.- Other liabilities

The breakdown of “Other Liabilities” as at 30 June 2019 and 31 December 2018 is as follows:

Item	Thousands of euros			
	30/06/2019		31/12/2018	
	Non-current	Current	Non-current	Current
Payables to associates	-	135,137	-	89,690
Remuneration payable	-	27,930	-	23,797
Tax payables	-	69,764	-	74,964
Other non-trade payables	18,332	56,595	14,690	58,724
Guarantees and deposits received	-	2,811	14	2,520
Other	-	145	-	156
Total	**18,332**	**292,382**	**14,704**	**249,851**

3.17.- Tax matters

Consolidated tax group

The Group files consolidated tax returns in both Spain and the US for all the companies that meet the related requirements. All the other companies file individual tax returns.

Accounting for taxes

The income tax expense of the consolidated Group is obtained by aggregating the income tax paid by the consolidated tax groups and the companies that file individual income tax returns.

The tax bases are calculated on the basis of the profit or loss for the year adjusted by temporary differences, permanent differences and prior years' tax losses.

The tax effect of temporary differences between transactions recognised in the accounting records and reported in the income tax return using different criteria gives rise to deferred tax assets and liabilities that will be receivable or payable in the future.

Tax losses, if recognised, also give rise to deferred tax assets that will reduce the expense for subsequent years.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the assets are realised or the liabilities are settled.

Deferred tax assets are only recognised when there are no doubts that there will be sufficient taxable profits in the future against which to charge these temporary differences.

At the end of each tax year, the deferred tax balances are reviewed in order to ascertain whether they still exist and the appropriate adjustments are made so as to adapt the balances to the new situation.

Income tax expense

The main line items affecting the quantification of the income tax expense are as follows (estimated amounts):

Item	Thousands of euros	
	30/06/2019	30/06/2018 (*)
Consolidated profit/(loss) before tax	**(15,788)**	**(342,702)**
Profit/(Loss) using the equity method	502	71,911
Subtotal	**(15,286)**	**(270,791)**
Tax charge at 25%	**(3,822)**	**(67,698)**
Net impact of other permanent differences, tax credits, domestic tax rate differential and adjustments	3,605	70,385
Income tax (paid)/received	**(217)**	**2,687**

(*) Restated

This rate was calculated by eliminating the profit/(loss) using the equity method and other line items without any tax effect, and it must be taken into consideration that the Group does not recognise tax assets if it is not certain that they will be recovered.

Years open for review by the tax authorities

In general, the Group companies have all the tax returns filed in recent years for the taxes applicable to them open for review by the tax authorities.

The Parent'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.

The possible tax audits of the years open for review by the tax authorities could give rise to certain contingent tax liabilities that cannot be objectively quantified. However, the Parent's Directors consider that those liabilities would not be material.

3.18.- Income and expenses

Revenue

The Group's revenue for the first six months of 2019 amounted to EUR 1,361,275 thousand (EUR 1,439,976 thousand in the first six months of 2018). The breakdown, by business activity, geographical market and type of customer, is as follows:

Business activity	Thousands of euros		
	30/06/2019	30/06/2018	% Var.
Engineering and Construction	**1,354,596**	**1,438,589**	-5.84
Construction	1,123,282	1,219,694	-7.90
Industrial	95,753	91,218	4.97
Services	135,561	127,679	6.17
Subsequent years	6,679	1,387	381.5
Total revenue	**1,361,275**	**1,439,976**	**-5.47**

The breakdown of revenue by geographical market in the first six months of 2019 and 2018 is as follows:

Geographical market	Thousands of euros	
	30/06/2019	30/06/2018
US and Canada	442,459	452,955
Mexico	54,150	109,789
Chile	93,903	66,808
Peru	48,797	71,585
Colombia	34,950	51,545
Spain	436,908	370,678
Central and Eastern Europe	107,832	118,988
Other countries	142,276	197,628
Total revenue	**1,361,275**	**1,439,976**

	Thousands of euros	
	30/06/2019	30/06/2018
Spanish market	**436,908**	**370,678**
International market:	**924,367**	**1,069,298**
European Union	109,233	892,710
Euro area	12,187	118,878
Non-euro area	97,046	773,832
Subsequent years	815,134	176,588
Total	**1,361,275**	**1,439,976**

The reconciliation between revenue by segment and consolidated revenue for the first six months of 2019 and 2018 is as follows:

Segments	Thousands of euros			
	30/06/2019		30/06/2018	
	Revenue	Profit/(Loss) before tax	Revenue	Profit/(Loss) before tax
Engineering and Construction	**1,352,596**	**4,570**	**1,442,318**	**(342,702)**
- Construction	1,123,282	11,633	1,223,423	(102,376)
- Industrial	95,753	(7,498)	91,216	(65,821)
- Services	135,561	435	127,679	(2,647)
Other	**6,679**	**(20,358)**	**(2,342)**	(171,858)
Total	**1,361,275**	**(15,788)**	**1,439,976**	**(342,702)**

Other operating income

At 30 June 2019, “Other Operating Income” amounted to EUR 33,934 thousand (30 June 2018: EUR 44,680 thousand).

Procurements

In the first six months of 2019, “Procurements” amounted to EUR (777,549) thousand, 18.4% less than the amount for the same period of 2018, EUR (953,350) thousand.

Staff costs

“Staff Costs” in the first six months of 2019 amounted to EUR (373,107) thousand (first six months of 2018: EUR (409,727) thousand).

In the first six months of 2018, it included costs of EUR 13,000 thousand relating to the collective redundancy procedure that the Parent concluded on 31 December 2018, whereby 131 job positions were terminated.

Other operating expenses

The breakdown of “Other Operating Expenses" in the consolidated statement of profit or loss is as follows:

Item	Thousands of euros	
	30/06/2019	30/06/2018
Outside services	(140,995)	(180,651)
Taxes	(7,957)	(8,744)
Other current operating expenses	(72,888)	(59,707)
Total	**(221,840)**	**(249,102)**

Finance income

The breakdown of “Finance Income” in the consolidated statement of profit or loss is as follows:

Item	Thousands of euros	
	30/06/2019	30/06/2018
Interest received from other companies	9,330	12,231
Equity investments	-	-
Total	**9,330**	**12,231**

Finance expenses

The breakdown of "Finance Expenses" in the consolidated statement of profit or loss is as follows:

Item	Thousands of euros	
	30/06/2019	30/06/2018
On the financing of current transactions	(25,964)	(47,984)
On IFRS 16	(231)	-
On finance leases and deferred purchases of fixed assets	(99)	(31)
Total	**(26,294)**	**(48,015)**

Exchange differences (income and expenses)

“Exchange Differences” in the first six months of 2019 amounted to EUR 5,010 thousand (first six months of 2018: EUR (15,682) thousand).

Profit/(Loss) on changes in value of financial instruments at fair value

In the first six months of 2019 it amounted to EUR (212) thousand.

In the first six months of 2018 this figure stood at EUR (90,288) thousand and arose mainly as a result of the foreign currency hedge arranged to hedge the divestiture of the Concessions Division, which following its settlement in 2018 amounted to EUR (92,255) thousand.

Profit/(Loss) of companies accounted for using the equity method

In the first six months of 2019 it amounted to EUR (502) thousand compared to EUR (71,911) thousand for the first six months of 2018.

Impairment and profit/(loss) on disposals of financial instruments

In the first six months of 2019 “Impairment and Profit/(Loss) on Disposals of Financial Instruments” in the consolidated statement of profit or loss amounted to EUR (2) thousand.

In the first six months of 2018, this heading of the statement of profit or loss stood at EUR (5,224) thousand, amongst which special mention is made of the sale in June 2018 of ZPSV, a.s. for the amount of EUR 44,331 thousand, which involved a loss of EUR (3,066) thousand.

Profit /(Loss) for the year from discontinued operations, net of tax

In view of the profit/(loss) recognised in 2018, revaluing the assets and liabilities classified as held for sale, it is estimated that no profit or loss will be made on the disposal in 2019.

3.19.- Consolidated statement of cash flows

The consolidated statement of cash flows was drawn up taking into account the provisions of IAS 7 and does not include exchange rates fluctuations in the currencies in which the Group operates against the Euro.

Furthermore, the pertinent classifications have been made for appropriately showing the changes due to companies being included and leaving the scope of consolidation.

For each of the main items, the consolidated statement of cash flows shows the most outstanding aspects for the following items:

Cash flows from operating activities

The breakdown of “Other Adjustments to Profit/(Loss)" is as follows:

Item	Thousands of euros	
	30/06/2019	30/06/2018
Changes in provisions	(7,806)	(12,071)
Financial profit/(loss)	12,168	146,837
Profit/(Loss) of companies accounted for using the equity method	502	71,911
Total	**4,864**	**206,677**

Cash flows from investing activities

“Cash Flows from Investment Activities” amounted to EUR 35,426 thousand in the first six months of 2019.

“Payments due to investment” amounted to EUR (52,993) thousand.

“Proceeds from divestiture” amounted to EUR 79,089 thousand.

Cash flows from financing activities

"Cash Flows from Financing Activities" amounted to EUR (22,998) thousand in 2018.

In view of the aforementioned figures, and taking into consideration the exchange rates, cash and cash equivalents at the end of the period amounted to EUR 814,434 thousand.

4.- OTHER DISCLOSURES

4.1.- Number of employees

The average number of employees in the first six months of 2019 and 2018, by professional category, was as follows:

Professional category	Average number of employees	
	30/06/2019	30/06/2018 (*)
Management and university graduates	349	398
Further education	1,326	1,601
Non-graduate technical staff	2,442	2,925
Clerical staff	954	1,197
Other employees	13,645	14,867
Total	**18,716**	**20,988**
Permanent employees	12,426	12,717
Temporary employees	6,290	8,271
Total	**18,716**	**20,988**
Men	10,598	12,728
Women	8,118	8,260
Total	**18,716**	**20,988**

(*) Restated

4.2.- Transactions with related companies

Transactions with related companies are deemed to be transactions with parties outside the Group but with which there are strong ties as defined in Ministry of Economy and Finance Order EHA/3050/2004, of 15 September, and in Spanish National Securities Market Commission (CNMV) Circular 1/2005, of 1 April.

The following transactions were performed with related companies in the first six months of 2019 and 2018:

Item	Thousands of euros			
	30/06/2019	% of total	30/06/2018	% of total
Income and expenses				
Revenue	17,614	1.29	33,063	2.30
Other operating income	231	0.68	699	1.57
Finance income	3,720	39.87	3,332	27.24
Procurements	2,075	0.27	1,401	0.15
Other operating expenses and management contracts	1,788	0.81	4,792	2.12
Other transactions				
Purchase of intangible assets	192	n/a	476	n/a
Purchase of property, plant and equipment	12	n/a	-	n/a
Purchase of financial assets	-	n/a	-	n/a
Financing agreements: loans granted	-	n/a	34,866	n/a
Financing agreements: redemption of loans granted	-	n/a	542	n/a
Dividends paid	-	n/a	44,346	n/a
Guarantees provided	(34)	n/a	19,259	n/a
Advances	-	n/a	(34,866)	n/a

The breakdown of transactions with related companies in the first six months of 2019 is as follows:

Employer identification number	Related company	ITEM	Group company	Thousands of euros
PT502473525	ADP Fertilizantes, S.A.	Revenue	Avalora Tecnologías de la Información, S.A.	13
A80400351	Espacio Information Technology, S.A.U.	Revenue	Avalora Tecnologías de la Información, S.A.	171
A80420516	Ferroatlántica, S.A.U.	Revenue	Avalora Tecnologías de la Información, S.A.	14
FR33642005177	FerroPem, SAS	Revenue	Avalora Tecnologías de la Información, S.A.	6
A28165298	Fertiberia, S.A.	Revenue	Avalora Tecnologías de la Información, S.A.	36
A28294718	Inmobiliaria Espacio, S.A.	Revenue	Avalora Tecnologías de la Información, S.A.	9
A28032829	Padacar, S.A.U.	Revenue	Avalora Tecnologías de la Información, S.A.	2
B82607839	Promociones y Propiedades Inmobiliaria Espacio, S.L.U.	Revenue	Avalora Tecnologías de la Información, S.A.	5
B84996362	Torre Espacio Gestion S.L.U.	Revenue	Avalora Tecnologías de la Información, S.A.	18
A28165298	Fertiberia, S.A.	Revenue	Chemtrol Proyectos y Sistemas, S.L.	3
A87287223	Espacio Caleido, S.A.	Revenue	Obrascon Huarte Lain, S.A.	14,110
B83962225	Espacio Living Homes, S.L.	Revenue	Obrascon Huarte Lain, S.A.	1,611
B87567160	Espacio Mallaeta, S.L.U.	Revenue	Obrascon Huarte Lain, S.A.	1,341
B82607839	Promociones y Propiedades Inmobiliaria Espacio, S.L.U.	Revenue	Obrascon Huarte Lain, S.A.	41
A28165298	Fertiberia, S.A.	Revenue	OHL Industrial Mining & Cement, S.A.	6
A87287223	Espacio Caleido, S.A.	Revenue	OHL Servicios - Ingesan, S.A.U.	1
A28294718	Inmobiliaria Espacio, S.A.	Revenue	OHL Servicios - Ingesan, S.A.U.	1
A28032829	Padacar, S.A.U.	Revenue	OHL Servicios - Ingesan, S.A.U.	40
B84996362	Torre Espacio Gestion S.L.U.	Revenue	OHL Servicios - Ingesan, S.A.U.	172
B85253888	Villar Mir Energía, S.L.U.	Revenue	OHL Servicios - Ingesan, S.A.U.	14
B86830536	Alse Park, S.L.	Other operating income	Obrascon Huarte Lain, Desarrollos, S.L.	50
B86830536	Alse Park, S.L.	Other operating income	Obrascon Huarte Lain, S.A.	1
A80400351	Espacio Information Technology, S.A.U.	Other operating income	Obrascon Huarte Lain, S.A.	72
A82500257	Grupo Villar Mir, S.A.U.	Other operating income	Obrascon Huarte Lain, S.A.	108
A28294718	Inmobiliaria Espacio, S.A.	Finance income	Avalora Tecnologías de la Información, S.A.	66
A82500257	Grupo Villar Mir, S.A.U.	Finance income	Obrascon Huarte Lain, S.A.	2,176
A28032829	Padacar, S.A.U.	Finance income	Obrascon Huarte Lain, S.A.	1,478

Employer identification number	Related company	ITEM	Group company	Thousands of euros
A80400351	Espacio Information Technology, S.A.U.	Procurements	Avalora Tecnologías de la Información, S.A.	916
A28032829	Padacar, S.A.U.	Procurements	Construcciones Adolfo Sobrino, S.A.	949
A28032829	Padacar, S.A.U.	Procurements	Obrascon Huarte Lain, S.A.	208
B86727500	Torre Espacio Restauración, S.L.U.	Procurements	OHL Industrial, S.L.	2
B83393066	Enérgya VM Gestión de Energía, S.L.U.	Other operating expenses	Agrupación Guinovart Obras y Servicios Hispania, S.A.	1
B83393066	Enérgya VM Gestión de Energía, S.L.U.	Other operating expenses	Asfaltos y Construcciones Elsan, S.A.	9
B83393066	Enérgya VM Gestión de Energía, S.L.U.	Other operating expenses	Construcciones Adolfo Sobrino, S.A.	3
A28294718	Inmobiliaria Espacio, S.A.	Other operating expenses	Obrascon Huarte Lain, Desarrollos, S.L.	1
B86830536	Alse Park, S.L.	Other operating expenses	Obrascon Huarte Lain, S.A.	14
B83393066	Enérgya VM Gestión de Energía, S.L.U.	Other operating expenses	Obrascon Huarte Lain, S.A.	65
B84996362	Torre Espacio Gestion S.L.U.	Other operating expenses	Obrascon Huarte Lain, S.A.	25
B86727500	Torre Espacio Restauración, S.L.U.	Other operating expenses	Obrascon Huarte Lain, S.A.	5
B80209232	Inse Rail, S.L.	Other operating expenses	Obrascon Huarte Lain, S.A.	40
B83393066	Enérgya VM Gestión de Energía, S.L.U.	Other operating expenses	OHL Servicios - Ingesan, S.A.U.	8
B80209232	Inse Rail, S.L.	Management or professional service contracts	EyM Instalaciones, S.A.	4
B82607839	Promociones y Propiedades Inmobiliarias Espacio, S.L.U.	Management or professional service contracts	Obrascon Huarte Lain, S.A.	400
A80400351	Espacio Information Technology, S.A.U.	Management or professional service contracts	Obrascon Huarte Lain, S.A.	1,213
	Other transactions			
A80400351	Espacio Information Technology, S.A.U.	Purchase of intangible assets	Obrascon Huarte Lain, S.A.	192
A80400351	Espacio Information Technology, S.A.U.	Purchase of property, plant and equipment	Obrascon Huarte Lain, S.A.	12
A87287223	Espacio Caleido, S.A.	Guarantees for construction work	Obrascon Huarte Lain, S.A.	10,000
B86830536	Alse Park, S.L.	Financial guarantees	Obrascon Huarte Lain, S.A.	(34)

At 30 June 2019 and 2018, the balances with related companies were as follows:

Item	Thousands of euros			
	30/06/2019	% of total	31/12/2018	% of total
Non-current assets				
Other receivables	-	-	-	-
Current assets				
Advances to suppliers and subcontractors	-	-	-	-
Trade receivables for sales and services	19,306	1.65	12,743	1.09
Sundry accounts receivable	3,286	5.81	3,081	6.00
Other receivables	6,444	10.02	3,227	5.10
Other current assets (see Note 3.6.)	122,710	73.54	119,101	77.59
Non-current liabilities				
Other non-current liabilities	-	-	-	-
Current liabilities				
Customer advances	-	-	493	-
Trade payables for purchases and services	493	0.05	316	0.03
Notes payable	-	-	-	-
Other non-trade payables	1,520	2.69	1,825	3.11

4.3.- Contingent assets and contingent liabilities

4.3.1.- Contingent assets

There were no material contingent assets at 30 June 2019.

4.3.2.- Contingent liabilities and guarantees

4.3.2.1.- Guarantees provided to third parties

The contingent liabilities include the normal liability of construction companies for the performance and completion of the project contracts held by the Group companies and those arranged by the Joint Ventures in which they have interests. The subsidiaries in Spain also have a secondary liability for the obligations of their subcontractors to the social security system with respect to their site employees. No losses are expected to be incurred by the Group in this connection.

At 30 June 2019, the Group companies had provided EUR 3,621,743 thousand of guarantees to third parties (31 December 2018: EUR 3,417,700 thousand), of which, in accordance with standard practice in the industry, EUR 3,533,116 thousand (31 December 2018: EUR 3,344,000 thousand) related to performance bonds deposited with public authorities and private-sector customers to guarantee proper performance of the project contracts, and the remainder to provisional guarantees for project bids.

The Group considers that, in connection with the construction projects subject to this type of guarantee, no circumstances have arisen that require a provision to be recognised.

The obligations assumed are the performance of the construction work or project in accordance with the principal contract entered into. Should the Group breach the terms and conditions envisaged in the contract and, accordingly, fail to perform the construction work or project, the customer would be entitled to enforce the guarantee provided, although it would have to evidence the Group's default.

The Group considers that it has been complying with the obligations assumed with its customers in relation to the performance of the construction work or projects awarded, which is the Group’s core business. Therefore, the Group considers the probability of defaulting on the contracts it performs and, consequently, of the performance bonds or guarantees provided being enforced, to be remote.

Joint and several personal financial guarantees

Also, certain Group companies had provided joint and several personal guarantees to various entities (mainly banks) as security for the credit facilities granted to other associates, which amounted to EUR 1,423 thousand at 30 June 2019 (31 December 2018: EUR 1,458 thousand).

The Parent's Directors do not expect, as a result of the provision of these guarantees, any additional liabilities to arise that might affect the condensed consolidated interim financial statements as at 30 June 2019.

Investment commitments

Under the concession arrangements, the concession operators are obliged to make certain investments.

These investments will be financed through loans granted to, capital increases at, and cash flows generated by the concession operators. Given that these are estimates and neither the amounts to be received through the loans nor the cash flows to be generated by the concessions are fixed, the amount and the timing of the capital increases at the subsidiaries that the Group would have to subscribe is not certain.

Litigation

At 30 June 2019, certain lawsuits were in process involving the Parent and/or its subsidiaries as a result of the ordinary performance of their operations.

The Group's most significant litigations relating to the Construction and Industrial Divisions are:

- In 2014, the Group 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.

  On 21 November 2018, a partial award was handed down with certain rulings, including the statement on the legality of the termination of the contract. This statement enables QF to file a claim for the actual costs of completion of the work that exceed the contract price yet to be applied. The JV filed an appeal in the UK for the partial annulment of this award with regards to the statement it contained on the legality of the termination of the contract. If the appeal filed by the JV is upheld, the statement on the legality of the termination will be rendered null and void, and a new decision will have to be issued. QF's ability to claim these termination costs will depend on this new decision. On 27 February 2019, another partial award was handed down to determine the percentage of work completed at the time of termination, which determined that approximately 95% of the work had been completed at the time of termination.

  In this context and on the basis of the aforementioned court decision, and taking into account the 6th partial award given on 19 June 2019, the parties' counterclaims are as follows: the JV claims reimbursement of the amount of the enforced guarantees (QAR 880 million, EUR 210 million), the amount of the unpaid alterations made that were already recognised in the partial award (QAR 182 million, EUR 43 million), the amount of the unpaid alterations made for which no arbitration decision has been handed down (QAR 76 million, EUR 18 million), the construction prolongation costs in line with the prolongation period recognised in the partial award (QAR 322 million, EUR 77 million); QF claims termination costs in excess of the outstanding contract price to be applied (QAR 3,636 million, EUR 869 million), defect repair costs (QAR 320 million, EUR 76 million) and contractual penalties for delay (QAR 792 million, EUR 189 million).

It should be noted that the aforementioned amounts relate to claims made by the parties. In all cases (except the case described below), both the legitimacy and the amounts of the items included in each claim are subject to the decision of the arbitral tribunal, which will be handed down during the quantum stage of the arbitration proceedings. The aforementioned decision will not affect the following: (i) the amount of the guarantee enforced against the JV (QAR 880 million, EUR 210 million), which is fixed and in all cases functions as a collection right in the JV's favour, and (ii) the amount of the unpaid alterations made for which no arbitration decision has been handed down (QAR 182 million, EUR 43 million), which is also fixed and functions as a collection right in the JV's favour.

In this context, based on third-party reports and the interpretation thereof by the Parent's legal advisory team, the Parent's Directors have assessed the various scenarios that may arise from the aforementioned legal proceeding and considered when a decision may be handed down in this connection. Based on the foregoing and taking into account the current situation of the proceeding and the possible decisions that may be handed down, the Directors concluded that a loss was not likely to occur for the Company and, therefore, no provision was recognised in this connection.

- On 7 February 2017, Rizzani de Eccher, SpA, Trevi, SpA and Obrascon Huarte Lain, S.A. initiated an arbitration proceeding to protect an investment against the State of Kuwait at the International Centre for Settlement of Investment Disputes (ICSID) in relation to the "Construction, Completion and Maintenance of Roads, Overpasses, Sanitary and Storm Water Drains, as well as other Services for Jamal Abdul Nasser Street" agreement. OHL holds a 50% ownership interest in the construction Joint Venture. This arbitration proceeding was initiated under the international treaties for the reciprocal protection of investments entered into by the State of Kuwait with Spain and Italy and as a result of the breach thereof by the State of Kuwait through its obstructive, abusive and arbitrary actions, to the detriment of the foreign investors, in the performance of that agreement.

  The Joint Venture submitted its claim quantifying the economic compensation to which the claimants are entitled at KWD 81,716,760 (EUR 231.5 million) or, alternatively, KWD 67,676,108 (EUR 191.7 million), based on the assessment performed by external consultants. The State of Kuwait answered the claim and submitted a counterclaim quantified at KWD 26 million (EUR 74 million).

  To date, the arbitration proceedings are following their normal course.

- On 13 December 2017, Samsung C&T Corporation, Obrascon Huarte Lain, S.A. and Qatar Building Company filed a request for arbitration at the International Chamber of Commerce against Qatar Railways Company. The claim arose from the **"Design & Build Package 5 - Major Stations - Doha Metro Project"** agreement. OHL holds a 30% ownership interest in the construction Joint Venture. The Joint Venture claims an amount initially estimated at QAR 1,500 million (EUR 358.5 million). Qatar Rail answered the claim and submitted an initial counterclaim, quantified at QAR 1,000 million (EUR 239.0 million).

- The Polish courts granted leave for consideration to the claim brought by Obrascon Huarte Lain, S.A. against the Polish company PGB, S.A. in which OHL sought from PGB PLN 191,518,336 (EUR 43.61 million) as a result of the liability of PGB as member of the **construction consortium for the Slowacckiego IV project, in Gdansk (Poland)**. The proceeding continues at the preliminary phase.

- The Group has filed arbitration action against Anesrif (Algerian National Railway Investment Agency) resulting from the contract for the construction of the Annaba railroad line. On the basis of independent expert reports, the Group is claiming EUR 140 million. Anesrif has announced it will submit a counterclaim, without stating any amount yet.

- At 31 December 2018, the Group was undertaking two construction projects for the Aleatica Group (formerly OHL Concesiones) in Colombia (the Rio Magdalena toll road) and Mexico (the Atizapán-Atlacomulco toll road) for which the Group considered that the contractual terms for the performance of the projects were not being met. Consequently, it initiated two arbitration proceedings which were the mechanisms stipulated in the contracts for settling disputes.

In response, in April 2019 Aleatica terminated the two project contracts. Since then, while the Group proceeded to defend its legal interests in both proceedings, it opened parallel negotiations with Aletica in order to settle both disputes in a business environment. In this respect, on 17 July 2019, the Group closed a settlement agreement with Aleatica in relation to the disputes arising from the contract for the construction of the Atizapán – Atlacomulco toll road, thus putting an end to the arbitration proceeding that had commenced, and any claims between the parties.

- **Cogeneración Complejo Pajaritos, SAPI de CV (SAPI)**, an investee in which OHL Industrial, S.L.U. has a 50% interest and Sener Ingeniería y Sistemas, S.A. de C.V. holds the other 50% interest, filed at the International Chamber of Commerce (ICC) in Mexico, a request for arbitration against **CYDSA S.A.B de C.V (CYDSA)** in relation to the performance of the **Coatzacoalcos II combined heat and power plant** project. The defendant, in turn, submitted an initial counterclaim. In February 2019, the parties filed their replies, in which: SAPI claims EUR 7.26 million and CYDSA claims EUR 56.58 million. The counterclaims were made in different currencies and, therefore, the information has been unified and provided in euros at the exchange rate prevailing at 28 February 2019. These arbitration proceedings are expected to conclude in 2019 or during the first quarter of 2020.

The Group's most significant litigation relating to investments in companies in liquidation includes the following:

- In June 2008 and 2009 the concession operator **Autopista Eje Aeropuerto Concesionaria Española, S.A.U. (Eje Aeropuerto)** filed two claims (the latter refiled on 31 July 2013) against the Spanish Ministry of Public Works requesting that the economic feasibility of the concession be restored and that the concession arrangement be rendered null and void with the reimbursement of the amounts invested, respectively.

  In order to compensate for the shortfall in traffic and the compulsory purchase cost overruns, in 2012, 2013, 2014, 2015, 2016 and 2017 the company claimed from the Ministry the approval and payment of the amounts earmarked in the compensation account and approval of the annual participating loans pursuant to Additional Provision Eight of Law 43/2010. At present, all the claims have been rejected by the corresponding courts.

  On 22 May 2019, the Supreme Court handed down its ruling against the appeal lodged by the concession operator in June 2014 (398/14), against the alleged dismissals of the request for compensation filed by the concession operator for the performance of additional works.

  Also, in relation to the insolvency proceeding involving Autopista Eje Aeropuerto Concesionaria Española, S.A.U. and Aeropistas, S.L.U.:

  a) Petition for initiation of insolvency proceedings

     Autopista Eje Aeropuerto Concesionaria Española, S.A.U. was declared to be involved in insolvency proceedings together with its sole shareholder, Aeropistas, S.L.U., in the order of 12 December 2013 handed down by Madrid Commercial Court No. 2, which gave rise to voluntary insolvency proceeding 863/13.

  b) The common phase of the insolvency proceeding

     On 19 May 2015, the insolvency managers submitted the lists of creditors in the final reports. With respect to Eje Aeropuerto, there were no changes to the inventory of assets and rights of the concession operator, and the total value remained at EUR 412.6 million, of which intangible assets accounted for EUR 396.1 million. Neither were amendments made to the list of creditors in the final reports or the inventory of assets and rights in the case of Aeropistas, with assets totalling EUR 336.6 million, comprising mainly investments in Group companies and equity instruments.

On 31 July 2015, an order was issued to end the common phase and open the phase of arrangement, as both SEITTSA and the insolvent companies had submitted arrangement proposals.

c) Opening and processing of the liquidation phase

The court order of 13 October 2015 rejected the arrangement proposals submitted and, consequently, ordered the commencement of the liquidation phase, with the legal effects that this entails, including, among others, and in accordance with case law of the Supreme Court's Chamber for Jurisdictional Conflicts, the termination of the concession arrangement.

Lastly, with respect to the termination of the concession arrangement, the Ministry of Public Works terminated this arrangement on 14 July 2018, as a preliminary formality to the settlement of the arrangement.

In parallel, a proceeding related to an appeal against administrative decision 210/2018 commenced at the Supreme Court. This appeal has no fixed amount, and will only contend whether the date of termination of the arrangement must be the date of the liquidation order (13/10/15) and whether, in this case, the State had three months from that date to settle the arrangement and, therefore, owes late-payment interest from then, as well as what the applicable interest rate would be. At the reporting date, the appeal against administrative decision had been filed.

On 26 April 2019, the Council of Ministers adopted a "Resolution on the interpretation of certain toll road concession arrangements, in respect of the method for calculating the Asset Liability of the Administration". The Insolvency Managers have decided to appeal against that Resolution. That appeal has now been lodged, and will be conducted in the Supreme Court, after being admitted for process (see Note 3.3.).

The commencement of the liquidation phase at the two companies led to their exclusion from consolidation from October 2015 onwards.

In this context, and with respect to the termination of the liquidation process of the investees, the Parent's Directors consider that in a base-case resolution scenario, which is inferior to the scenario requested by the companies' insolvency managers, the net investment recognised (EUR 19 million) would be recovered.

- The concession operator **Cercanías Móstoles Navalcarnero, S.A. (CEMONASA)**: on 12 July 2016, Madrid Commercial Court No. 1 issued an order granting permission to proceed in relation to the insolvency request filed by the company and declared the voluntary insolvency thereof.

  On 16 August 2016, the initiation of the ordinary voluntary insolvency proceedings of Cercanías Móstoles Navalcarnero, S.A. was published in the Spanish Official State Gazette.

  On 15 March 2017, Madrid Commercial Court No. 1 ordered the liquidation of Cercanías Móstoles Navalcarnero, S.A., commencing the liquidation phase, declaring the dissolution of the company, the removal of its directors and their substitution by the insolvency managers.

  Lastly, on 2 November 2017, Madrid Commercial Court No. 1 approved the company's liquidation plan within the aforementioned insolvency proceedings, which meant the continuation of the legal actions making it possible for the company to recover the Asset Liability of the Administration, as well as such items admissible under law, and the filing of such new appeals as required with the same purpose.

  On 20 June 2017, as a result of the imposition of the penalty on the Parent, the Regional Government of Madrid enforced the guarantees that OHL, S.A. and OHL Concesiones, S.A.U. had provided to secure performance of their obligations under that company's concession arrangement. The enforced guarantees amounted to EUR 15,869,300.60 (EUR 12,696,240.48 from Banco Popular Español, S.A. and EUR 3,173,060.12 from Abanca Corporación Bancaria, S.A.). On 7 July 2017, subsequent to the filing of an appeal against administrative decision, the High Court of Madrid resolved to stay the court proceeding pending a preliminary judgement to be handed down on the appeal against administrative decision filed by the company requesting the termination of the concession arrangement.

Also, on 21 July 2017, the concession operator was notified of the order issued by the Madrid's Regional Minister for Transport, Housing and Infrastructure declaring the termination of the concession arrangement, the attachment of the guarantee and the obligation to pay compensation for damage and losses to the grantor for an amount to be determined in the corresponding adversarial procedure. On 5 December 2017, the Company lodged an appeal for judicial review against the order (TSJM 1129/17), which is at the stage of assessment and ruling, anticipated for 24 July 2019.

On 27 July 2018, the Regional Government of Madrid initiated a proceeding against CEMONASA to claim damages of EUR 355 million. This claim was subject to an appeal against administrative order (TSJM 1107/18) which requested that enforcement of the administrative act be stayed. The Chamber admitted the stay of enforcement and therefore it is not necessary that CEMONASA provides any guarantee. On 8 March 2018, the Madrid High Court handed down a ruling on the appeal against administrative decision whereby Cercanías Móstoles Navalcarnero, S.A. applied for the termination of the concession arrangement on grounds attributable to the Regional Government of Madrid. The judgement ruled against Cercanías Móstoles Navalcarnero, S.A. and, therefore, a cassation appeal was filed at the Supreme Court, where it was not admitted for process, as set out in the court order of 28 March 2019.

Also, on 21 March 2018, the company's insolvency managers filed, in accordance with the approved liquidation plan, an appeal against administrative decision against the Regional Government of Madrid at the Madrid High Court, requesting the economic settlement of the arrangement since they considered it to be terminated on commencement of the liquidation phase of the insolvency proceeding.

Lastly, as a result of termination of the arrangement mentioned in the preceding paragraph, the Regional Government of Madrid notified of the economic settlement of the arrangement on 30 August 2018, totalling EUR 123 million, to be paid to CEMONASA. The company is currently appealing this settlement in the administrative jurisdiction since it considers the amount to be insufficient.

In line with the situation described above, the Company considers that, based on opinions of its internal and external legal advisers, the concession arrangement supports the right to recover the net investments and the amounts contributed in the form of a loan to the company, with respect to which no provisions have been recognised and that the claim for damages filed by the Regional Government of Madrid against the concession operator will be unsuccessful (see Note 3.3.).

Lezo Separate Proceedings No. 8

On 26 February 2019, the Audit and Compliance Committee decided to open an investigation in relation to the events which, according to information in the press, was being investigated by the Central Investigating Court No. 6, and the law firm of Baker & Mackenzie was engaged, under the direction of Compliance Management.

From what has been published in various sections of the media, it involves a lawsuit in which there is an investigation into an alleged general practice of paying commissions to civil servants related to the awarding of construction work at national level.

On 22 April 2019, the Company received notice from the Central Investigating Court No. 6 requesting information on its model for the prevention of crimes and the resources allocated to this issue. In the same formal request, the Court asked for confirmation of the existence of an internal investigation.

On 3 May 2019, the Company confirmed the existence of the internal investigation.

Lastly, on 5 June 2019, the Company informed the Court of the measures taken on Compliance since 2002 and of the various amounts of money invested in this issue.

To date, the Company is not party to any proceedings under the separate proceedings No. 8 of the Lezo case.

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

The Parent's Directors do not expect any significant additional liabilities to arise in connection with the litigations in progress that might affect the consolidated financial statements as at 30 June 2019.

Contingent liabilities

The contingent liabilities include the normal liability of construction companies for the performance and completion of the project contracts held by the Group companies and those arranged by the Joint Ventures in which they have interests. The subsidiaries in Spain also have a secondary liability for the obligations of their subcontractors to the social security system with respect to their site employees. No losses are expected to be incurred by the Group in this connection.

4.4.- Remuneration of Directors and Senior Executives

The remuneration of the Board of Directors is regulated by Article 24 of the bylaws and the Directors' Remuneration Policy approved, as established in Article 529 novodecies of the Spanish Limited Liability Companies Law, by the shareholders at the Annual General Meeting held on 26 June 2018, for 2018 and the following three years and which established annual maximum remuneration for the non-executive directors, as compensation for the tasks performed, of ONE MILLION FOUR HUNDRED THOUSAND EUROS (EUR 1,400,000), with the distribution criteria that the Board of Directors itself approved and which is included in the aforementioned Remuneration Policy.

During the first six months of 2019, the non-executive directors did not receive any kind of 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.

A breakdown is shown below of the remuneration due for the first six months of 2019 compared to the information for the same period of the previous year:

DIRECTORS:	Thousands of euros	
	30/06/2019	30/06/2018
Type of remuneration:		
Fixed remuneration	600	1,499
Variable remuneration	-	18,000
Attendance fees	593	309
Bylaw-stipulated directors' emoluments	-	0
Transactions involving shares and/or other financial instruments	-	-
Other	-	-
Total	**1,193**	**19,808**
Other benefits:		
Advances	-	-
Loans granted	-	-
Pension funds and plans: contributions	-	-
Pension funds and plans: obligations assumed	-	-
Life insurance premiums	10	7
Guarantees provided to the Directors	-	-
EXECUTIVES:		
Total remuneration received by executives	**3,055**	**4,063**

5.- EVENTS AFTER THE REPORTING PERIOD

There have been no significant events subsequent to the reporting date that could have any effect on these condensed consolidated financial statements at 30 June 2019.

6.- EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These interim condensed consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

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

INTERIM DIRECTORS' REPORT

1. GROUP PERFORMANCE

OHL's results during the first half of 2019 have registered positive Gross Margin and EBITDA, far from the losses of previous quarters and in line with the business plan, advanced at its 2018 results presentation.

The Sales figure has reached approximately EUR 1,400 million in the first six months, with **gross margins of 6% and EBITDA of EUR 22.7 million,** representing 1.7% over Sales.

In the second quarter of 2019, **all of the Group's business activities are again reflecting positive profitability,** in line with the figures presented in 1Q 2019. Cash management and disciplinary measures implemented throughout the Group during the entire period has allowed it to end with a **recourse liquidity position of EUR 823.7 million**.

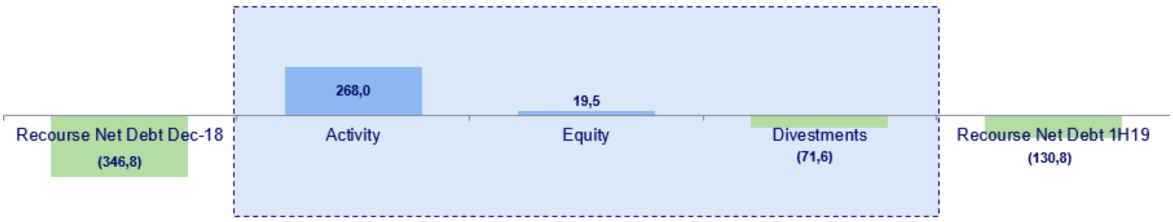
	1S19	1S18*	Var. (%)
Cifra de negocio	1.361,3	1.440,0	-5,5%
EBITDA	22,7	-104,4	n.a.
Liquidez disponible con recurso	823,7	1.326,9	-37,9%
Endeudamiento neto con recurso	-130,8	-617,2	-78,8%
Consumo de caja por actividades	268,0	423,5	-36,7%

Mn Euros

* Re expresado

The **total short-term portfolio** at 30 June 2019 amounts to EUR 5,536.8 million, with awards in the first half of the year of EUR 1,520.3 million; more than 70% of these involves direct works awarded by OHL and approximately 80% belongs to public-sector customers. As for the Construction division, the portfolio has reached EUR 4,951.0 million, representing 25.3 months of sales. The **construction portfolio presents a high diversification by geographical market** (50.2% Europe, 30.6% US and 18.9% LatAm), **by project size** (21% of the total represents projects over EUR 300 million) and **by project type** (48.5% roads, 21.2% railways, 13.9% buildings and 16.4% related to other types).

In relation to **the cash consumption and liquidity position** of the OHL Group, EUR 215.9 million have been consumed in the first six months of 2019, with the following distribution:



- The **cash consumption in operating activities has been significantly lower in all divisions of the OHL Group**, with a total consumption of EUR 268.0 million (36.7% less than the same period the previous year). The Industrial division is of interest, which has consumed 75% less when compared to the first six months of 2018.

- EUR 71.6 million have been received as payment for the divestiture in Ciudad Mayakoba; the remaining amount (approximately EUR 20 million) is expected to be received in the next few months.

- EUR 19.5 million have been invested mainly in the Canalejas Madrid Project.

Cash consumption detail	1H19	1H18	Var
Construction	198.4	272.4	(74.0)
Legacy	*27.0*	*49.0*	(22.0)
Other	*171.4*	*223.4*	(52.0)
Industrial	15.8	62.7	(46.9)
Services	8.4	11.1	(2.7)
Corporate & others	45.4	77.3	(31.9)
Total	**268.0**	**423.5**	**(155.5)**

Mn Euros

The cash management and disciplinary measures implemented throughout the Group during the entire period has resulted in a final **recourse liquidity position of EUR 823.7 million** (including EUR 140.0 million securing the guarantee facility in relation to the Multi-Product Syndicated Financing Agreement).

2. HIGHLIGHTS

Main Figures	1H19	1H18*	Var. (%)
Sales	**1,361.3**	**1,440.0**	**-5.5%**
EBITDA	**22.7**	**-104.4**	**n.a.**
% o/ Sales	1.7%	-7.3%	
EBIT	**-3.1**	**-124.0**	**n.s.**
% o/ Sales	-0.2%	-8.6%	
Attributable net profit	**-15.3**	**-843.6**	**n.s.**
% o/ Sales	-1.1%	-58.6%	

Sales and EBITDA breakdown	1H19	1H18*	Var. (%)
Sales	**1,361.3**	**1,440.0**	**-5.5%**
Construction	1,123.3	1,223.4	-8.2%
Industrial	95.8	91.2	5.0%
Services	135.6	127.7	6.2%
Others	6.6	-2.3	n.a.
EBITDA	**22.7**	**-104.4**	**n.a.**
Construction	32.3	-0.3	n.a.
Industrial	3.7	-27.6	n.a.
Services	3.7	-0.7	n.a.
Corporate and others	-17.0	-75.8	-77.6%

Net Debt	1H19	2018	Var. (%)
Recourse net debt	-130.8	-346.8	-62.3%
Non-recourse net debt	50.1	50.8	-1.4%
Total net debt	**-80.7**	**-296.0**	**-72.7%**

Euro Mn

Order book	1H19	2018	Var. (%)
Short-term	5,536.8	5,876.4	-5.8%
Long-term	220.6	218.2	1.1%

Human Resources	1H19	1H18	Var. (%)
Permanent staff	12,039	11,799	2.0%
Temporary staff	6,668	8,529	-21.8%
Total	**18,707**	**20,328**	**-8.0%**

Euro Mn

* Re expressed

3. PERFORMANCE BY DIVISION

OHL GROUP

Main Figures	1H19	1H18*	Var. (%)
Sales	**1,361.3**	**1,440.0**	**-5.5%**
EBITDA	**22.7**	**-104.4**	**n.a.**
% o/ Sales	1.7%	-7.3%	
EBIT	**-3.1**	**-124.0**	**n.s.**
% o/ Sales	-0.2%	-8.6%	

Euro Mn
* Re expressed

The OHL Group registered Sales of EUR 1,361.3 million in the first six months of 2019, a 5.5% fall compared to the same period in the previous year.

EBITDA in the period was approximately EUR 22.7 million, over losses of EUR -104.4 million in the same period in 2018. This year, project margins are starting to show returns more in line with the market's current scenario, following the targets re-estimated in late 2018. Moreover, there has been strict control of costs and risks.

Performance, by activity segment, is as follows:

CONSTRUCTION

Main Figures	1H19	1H18*	Var. (%)
Sales	**1,123.3**	**1,223.4**	**-8.2%**
EBITDA	**32.3**	**-0.3**	**n.a.**
% o/ Sales	2.9%	0.0%	
EBIT	**14.9**	**-17.4**	**n.a.**
% o/ Sales	1.3%	-1.4%	

Euro Mn
* Re expressed

Construction has ended the period with Sales of EUR 1,123.3 million, 8.2% less than the amount for the same period in 2018, representing 82.5% of the Group's total Sales. The lower levels of activities in Mexico and Turkey (where projects have gradually ended) have led to this change.

The gradual recovery of project margins has given rise to the improvement in EBITDA over the period.

The construction portfolio at 30 June 2019 totalled **EUR 4,951.0 million, representing 25.3 months of Sales**, with a book-to-bill ratio of 1.2x, which has managed to restore the portfolio in a complex scenario. New project awards have meant EUR 1,332.2 million. These have been obtained in the Group's three core regions. Of interest are the awards in Europe and the US, respectively representing 50.2% and 30.6%.

It is noteworthy highlighting that, on 17 June, the OHL Group announced it had reached an **agreement with Aleática S.A.B. de C.V.** which mutually settled all their disputes in relation to the "Atizapán-Atlacomulco" arrangement in Mexico and put an end to the arbitration proceeding. This agreement will not have any material impact on the statement of profit or loss and will allow a recovery of the performance bonds provided by the OHL Group.

The following stand out among the new awards obtained in the first half of 2019:

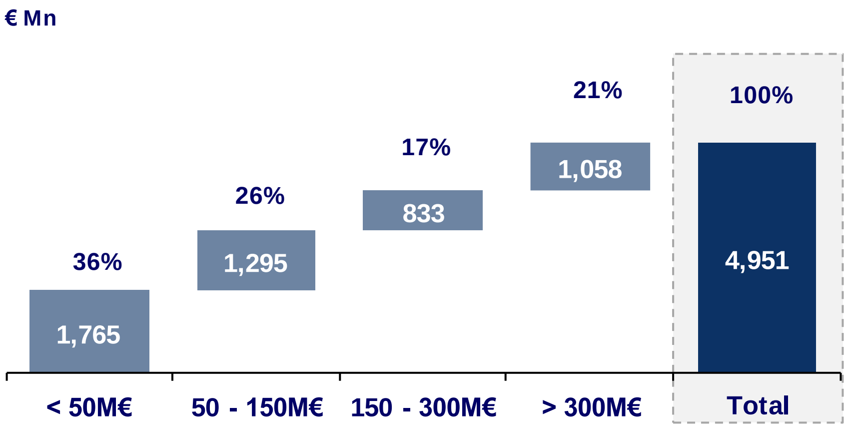
	Country	1H19
Nueva Ctra. entre el Tanque y Santiago del Teide (Tenerife)	Spain	181,5
Valencia Water Reclamation Plant Advanced. (California)	USA	76,0
Caltrans 05-1f Monterey	USA	67,6
Terceras pistas Autopista del Sol	Chile	65,3
Florida Ardie R. Copas State Nursing	USA	43,2
Total main awards		**433,6**
Other		898,7
Total awards		**1.332,2**

Euro Mn

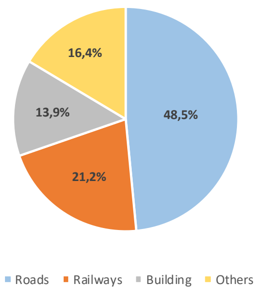
The geographical distribution of the short-term portfolio of the Construction activity is shown below:

	06/30/2019
Main regions	**97.0%**
USA	43.6%
Europe	36.0%
Latin America	17.4%
Other	**3.0%**

By project size, the portfolio is distributed as follows:



8.3% of the Construction portfolio represents works planned for concession infrastructure. In addition, the portfolio is diversified by project type: 48.5% involves roads, 21.2% railways, 13.9% building construction and 16.4% the remaining activities.



The principal contracts of the portfolio at 30 June 2019 are indicated below:

	Country	1H19
Project I-405	USA	505,3
Autopista Vespucio Oriente	Chile	328,9
NY TN-49 Replacement of roadway Deck	USA	217,6
Nueva Ctra. entre el Tanque y Santiago del Teide(Tenerife)	Spain	181,5
New York Canarsie tunnel rehabilitation	USA	148,0
Largest projects in backlog		**1.381,3**

Euro Mn

INDUSTRIAL

Main Figures	1H19	1H18*	Var. (%)
Sales	**95.8**	**91.2**	**5.0%**
EBITDA	**3.7**	**-27.6**	**n.a.**
% o/ Sales	3.9%	-30.3%	
EBIT	**3.3**	**-28.5**	**n.a.**
% o/ Sales	3.4%	-31.3%	

Euro Mn
* Re expressed

Industrial recorded Sales amounting to EUR 95.8 million, 5.0% more than the amount for the same period in the previous year. The gradual decrease in EPC activity, due to completed contracts, has been noteworthy.

EBITDA totalled EUR 3.7 million, 3.9% over sales,(EUR -27.6 million at June 2018 due to EPC losses); **for the third consecutive quarter, positive EBITDA has been recorded.**

Industrial **portfolio**, at 30 June 2019, **recorded EUR 197.3 million**, representing 12.2 months of sales. 92% represents direct works and EUR 33.2 million have been awarded during the first six months of the year.

SERVICES

Main Figures	1H19	1H18*	Var. (%)
Sales	**135.6**	**127.7**	**6.2%**
EBITDA	**3.7**	**-0.7**	**n.a.**
% o/ Sales	2.7%	-0.5%	
EBIT	**1.5**	**-2.5**	**n.a.**
% o/ Sales	1.1%	-2.0%	

Euro Mn
* Re expressed

Services recorded Sales amounting to EUR 135.6 million, 6.2% more than the amount for the same period in the previous year, which were boosted by urban services, maintenance and energy efficiency and cleaning.

EBITDA reached EUR 3.7 million, 2.7% over sales, compared to the -0.7 million in June 2018; again, this is **the third consecutive quarter recording positive EBITDA figures**. This improvement is due to greater returns in new urban services and cleaning arrangements and the completion during 2018 of contracts with negative margins.

The **portfolio**, at 30 June 2019, **recorded EUR 388.4 million**, representing 17.1 months of activity; during the first half of the year, EUR 148.2 million have been awarded, 88.2% by public-sector customers, and 68% will be executed directly.

CORPORATE AND OTHER

This section gathers Corporate costs, as well as expenses incurred in Infrastructure Development and others. EBITDA amounted to EUR -17.0 million, compared to -75.8 million in June 2018 due to non-recurring extraordinary impacts in 2018 (PDC, Xacbal and others).

OHL GROUP

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EBITDA	**22.7**	**-104.4**	**n.a.**
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The gradual recovery of project margins has given rise to the improvement in EBITDA over the period once the targets were re-estimated in 2018.

The construction portfolio at 30 June 2019 totalled EUR 4,951.0 million, representing 25.3 months of Sales, with a book-to-bill ratio of 1.2x, which has managed to restore the portfolio in a complex scenario. New project awards have meant EUR 1,332.2 million. These have been obtained in the Group's three core regions. Of interest are the awards in Europe and the US, respectively representing 50.2% and 30.6%.

It is noteworthy highlighting that, on 17 June, the OHL Group announced it had reached an agreement with Aleática S.A.B. de C.V. which mutually settled all their disputes in relation to the "Atizapán-Atlacomulco" arrangement in Mexico and put an end to the arbitration proceeding.

This agreement will not have any material impact on the statement of profit or loss and will allow a recovery of the performance bonds provided by the OHL Group. The negotiations also continue to try and settle the arbitration taking place between the OHL Group and Aleatica in respect of the Río Magdalena toll road in Colombia.

The following stand out among the new awards obtained in the first half of 2019:

	Country	1H19
Nueva Ctra. entre el Tanque y Santiago del Teide (Tenerife)	Spain	181,5
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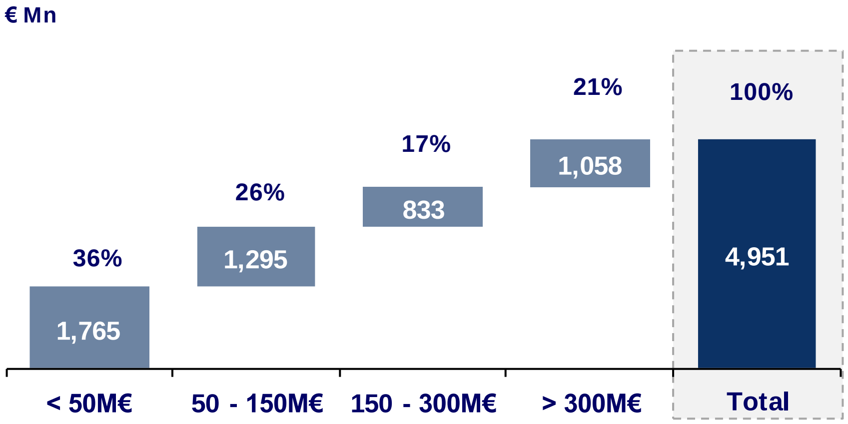

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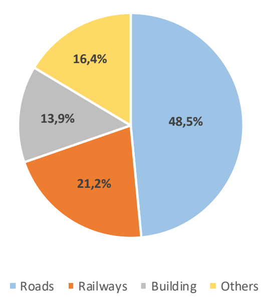

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Euro Mn

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Euro Mn
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Services recorded Sales amounting to EUR 135.6 million, 6.2% more than the amount for the same period in the previous year, which were boosted by urban services, maintenance and energy efficiency and cleaning.

EBITDA reached EUR 3.7 million, 2.7% over sales, compared to the -0.7 million in June 2018; again, this is **the third consecutive quarter recording positive EBITDA figures**. This improvement is due to greater returns in new urban services and cleaning arrangements and the completion during 2018 of contracts with negative margins.

The **portfolio**, at 30 June 2019, **recorded EUR 388.4 million**, representing 17.1 months of activity; during the first half of the year, EUR 148.2 million have been awarded, 88.2% by public-sector customers, and 68% will be executed directly.

CORPORATE AND OTHER

This section gathers Corporate costs, as well as expenses incurred in Infrastructure Development and others. It reflects EBITDA of EUR -17.0 million compared with EUR -75.8 million in June 2018.

4. CONSOLIDATED FINANCIAL STATEMENTS (unaudited figures)

The activity of Development is presented as discontinued in the statement of profit or loss for the first six months of 2019; the statement of profit or loss and the statement of cash flows for the first six months 2018 have been therefore restated.

STATEMENT OF PROFIT OR LOSS

	1H19	1H18*	Var. (%)
Turnover	**1.361,3**	**1.440,0**	**-5,5%**
Other operating revenues	33,9	44,7	-24,2%
Total Operating Revenues	**1.395,2**	**1.484,7**	**-6,0%**
% o/ Sales	102,5%	103,1%	
Operating expenses	-999,4	-1.179,4	-15,3%
Personnel expenses	-373,1	-409,7	-8,9%
EBITDA	**22,7**	**-104,4**	**n.a.**
% o/ Sales	1,7%	-7,3%	
Amortisation	-33,6	-31,7	6,0%
Changes in provisions	7,8	12,1	-35,5%
EBIT	**-3,1**	**-124,0**	**-97,5%**
% o/ Sales	-0,2%	-8,6%	
Financial revenues	9,3	12,2	-23,8%
Financial expenses	-26,3	-47,8	-45,0%
Change in the fair value of financial instruments	-0,2	-90,3	-99,8%
Exchange differences	5,0	-15,7	-131,8%
Deterioration and result from disposals of financial instruments	0,0	-5,2	n.s.
Financial profit / (loss)	**-12,2**	**-146,8**	**-91,7%**
Equity accounted entities	-0,5	-71,9	n.s.
Profit / (loss) on continuing activities before taxes	**-15,8**	**-342,7**	**-95,4%**
% o/ Sales	-1,2%	-23,8%	
Corporate tax	-0,2	2,7	n.s.
Profit / (loss) on continuing activities in the year	**-16,0**	**-340,0**	**-95,3%**
% o/ Sales	-1,2%	-23,6%	
Result after taxes on discontinued operations	**0,0**	**-434,7**	**n.a.**
Profit / (loss) for the year	**-16,0**	**-774,7**	**-97,9%**
% o/ Sales	-1,2%	-53,8%	
Minority interests	0,7	-68,9	n.a.
Minority interests of discontinued operations	0,0	0,0	n.s.
Result attributed to the parent company	**-15,3**	**-843,6**	**-98,2%**
% o/ Sales	-1,1%	-58,6%	

Euro Mn

* Re expressed

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The Group's **revenue** for the first half of 2019 has totalled EUR 1,361.3 million, 5.5% less than the amount recorded during the same period in 2018.

67.9% of the revenue figure for the first six months of 2019 has been executed abroad, compared to 74.3% for the same period in the previous year.

In the distribution of sales by geographical market, Europe represents 43.0%, US represents 32.5% and LatAm and others 24.5%.

Total operating income has amounted to EUR 1,395.2 million, a figure that is 6.0% lower than the one recorded during the first months of 2018.

EBITDA stood at EUR 22.7 million, a noteworthy improvement over the figure obtained in the first six months of 2018, which totalled EUR -104.4 million.

EBIT totalled EUR -3.1 million (EUR -124.0 million in the first half of 2018).

The net amount of **finance income and costs** totalled EUR -17.0 million, representing EUR 18.6 million less than in the first six months of 2018, when EUR -35.6 million were recorded due to the finance costs of the debt; this debt has been notably reduced due to a partial redemption with funds derived from the OHL Concessions divestiture.

Changes in fair value of financial instruments amounted to EUR -0.2 million, compared to EUR -90.3 million in the first six months of 2018 mainly due to the exchange rate hedge completed to hedge the divestiture of OHL Concessions.

Exchange differences totalled EUR 5.0 million, due to better performance in the Canadian dollar, compared to losses of EUR 15.7 million recorded in the first half of 2018 (due to the performance of the Canadian dollar and Mexican peso).

Profit/(Loss) before tax totalled EUR -15.8 million, -1.2% over revenue.

Income tax amounted to EUR -0.2 million; the effective tax rate was similar to that of the first half of 2018.

Profit/(Loss) for the year from continuing operations stood at EUR -16.0 million, compared to EUR -340.0 million in the first six months of 2018.

Profit/(Loss) attributable to the Parent amounted to EUR -15.3 million, compared to EUR -843.6 million in the first six months of 2018 which included the result of the OHL Concessions divestiture.

CONSOLIDATED BALANCE SHEET

BALANCE SHEET	06/30/2019	12/31/2018	Var. (%)
Total non-current assets	**1.323,3**	**1.311,2**	**0,9%**
Intangible fixed assets	206,0	216,2	-4,7%
Tangible fixed assets in concessions	71,1	72,2	-1,5%
Tangible fixed assets	184,3	147,4	25,0%
Real estate investments	11,3	10,5	7,6%
Equity-accounted investments	300,6	293,4	2,5%
Non-current financial assets	339,8	309,0	10,0%
Deferred-tax assets	210,2	262,5	-19,9%
Total current assets	**2.572,0**	**2.792,2**	**-7,9%**
Non-current assets held for sale & discontinued operations	8,4	142,5	n.a.
Stocks	126,1	136,9	-7,9%
Trade debtors and other accounts receivable	1.443,0	1.322,4	9,1%
Other current financial assets	231,3	222,5	4,0%
Other current assets	166,8	153,5	8,7%
Cash and cash equivalents	596,4	814,4	-26,8%
Total assets	**3.895,3**	**4.103,4**	**-5,1%**
Net shareholders' equity	**753,0**	**785,7**	**-4,2%**
Shareholder's equity	**797,8**	**812,2**	**-1,8%**
Capital	171,9	171,9	0,0%
Issue premium	1.265,3	1.265,3	0,0%
Reserves	-624,1	1.052,2	-159,3%
Result for the year attributed to the parent company	-15,3	-1.577,3	n.s.
Interim dividend	0,0	-99,9	n.a.
Valuation adjustments	**-41,5**	**-25,4**	**63,4%**
Parent company shareholders' equity	**756,3**	**786,8**	**-3,9%**
Minority interests	**-3,3**	**-1,1**	**200,0%**
Total non-current liabilities	**784,9**	**888,8**	**-11,7%**
Subsidies	1,1	1,3	-15,4%
Non-current provisions	59,4	60,4	-1,7%
Non-current financial debt (*)	587,3	661,0	-11,1%
Other non-current financial liabilities	30,2	2,4	1158,3%
Deferred-tax liabilities	88,6	149,0	-40,5%
Other non-current liabilities	18,3	14,7	24,5%
Total current liabilities	**2.357,4**	**2.428,9**	**-2,9%**
Non-current liabilities held for sale & discontinued operations	1,4	63,5	-97,8%
Current provisions	204,2	202,5	0,8%
Current financial debt (*)	159,7	80,0	99,6%
Other current financial liablilities	21,5	6,0	258,3%
Trade creditors and other accounts payable	1.678,2	1.827,0	-8,1%
Other current liabilities	292,4	249,9	17,0%
Total liabilities and net shareholders' equity	**3.895,3**	**4.103,4**	**-5,1%**

* Includes Bank debt + Bonds

Mn Euros

Application of IFRS 16 “Leases”

The impact on balance sheet figures has entailed an increase in right-of-use assets and financial liabilities for future payment obligations, related to leases classified to date as operating leases. Its adoption has allowed exceptions on the recognition of short-term leases (less than 12 months) and underperforming leases.

These mostly represent lease commitments over offices and vehicles. The average period of depreciation of these items is five years.

The impact on the balance sheet at 1 January 2019 shows an increase of EUR 38.8 million of assets and liabilities due to minimum future payments non-cancellable and discounted at an interest rate of 5.0%.

Changes in the balance sheet

The principal headings of the consolidated balance sheet at 30 June 2019 and the changes therein with respect to 31 December 2018 are as follows:

Concession infrastructure: this heading takes in all of the Group’s concession assets.

The balance at 30 June 2019 totalled EUR 71.1 million and referred mainly to Sociedad Concesionaria Aguas de Navarra, S.A.

Investments accounted for using the equity method: the balance of this heading stood at EUR 300.6 million, showing an increase of EUR 7.2 million compared to 31 December 2018 and with the following main investments: i) Canalejas Group, S.L. Project, in which the Group holds a 50.0% ownership interest; ii) 51 Whitehall Holdings, S.A.R.L., an investee in which OHL holds a 49.0% ownership interest.

Non-current assets and liabilities classified as held for sale: at 30 June 2019, these totally represent assets and liabilities of the Development division, for which collection is expected in the year 2019.

Decreases compared to 31 December 2018 are due to the sale of part of these assets in February and June 2019.

Trade and other receivables: at 30 June 2019, the balance of this heading totalled EUR 1,443.0 million, accounting for 37.0% of the total assets.

Progress billings receivable amounted to EUR 547.7 million (2.3 months of sales) compared to EUR 561.4 million at 31 December 2018 (2.3 months of sales).

In turn, amounts to be billed for work performed totalled EUR 524.2 million (2.2 months of sales), compared to EUR 463.8 million registered at 31 December 2018 (1.9 months of sales).

This heading has gone down by EUR 65.0 million (EUR 82.6 million at 31 December 2018), on account of trade receivables factored without recourse.

“**Other current financial assets**” totalled EUR 231.3 million at 30 June 2019, and included a restricted deposit of EUR 140.0 million securing the multi-product syndicated financing.

Other current assets: this totalled EUR 166.8 million and included:

At 31 December 2018, it included two loans, one with Grupo Villar Mir, S.A.U. for an amount of EUR 83.9 million and another with Pacadar, S.A. for an amount of EUR 35.2 million.

In June 2019, a settlement agreement was reached with Grupo Villar Mir, S.A. and Pacadar, S.A., as the outcome of negotiations held to secure a full recovery of the granted loans that, on one hand, has represented the extension of all the maturities until September 2020 and, on the other, has strengthened the economic terms and guarantees in favour of the Group, among others, the inclusion of a pledge over 100% of the shares in Pacadar, S.A.

At 30 June 2019, this heading included EUR 86.1 million, representing a loan granted to Grupo Villar Mir, S.A.U., and an amount of EUR 36,7 million, representing a loan granted to Pacadar, S.A.

Equity attributable to the parent: it totalled EUR 756.3 million, accounting for 19.4% of the total assets, and has gone down by EUR -30.5 million compared to the figure at 31 December 2018, due to the net effect of:

- A decrease due to the attributable result of the first half of the year 2019, amounting to EUR -15.3 million.
- A decrease in valuation adjustments totalling EUR -9.7 million as a result of the conversion of financial statements in foreign currency.
- A decrease of EUR -6.3 million from the measurement of financial instruments.
- A decrease of EUR -0.1 million due to a greater number of treasury shares. At 30 June 2019, the treasury shares were made up of 449,212 shares, worth EUR 0.5 million.
- An increase in the amount of EUR 0.9 million due to other changes.

Non-controlling interests: at 30 June 2019 they stood at EUR -3.3 million.

This balance decreased by EUR -2.2 million compared to 31 December 2018 due to the net effect of results, the translation of financial statements in foreign currencies and the impact of the measurement of financial instruments; such change is immaterial.

Borrowings: the comparison of the debt at 30 June 2019 with the figure at 31 December 2018 is:

Gross debt (1)	06/30/2019	%	12/31/2018	%	Var. (%)
Recourse debt	692.9	92.8%	686.5	92.6%	0.9%
Non-recourse debt	54.1	7.2%	54.5	7.4%	-0.7%
Total	**747.0**		**741.0**		**0.8%**

Euro Mn

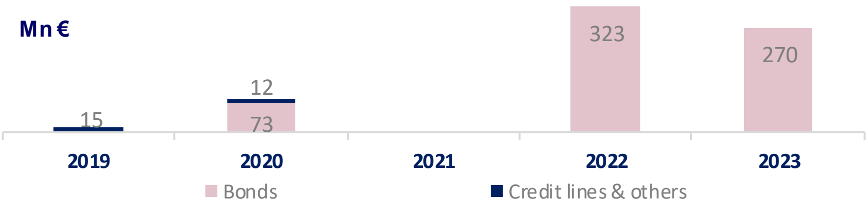
(1) The gross borrowings group together the non-current and current debt items, which include both bank debt and bonds.

Net debt (2)	06/30/2019	%	12/31/2018	%	Var. (%)
Recourse net debt	-130.8	162.1%	-346.8	117.2%	-62.3%
Non-recourse net debt	50.1	-62.1%	50.8	-17.2%	-1.4%
Total	**-80.7**		**-296.0**		**-72.7%**

Euro Mn

(2) The net borrowings are comprised by the gross borrowings minus other financial assets and cash and cash equivalents.

The gross recourse borrowings at 30 June 2019 totalled EUR 692.9 million, increasing by EUR 6.4 million compared to the figure registered at 31 December 2018, represented by a 78.6% of long-term and the remaining 21.4% of short-term borrowings. The breakdown of the maturity of the Group's gross recourse borrowings is provided below:



The gross non-recourse borrowings totalled EUR 54.1 million, 7.2% of the total figure.

CASH FLOWS

	1S19	1S18*
EBITDA	**22.7**	**-104.4**
Adjustments	**-4.3**	**-158.7**
Financial results	-12.0	-141.6
Equity accounted results	-0.5	-71.1
Result from disposals of financial instruments	0.0	0.0
Taxes	-0.2	2.7
Minority interest	0.6	2.8
Changes in provisions and others	7.8	48.5
Cash-flow from operations	**18.4**	**-263.1**
Changes in current capital	**-244.5**	**-142.8**
Trade and other receivables	-120.6	-187.0
Trade creditors and other payables	-148.8	144.2
Other changes in working capital	24.9	-100.0
Cash-flows from operating activities	**-226.1**	**-405.9**
Cash-flow from investment activities	**10.9**	**1,957.3**
Minority interest	-2.2	-7.6
Other	13.1	1,847.0
Discontinued operations	0.0	117.9
Change in net non-recourse debt	**-0.8**	**-0.8**
Change in net recourse debt	**216.0**	**-1,550.6**
Cash-flow from financing activities	**215.2**	**-1,551.4**

Mn Euros

* Re expressed

EBIDTA totalled EUR 22.7 million, representing an improvement of EUR 127.1 million when compared to the same period in the previous year.

Adjustments to profit/(loss) totalled EUR -4.3 million and raised the **funds originating from operations** to EUR 18.4 million, showing a noteworthy improvement over the EUR -263.1 million of the first six months of 2018, mainly due to:

- Recorded improvement in EBITDA,
- better financial results due to less drawdowns under bonds and loans, and the negative impact in the first half of 2018 of value changes in the foreign currency hedge completed to cover the divestiture of OHL Concessions.
- profit/(loss) accounted for using the equity method, which was affected in 2018 by extraordinary non-recurring profit/(loss) (University of Montreal Hospital, CHUM).

Changes in the working capital showed a negative balance of EUR -244.5 million, improving over the EUR 159.1 million recorded in the first quarter of 2019.

All these changes are responsible for the negative **cash flows from operating activities**, which amounted to EUR -226.1 million compared to EUR -405.9 million in the same period in the previous year and EUR -150.4 million in the first quarter of 2019.

Cash flows from investing activities totalled EUR 10.9 million.

Cash flows from financing activities amounted to EUR 215.2 million and included less net non-recourse borrowings to the Group in the amount of of EUR 0.8 million and greater net recourse borrowings in the amount of 216.0 million, due to a greater cash consumption of the Group.

5. PORTFOLIO

At 30 June 2019, the Group's portfolio totalled EUR 5,757.4 million, -5.5% compared to the figure at 31 December 2018.

Of the portfolio, 96.2% refers to short-term construction arrangements, while the remaining 3.8% are long-term.

The short-term portfolio is worth EUR 5,536.8 million, representing approximately 23.5 months of sales.

Construction accounts for 89.4% of the total short-term portfolio.

The long-term portfolio stands at EUR 220.6 million and is similar to the status at 31 December 2018.

	06/30/2019	%	12/31/2018	%	Var. (%)
Short-term	**5,536.8**		**5,876.4**		**-5.8%**
Construction	4,951.1	89.4%	5,240.8	89.2%	-5.5%
Industrial	197.3	3.6%	259.9	4.4%	-24.1%
Services	388.4	7.0%	375.7	6.4%	3.4%
Long-term	**220.6**		**218.2**		**1.1%**
Concessions of Construction O&M	220.6	100.0%	218.2	100.0%	1.1%
Total	**5,757.4**		**6,094.6**		**-5.5%**

Euro Mn

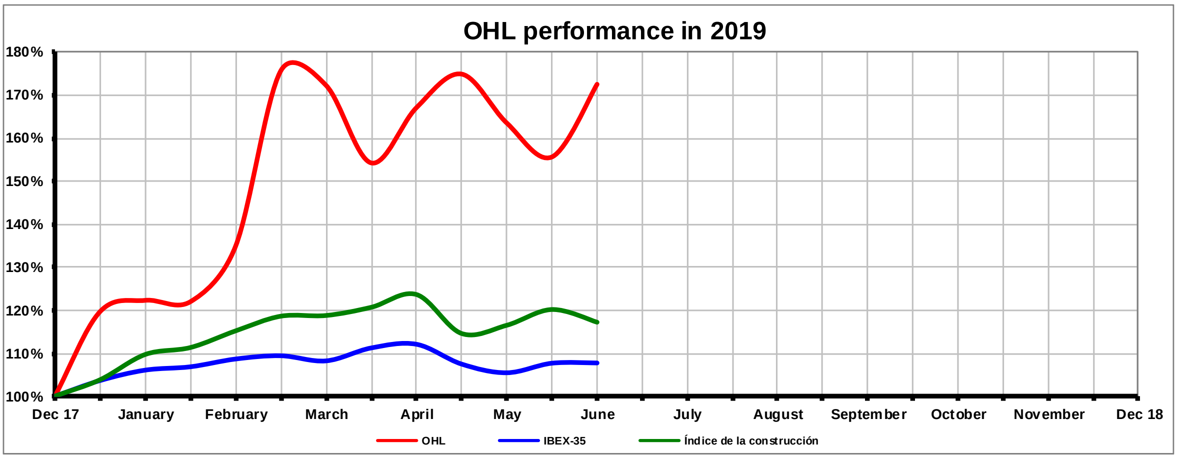
6. SHARE PRICE PERFORMANCE

The share capital at 30 June 2019 totalled 171,928,973.40 euros, represented by 286,548,289 ordinary shares, with a face value each of 0.60 euros, all belonging to a single class and series, listed at 1.124 euros per share, which signifies a share price appreciation of 72.2% in the year.

During the first half of 2019, a total of 442,685,081 shares (154.5% of the total tradable shares) were traded on stock exchanges, with a daily average of 3,541,480 securities.

OHL held treasury shares at 30 June 2019 of 449,212 shares, equivalent to 0.157% of the company's current capital.

	06/30/2019
Closing price	1.12
OHL YtD performance	72.4%
Number of shares	286,548,289
Market capitalization (Euro Mn)	322.1
Ibex 35 YtD performance	7.7%
Construction Index YtD performance	17.1%



The most significant information on the bonds issued by OHL is set out below:

Issuer	Maturity	Coupon	Amount	Price	YtM
OHL S.A.	March 2020	7.625%	73	92.845%	18.888%
OHL S.A.	March 2022	4.750%	323	69.401%	19.914%
OHL S.A.	March 2023	5.500%	270	69.147%	17.068%

7. DEVELOPMENT

In the first six months of 2019 the Group made no investment in development projects and incurred expenditure of EUR 1,067 thousand. Also, EUR 29,386 thousand relating to research and development projects had been capitalised to "Other Intangible Assets".

8. RISK MANAGEMENT

Risk management is a strategic priority for the OHL Group.

Through advanced analysis and control systems, it aims to minimise exposure to such risks, ensure compliance with the profitability targets of each project and that the new contracting is in line with the risk control parameters set by the managing bodies.

For information on the main risks and uncertainties faced by the OHL Group, see Note 2.7 to the interim condensed consolidated financial statements for the six-month period ended 30 June 2019.

9. APPENDICES

PRINCIPAL SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- 14 March 2019: Villar Mir Group reported on its stake in OHL
- 9 April 2019: Contractual Termination: Río Magdalena in Colombia and AT-AT in Mexico by Aleática
- 17 June 2019: Settlement Agreement reached with the Villar Mir Group and Pacadar
- 17 June 2019: Settlement Agreement reached with Aleática in the AT-AT project to conclude the arbitration proceeding.

ALTERNATIVE PERFORMANCE MEASURES

The OHL Group presents its results in accordance with the International Financial Reporting Standards (IFRS) and also uses certain Alternative Performance Measures (APM), which provide a better understanding and comparability of the financial information and, in order to comply with the guidelines of the European Securities and Markets Authority (ESMA), we are defining the following terms below:

EBITDA: is the Operating profit/(loss) prior to the Depreciation and amortisation charge and Changes in provisions.

Use: aggregate indicating profit or loss from operations. This is used by analysts and investors to measure operating performance and relate it to indebtedness.

Comparison: comparative amounts for different periods are presented.

Consistency: the criterion used to calculate EBITDA is the same as that used in the previous year.

Recourse EBITDA: it is calculated as the Total gross operating profit/(loss) (EBITDA), including the interest income, excluding certain losses from Other expenses, in some cases without any effect on cash (e.g. losses on account of re-estimates of final targets in projects, collective redundancy procedures and others), minus the Gross operating profit/(loss) (EBITDA) of project companies, and includes dividends paid to the Parent by the project companies.

Use: aggregate used to calculate contractual clauses.

Comparison: comparative amounts for different periods are presented.

Consistency: the criterion used to calculate recourse EBITDA is the same as that used in the previous year.

Project companies: are those companies whose borrowing does not have recourse to the Parent, OHL S.A.

EBIT: is calculated by taking the following line items from the consolidated statement of profit or loss: Revenue, Other operating income, Operating expenses, Staff costs, Depreciation and amortisation charge and Changes in provisions.

Use: aggregate indicating profit or loss from operations.

Comparison: comparative amounts for different periods are presented.

Consistency: the criterion used to calculate EBIT is the same as that used in the previous year.

Gross borrowings: it groups together the line items of Non-current borrowings and Current borrowings on the liabilities side of the consolidated balance sheet, including bank borrowings and bond issues.

Use: gross borrowings are used as an indicator of solvency.

Comparison: comparative amounts for different periods are presented.

Consistency: the criterion used to calculate gross borrowings is the same as that used in the previous year.

Net borrowings: are made up by the Gross borrowings minus Other current assets and Cash and cash equivalents on the assets side of the consolidated balance sheet.

Use: net borrowings are used to measure the level of indebtedness and to determine the financial structure.

Comparison: comparative amounts for different periods are presented.

Consistency: the criterion used to calculate net borrowings is the same as that used in the previous year.

Non-recourse borrowings (gross or net): it refers to the borrowings (gross or net) of the project companies.

Use: non-recourse borrowings (gross or net) are used to measure the level of indebtedness without recourse to the Parent of the Group.

Comparison: comparative amounts for different periods are presented.

Consistency: the criterion used to calculate non-recourse borrowings (gross or net) is the same as that used in the previous year.

Recourse borrowings (gross or net): it is made up by the Total borrowings (gross or net) minus the Non-recourse borrowings (gross or net).

Use: recourse borrowings (gross or net) are used to measure the level of indebtedness with recourse to the Parent of the Group.

Comparison: comparative amounts for different periods are presented.

Consistency: the criterion used to calculate recourse borrowings (gross or net) is the same as that used in the previous year.

Portfolio: Revenues pending performance of the contracts awarded, both short-term as well as long-term. These contracts are included in the portfolio once they have been formalised.

- **Short-term portfolio:** it shows the estimated amount of the income of Construction, Industrial and Services, pending performance, and also includes the income expected on the basis of changes in the contracts or additional work units estimated in relation to the percentage of completion of the projects.
- **Long-term portfolio:** it shows the estimated future income of the concessions, during the concession period, in accordance with their financial plan and includes estimates of changes in the exchange rate between the euro and other currencies, inflation, prices, toll rates and traffic flows.

Use: an indicator of future income.

Comparison: comparative amounts for different periods are presented.

Consistency: the criterion used to calculate the portfolio is the same as that used in the previous year.

Market capitalisation: number of shares at the end of the reporting period multiplied by the listed price at that time.

Use: indicates the value of the Company on the stock exchange on which its shares are listed.

Comparison: comparative amounts for different periods are presented.

Consistency: the criterion used to calculate the market capitalisation is the same as that used in the previous year.

Earnings per Share (EPS): is the Profit attributed to the Parent divided by the average number of shares in the period.

Use: an indicator of EPS.

Comparison and consistency: comparative amounts are presented for different periods and the criterion used to calculate the earnings per share is the same as that used in the previous year.

P/E Ratio: listed price at the end of the period divided by the Earnings per Share of the last twelve months.

The foregoing financial indicators and Alternative Performance Measures (APM), the use of which facilitates a better understanding of the financial information, are calculated by applying the principles of coherence and homogeneity, thereby enabling the comparability between periods.